



Baltic Sea Region

Programme 2007–2013

Programme Manual

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Operational Programme of European Territorial Co-operation financed by the European Regional Development Fund, European Neighbourhood and Partnership Instrument and the Government of Norway

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0. Introduction: How to use the Programme Manual

This Programme Manual (PM) is aimed at providing further information on provisions laid down in the Operational Programme (OP), Baltic Sea Region Programme 2007 – 2013. The Baltic Sea Region Programme 2007 – 2013 was adopted by the European Commission on 21 December 2007 (Commission decision CCI2007CB163PO020).

The content of the Programme Manual is laid down in chapter 7 of the OP.

The focus of the Programme Manual is to give guidance on all phases of project development, application and implementation. In addition, the Programme Manual also aims at helping the first level controllers to carry out their task.

The Baltic Sea Region Programme 2007 – 2013 is the only European programme where Structural Funds, Norwegian funds and European Neighbourhood and Partnership Instrument (ENPI) are integrated in the same programme. Therefore, also implementation provisions for the projects have been harmonised to the extent possible. Whenever there are specific provisions set for the ENPI financed Project Partners these are reflected separately in the respective chapters of this manual. When there is no reference to ENPI this means that the requirements and procedures described under the respective chapter are the same for all Project Partners regardless of their source of financing.

Please note that ENPI funds are not available for the benefit of Russia because the Government of the Russian Federation did not sign the relevant Financing Agreement for the Baltic Sea Region Programme 2007-2013.

The table of contents of the Programme Manual follows the project cycle. The manual starts with a brief introduction to the general Programme objectives and legal background. For more details on the objectives of the Programme as well as expected content of the projects please refer to the Operational Programme, chapters 1 – 6. The OP can be downloaded on the Programme website at eu.baltic.net. The main legal framework is referred to in chapter 1.4 Legal framework of this manual.

Chapter 2 of the Programme Manual starts with requirements and good practises in building of a project as well as writing of an Application Form. Chapter 9 Project application and selection procedure explains the procedure of application and selection of projects for financing. Finally, from chapter 9.5 onwards, different phases and requirements of project implementation are reflected, until closing of the project.

The fourth version of the Programme Manual was approved by the Monitoring Committee on 25.01.2010 and is valid from that date on. This version 4.2 contains further revisions proposed by the Monitoring committee, which are pointed out in footnotes. The approved version 4.2 was published on the Programme website on 29 January 2010.

1. General information about the Baltic Sea Region Programme 2007 - 2013

1.1. General objectives of the Programme

The general objective of the Programme is to strengthen the development towards a sustainable, competitive and territorially integrated Baltic Sea Region by joining physical and human resources over the borders. In other words, the aim is to make the Baltic Sea Region a better place for its citizens and other people to invest, work and live in.

The Programme is especially focused on the preparation of investments and actions aimed at improving the economic potential of the region. At the same time, the goal is to minimise the existing differences in the socio-economic development between the western and the eastern parts of the region as well as to resolve issues of common concern for the countries around the Baltic Sea Region.

The Programme is divided into 4 priorities:

1. Fostering innovations across the Baltic Sea Region
2. External and internal accessibility of the Baltic Sea Region
3. Management of the Baltic Sea as a common resource
4. Promoting attractive and competitive cities and regions

Priority 1 is focused on the facilitation, generation and dissemination of innovations across the Baltic Sea Region. It is especially dedicated to core innovations in the field of natural and technical science but also to selected non-technical innovations, such as business services, design and other market-related skills. It also supports actions aimed at broader socio-economic development at the regional level, especially in the context of cooperation with Russia and Belarus.

Priority 2 aims at improving external and internal accessibility of the Baltic Sea Region. It highlights promotion and preparation of joint transnational solutions in the field of transport and information and communication technology (ICT).

Priority 3 concentrates on environmental pollution of the Baltic Sea in a broader framework of sustainable management of sea resources. It supports operations aimed at limiting pollution and its impacts on the marine environment. Special emphasis is put on maritime safety.

Priority 4 promotes cooperation of metropolitan regions, cities and rural areas enhancing its attractiveness for citizens and investors. At the same time, ideas will be promoted, which strengthen urban-rural partnership and support a viable economic development in the smaller and less dense settlements. Joint actions dedicated to the social issues within regional and city development, as well as governance and capacity building in the public

sector are promoted in cooperation projects with main focus in Russia and Belarus (area of support 4.3)¹.

Each project that applies for funding has to fit to the objectives of one of these priorities. Further reading: Chapter 6 of the Operational Programme (OP).

1.2. Programme area

The Programme area covers 11 countries: the EU Member States Denmark, Estonia, Finland, Latvia, Lithuania, Poland and Sweden as well as northern parts of Germany. The parts of Germany that belong to the Programme area are the states (Länder) of Berlin, Brandenburg, Bremen, Hamburg, Mecklenburg-Vorpommern, Schleswig-Holstein and Niedersachsen (only NUTS II area Lüneburg).

In addition, the non-Member States Belarus and Norway as well as parts of North-Western Russia belong to the Programme area.²

1.3. Financing

The total Programme co-financing from the European Regional Development Fund (ERDF) amounts to 208 MEUR. The European Neighbourhood and Partnership Instrument (ENPI) contributes 23 MEUR to the Programme. Norway allocates 6 MEUR national funding for Norwegian Project Partners. In addition Project Partners have to provide own contribution to receive Programme co-financing. The level of these contributions varies between the countries and the funds used (For more information see : Chapter 15 and Annex 1 of the Operational Programme, as well as chapter 2.1 Eligible Project Partners and co-financing rates of this manual).

1.4. Legal framework

The Baltic Sea Region Programme 2007 – 2013 has been designed under the territorial cooperation objective of the European Community, while integrating the objectives of the cross-border cooperation of the European Neighbourhood and Partnership Instrument (ENPI CBC) (further information: chapter 7 of the OP).

In practise this means that the Programme combines financing from the EU structural funds/European Regional Development Fund (ERDF), Norwegian National Funding as well as the EU external funds/European Neighbourhood and Partnership Instrument (ENPI). The Programme shall first and foremost be administered according to the ERDF structural funds rules. However, in some cases the ENPI financed Project Partners are to follow certain provisions of the ENPI regulations. When there are specific requirements for

¹ For more details concerning the participation of Russian partners see chapter 2.3

² For further information see chapter 1 of the Operational Programme. For more details concerning the participation of Russian partners see chapter 2.3

ENPI financed Project Partners more details are to be found under the respective chapter.

In general, projects are guided by several layers of rules and requirements:

1. EU legislation, as referred below,
2. Baltic Sea Region Programme 2007 – 2013,
3. Programme Manual, Application Form and other guidance documents to projects,
4. National legislation,
5. Local and/or regional legislation, and
6. Institutional rules and regulations

1.4.1. Structural Funds/European Regional Development Fund (ERDF) (UPDATED!)

For Project Partners from the EU Member States and Norway as well as in the most cases also for Project Partners from Belarus the following regulations apply:

- ▶ Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999
 - The **“General Regulation”** gives general rules and requirements for all structural fund programmes.
 - The following Regulations amend the General Regulation: Council Regulation (EC) No 284/2009 (of 7 April 2009); Council Regulation (EC) No 1341/2008 (of 18 December 2008); Council Regulation (EC) No 1989/2006 (of 21 December 2006).
- ▶ Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999
 - The **“ERDF Regulation”** lays down specific provisions concerning ERDF co-financed programmes and projects. It defines especially the contents and other provisions for the Objective 3/ Territorial Cooperation Programmes, such as the Baltic Sea Region Programme 2007 - 2013.
 - The following Regulation amends the ERDF Regulation: Regulation (EC) No 397/2009 of the European Parliament and of the Council (of 6 May 2009).
- ▶ Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional

Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund

- The “**Implementing Regulation**” sets framework rules e.g. on information activities as well as audit and controls. It combines information for programme implementation which was scattered across several separate regulations in the previous programme period 2000 - 2006.
- The following Regulation amends the Implementation Regulation: Commission Regulation (EC) No 846/2009 (of 1 September 2009).

Reference to the respective articles of the regulations is given in the Programme Manual where relevant.

1.4.2. External funding/European Neighbourhood and Partnership Instrument (ENPI)

The following regulations and rules apply in later specified cases to Project Partners from Belarus as well as to EU partners in case they use ENPI funding:

- Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument
 - The “**ENPI Regulation**” gives general rules and requirements for ENPI financed programmes. The Baltic Sea Region Programme 2007 – 2013 as one of the so-called ENPI sea basin cooperation programmes is the only programme that combines both ERDF and ENPI funding.
- Commission Regulation (EC) No 951/2007 of 9 August 2007 laying down implementing rules for cross-border cooperation programmes financed under Regulation (EC) No 1638/2006 of the European Parliament and of the Council laying down general provisions establishing a European Neighbourhood and Partnership Instrument
 - The “**CBC Regulation**” gives more detailed instructions for implementation of ENPI cross-border cooperation programmes.

1.4.3. Directive on public procurement

Directive **2004/18/EC** of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts.

The organisations that receive Programme funding have to strictly follow public procurement rules in order to make all contracting of services as well

as purchasing of material and equipment eligible for ERDF/ENPI/Norwegian Funds support.

In the EU Member States and Norway there is corresponding national legislation concerning public procurement which the Project Partners from these countries have to apply independent from their legal status. This national legislation is applicable for procurement of goods, supplies and services paid from ERDF/ENPI/Norwegian funds (in accordance with chapter 9.6 of the Operational Programme).

The public procurement rules for Belarusian partners financed from ENPI are set in the Practical Guide to contract procedures for EC external actions, so called "**PRAG**". The PRAG is part of the legislation valid for the ENPI financed programmes and projects.

1.4.4. National legislation

The Programme follows the Community rules. In addition to the Community rules, the Operational Programme, the Programme Manual and each participating country set rules that are applicable for the Programme and projects. As a general rule, the Operational Programme and the Programme Manual determine the cost eligibility and eligibility categories. However, if existent, the nationally adopted and stricter rules establishing the method for calculating eligible costs in Structural Funds apply. Where there are no rules on the national level, the stricter rules of the Operational Programme and/or the Programme Manual apply.³

The Project Partners are responsible to clarify (for themselves) which national legislation of their country they have to apply when implementing the project.

An equal principle applies for regional, local and institutional rules and regulations. They apply in case they are stricter than the national, Programme or EU rules.

The chapters of the Programme Manual (e.g. chapter 5) point out potential areas in which stricter national, regional, local or institutional rules could exist.

1.4.5. The EU Strategy for the Baltic Sea Region (NEW CHAPTER!)

The Programme takes an active part in the implementation of the EU Strategy for the Baltic Sea Region including its Action Plan. It is the first macro-regional concept of the European Union. Under the Swedish EU presidency, in October 2009, the Heads of Governments of all 27 EU member states have endorsed the Strategy which thus became an official part of the European Union's policy. Before that, in September 2009, the

³ For example the Structural funds regulation and the Programme do not set limits for travel and accommodation costs. If there is national legislation that sets such limits, these limits apply.

European Union Affairs ministers of Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland and Sweden, representing the eight EU member states of the Baltic Sea region, confirmed their strong commitment to take the necessary action for its implementation. The European Commission, supported by other bodies, will coordinate and monitor the actions to be implemented, and will regularly report on progress made to the European Council.

The EU Strategy for the Baltic Sea Region addresses areas such as environmental sustainability, prosperity, accessibility and attractiveness, together with safety and security that are crucial for the benefit of the Baltic Sea region – but also for the European Union as a whole. Based on these four pillars, the Action Plan comprises 15 priority areas representing those main fields where the EU Strategy can contribute to improvements. There will be numerous projects striving to tackle the most important challenges identified. The Action Plan already lists a number of flagship projects which are understood as projects of high significance for solving a particular problem.

It should be noted that the EU Strategy for the Baltic Sea Region is understood as an integrated concept requiring the cooperation beyond single policy sectors, and across borders. Even though this Strategy was designed in the context of the European Union, it is obvious that success in several areas will depend on the active participation of neighbouring countries of the area.

For the period 2007-2013, no additional EU funding will be made available to support activities set out in the Action Plan. Instead, available resources should be better coordinated. Necessary financing for implementing the Action Plan including the already listed flagship projects should be drawn from a variety of funding sources including the Territorial Cooperation programmes of the region.

The four thematic “pillars” of the EU Strategy largely overlap with the Priorities of the Programme. Naturally, the transnational Baltic Sea Region Programme 2007-2013 has been identified as an important financial instrument to support the implementation of the Strategy and its Action Plan.

For more information:

http://eu.baltic.net/Baltic_Sea_Region_Strategy.7428.html

1.4.6. Horizontal policies of the European Union (NEW CHAPTER NO.!)

In addition to the regulations mentioned in the previous chapter, there are several horizontal policies and principles that are promoted by all European Union financed programmes. These include e.g. sustainable development, equal opportunities, partnership, additionality and competition (see also chapter 4.2 of the OP).

Sustainable development

Sustainable development means respecting the right of future generations to change the path of development, i.e. to further access resources that are difficult to renew or non renewable and to maintain the elementary natural preconditions for life. In addition to the environmental aspect, sustainable development also covers economical, social and cultural aspects of sustainability. It is thus closely linked to the general objective of the Programme to make the Baltic Sea Region a better place to invest, work and live in.

Environment nevertheless remains the most important aspect of sustainable development. In case it seems that a planned project might have significant adverse impact on the environment, an environmental impact assessment must be carried out in accordance with the national legislation before the project is implemented, or alternatively, during the project implementation but before the activities subject to the environmental impact assessment are carried out. In the Application Form the applicants are asked to clarify whether the planned project activities might have influence, either positive or negative, to the environment.

Negative impacts should be identified, and applicants should present how they will prevent or mitigate negative impacts. In case a project activity has negative impacts on environment, the applicant is asked to specify, whether an environmental impact assessment is needed. When an environmental impact assessment is needed this will be done by the responsible national authorities or other bodies to whom the task has been delegated in accordance with the respective national legislation.

In the Application Form applicants are asked to present how the project contributes to environmental objectives at EU, national and local level.

Integrated territorial development

Actions under the transnational cooperation programmes support integrated territorial development (see Art. 3 (2c) of the Council Regulation (EC) No 1083/2006 and Art. 6 (2) of Regulation (EC) No 1080/2006). This means that the projects should take into account territorial conditions, such as infrastructure, resources, settlements, economic, social, ecologic and cultural conditions, as well as impacts on other sectors to the given territory in order to support balanced development. Policies adopted at national, Baltic Sea Region and European level, such as European Spatial Development Perspective (ESDP) and Territorial Agenda of the European Union adopted on 25th May 2007 should also be considered.

Further reading:

<http://www.vasab.org/>

http://www.bmvbs.de/en/Spatial-development/-_2950/Territorial-Agenda-of-the-EU.htm.

Equal opportunities

The Structural Fund programmes, including the Baltic Sea Region Programme, aim at ensuring equal opportunities between men and women. Another objective from the equality point of view is to prevent all kinds of discrimination, e.g. based on sex, racial or ethnic origin, age or disability (see also Art. 16 of Council Regulation (EC) No 1083/2006).

Promotion of equal opportunities will be regarded, among other horizontal policies, as a positive factor when the Monitoring Committee selects projects for funding. All applicants are asked to integrate these issues in their projects, or at least, to consider the project's influence on matters of equal opportunities.

Projects that build structures (e.g. men and women equally presented in project planning, decision-making or in the project target groups) or implement activities that aim at promoting equal opportunities will describe these activities in the Application Form and their results in the progress reports.

Partnership

Projects can fulfil the partnership principle by ensuring that different levels of administration as well as different types of organisations participate in the project activities. This could be, for example, participation of national, regional and local levels or, correspondingly, public authorities, economic and social partners (such as SMEs, associations) and civil society (such as non-governmental organisations, environmental partners) (see also Art. 11 of Council Regulation (EC) No 1083/2006 and Art. 4 of Regulation (EC) No 1638/2006).

However, a broad partnership should not take place by involving too many partners in one project. A large amount of partners often leads to a complicated management structure, contradictory targets between Project Partners and, thus, difficulties to implement the project successfully.

Additionality

The principle of additionality means that EU financing shall not replace public or equivalent financing of similar activities (see also Art. 15 of Council Regulation (EC) No 1083/2006).

Projects selected for financing are expected to bring value added, something that would not have been possible without the Programme financing. In addition, organisations involved in the project activities cannot replace their statutory tasks with the Programme financing.

State aid

Free movement of goods, services and people is one of the basic principles of the European Union. Therefore the objective of the EU state aid policy is to ensure that free competition is not distorted and trade among the Member States is not affected by public grants.

The points of departure of EU state aid policy are Articles 87 and 88 of the Treaty establishing the European Community (EC Treaty). These articles generally prohibit state aid and define further steps to be taken by the Member States to grant aid that is in line with the state aid law.

In order to meet the requirements of the European Commission (who monitors state aid) and in order to allow for a smooth implementation of the Programme and its approved projects, **the Monitoring Committee of the Baltic Sea Region Programme decided that in the Programme no state aid is granted and that state aid regulations which determine exemptions will not be applied.**⁴

To ensure that any Lead Partner and Project Partner complies with the state aid law the Programme has set up the following conditions:

- ▶ Public procurement rules have been observed. The observance of public procurement rules guarantees that services are provided at market conditions;
- ▶ Competing undertakings in the relevant market can use the project output (e.g. ICT tool/software, training course) in the same way and under the same conditions as the Lead Partner, any of the Project Partners or the end users of the project. All undertakings in the market have the same benefit and no undue advantage is given for anybody. This is the case when the outputs are transferable to the whole market and when they are open-source, i.e. the source (e.g. source code, curricula) and certain other rights (e.g. content) normally reserved for copyright holders are provided under a public license.
- ▶ In case business operators participate in or benefit from the project activities (e.g. pilot projects, trainings) and/or operate/maintain the project outputs/results, they are selected in a non-discriminatory and transparent way (same conditions for all).
- ▶ All project results are made available to the public. This includes securing public access to the project results.
- ▶ Project activities are carried out in accordance with the principle of real costs. This implies that only costs incurred (i.e. paid) by an eligible Project Partner, accounted for and proved by delivery of works, services or supplies (at least partial delivery in the case of advance payments) can be considered as eligible. Such costs must not include a profit-margin for the Lead Partner or Project Partners.

⁴ In particular the De-minimis-Regulation (Regulation (EC) No 1998/2006, OJ L 379, 28.12.2006, p. 5) or the General block exemption Regulation (Regulation (EC) No 800/2008, OJ L 214, 9.8.2006, p. 3).

The Lead Partner and the Project Partners have to ensure that the planned activities are in compliance with the competition legislation of their country. Through signature of the Partner Declaration (cf. chapter 2.4 'Partner Declaration') the Lead Partner and all Project Partners declare that they comply with the state aid law and adhere to the conditions of the Programme for compliance with the state aid law.

During the Quality assessment of the project (cf. chapter 9.3 'Evaluation of project proposals and selection criteria') the Joint Technical Secretariat checks if the activities of the Lead Partner and all Project Partners comply with the state aid law, i.e. if they observe the above-mentioned conditions of the Programme. Any state aid relevant activities that are part of a project proposal have to be excluded in case of a positive grant decision by the Programme's Monitoring Committee.

The observance of the above mentioned conditions is closely monitored by the Programme during the implementation phase of each project. In case the Programme discovers that a Lead Partner or Project Partner does not comply with the conditions, the Programme is obliged to order the recovery from the partners of any undue grant that was paid.

1.5. Programme implementation structure

The Monitoring Committee (MC) is the main decision making body of the Programme. It is composed of representatives of all eleven states that participate in the Programme. The Monitoring Committee is responsible for ensuring the effectiveness and quality of the Programme as well as for selection of projects. The work of the Monitoring Committee is supported by the National Sub-Committees. The National Sub-Committees safeguard the information flow to regional and local authorities, economic and social partners and non-governmental organisations during the implementation of the Programme.

The Managing Authority (MA) is responsible for managing and implementing the Programme on behalf of the participating states in accordance with the relevant Community and national legislation. The Managing Authority is also responsible for tasks of the Joint Managing Authority defined in the ENPI Regulations. The participating states have designated Investitionsbank Schleswig-Holstein (IB) located in Kiel, Germany, to take over both tasks.

Investitionsbank Schleswig-Holstein has also been designated to act as Certifying Authority (CA) of the Programme. The CA is responsible for certifying eligible expenditure to the European Commission and Norway as well as requesting payments to be made to the beneficiaries from the European Commission and Norway.

Germany as the Member State hosting the Managing Authority and the Certifying Authority has appointed the Ministry of Science, Economics and Transport of the state Schleswig-Holstein to act as Audit Authority (AA) of the Programme. The Audit Authority is responsible that audits are carried

out to verify the effective functioning of the management and control system of the Programme. The Audit Authority is assisted by the Group of Auditors comprising one representative of each EU Member State and Norway as well as representatives of Belarus as observers.

The Joint Technical Secretariat (JTS) is responsible for providing all necessary information and management services towards the Project Partners. Furthermore, the Joint Technical Secretariat informs about the Programme to the citizens of the Baltic Sea Region. The JTS also supports the MC, MA, CA and AA in meeting their tasks. The main office of the Joint Technical Secretariat is located in Rostock, Germany, with a branch office in Riga, Latvia.

Further information on Programme implementation structure: chapter 8 of the Operational Programme.

2. Project partnership

The Baltic Sea Region Programme sets some specific requirements on Project Partners, project Lead Partners and the partnership of the project as a whole.

Every organisation that takes part in a project as a Lead Partner or Project Partner has to fulfil the following points:

1. meet the Programme requirements regarding the legal status
2. meet the Programme requirements regarding the geographical location
3. be financially involved in the project
4. be listed in the Lead Partner/ partnership section of the Application Form
5. submit a signed Lead Applicant Declaration/ Partner Declaration
6. conclude the Partnership Agreement

The following chapters describe these requirements further.

2.1. Eligible Project Partners and co-financing rates

The eligibility of an organisation to receive financing from the BSR Programme depends, in the first place, on its legal status and geographical location. In addition, the organisation has to contribute financially in the project.

2.1.1. Legal status (UPDATED!)

As stipulated in the Baltic Sea Region Programme 2007 – 2013, chapter 9.1.1, all organisations that receive funding from the Programme as Lead Partners or Project Partners shall represent one of the following legal entities:

- a. National (governmental), regional, or local authorities
- b. "Bodies governed by public law"⁵

A body that is governed by public law means any body that:

- i. is established under public or private law for the specific purpose of meeting needs of general interest and not having industrial or commercial character
- ii. is a legal person, and ~~not~~
- iii. is financed for the most part by the state, regional or local authorities, or other bodies governed by public law; or is subject to management

⁵ Directive 2004/18/EC, Article 1(9) of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts (OJ L 134, 30.04.2004, p. 114)

supervision by those bodies; or has 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.

- c. Associations formed by one or several regional or local authorities
- d. Associations formed by one or several bodies governed by public law
- e. Bodies established under public or private law for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character, and having legal personality.

Whereas organisations applying for funding in categories a)-d) may act as Lead Partners and Project Partners, organisations applying for funding in category e) may act as Project Partners only.

Organisations applying for funding in categories a)-d) are regarded as public. Organisations applying for funding in category e) are regarded as private.⁶

Bodies that are governed by private law, such as chambers of commerce, trade unions or non-governmental organisations (NGOs) may be Project Partners, and thus, may receive ERDF, Norwegian or ENPI funding if they fulfil the aforementioned criteria in category e), make available the results of the project to the general public and follow the rules applicable to public institutions, such as public tender rules (in the frame of the funded project only).⁷

Each Lead Partner and Project Partner organisation has to confirm that it fulfils the eligibility criteria concerning its legal status by signing the Partner Declaration. For more information please go to chapter 2.4 [Partner Declaration](#).

During the admissibility check the responsible authorities of the Member States, Norway and Belarus check the eligibility of the legal status of the Lead Partner and Project Partner organisations.

~~Bodies governed by public law~~

~~A body that is governed by public law means any body that:~~

- ~~iii. is established under public or private law for the specific purpose of meeting needs of general interest and not having industrial or commercial character~~
- ~~iv. is a legal person, and/or~~
- ~~v. is financed for the most part by the state, regional or local authorities, or other bodies governed by public law; or is subject to management supervision by those bodies; or has an administrative, managerial or~~

⁶ This paragraph was changed during the MC written procedure and was already published in version 4.1 on 7.1.2010.

⁷ This paragraph was changed during the MC written procedure.

~~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.~~

~~An organisation that acts as a Lead Partner in a project must fulfil all of the 3 criteria set above (i – iii).~~

~~In general terms this means that legal persons with non-profit objectives and under public control (iii) can potentially be Lead Partners in the Baltic Sea Region Programme.~~

~~More information can be found in the Programme's guidance note on the legal status of Lead Partners and projects partners providing specific advice for bodies governed by public law (see eu.baltic.net). In case of uncertainty about their eligibility, potential Lead Partners and Project Partners should turn to the Monitoring Committee members of their country ~~as the national authorities are responsible for confirming the eligibility of the legal status of organisations from their country during the admissibility check.~~~~

~~For a Project Partner it is sufficient to fulfil only the first 2 criteria (i and ii).~~

~~In general terms this means that legal persons with non-profit objectives can potentially be partners in the Baltic Sea Region Programme.~~

Partners from countries located outside the Programme area (e.g. UK, NL, BE) are strongly recommended to seek the confirmation of their legal status/eligibility by the responsible national authorities already during the application stage. Experience shows that the length of the legal status confirmation process in countries not involved in the Programme may cause substantial delays. According to the Operational Programme, the legal status/eligibility of all project partners shall be verified by the responsible authorities before an approval decision of the Monitoring Committee is taken. The verification is done by a standard country declaration, sent out by the JTS and to be signed by the responsible national authority within a set deadline. A missing confirmation of the legal status/eligibility might lead to exclusion of the partner from the project.

~~Bodies that are governed by private law, such as chambers of commerce, trade unions or non-governmental organisations (NGOs) may be Project Partners, and thus, may receive ERDF, Norwegian or ENPI funding if they fulfil the aforementioned criteria, make available the results of the project to the general public and follow the rules applicable to public institutions, such as apply the principles of public tender rules as bodies governed by public law. (Text was moved up)~~

~~However, in all cases Lead Partners and Project Partners have to carry out their activities in accordance with principles of the public tender rules that are stipulated in Directive 2004/18/EC (see chapter 1.4 Legal framework) as well as the corresponding national legislation of the country where the respective action takes place. In carrying out their activities related to award of works, supply and service contracts, partners from Belarus will~~

~~have to follow the rules for selection and award of contracts referred to in the Practical Guide (PRAG).~~

~~Each partner organisation has to confirm that it fulfils the eligibility criteria concerning its legal status by signing the Partner Declaration.~~

~~During the admissibility check the respective member states check the eligibility of the legal status of the Lead Partner and Project Partner organisations. (Text was moved up)~~

An "umbrella" type of partnership structure, where one partner acts on behalf and represents other organisations, as well as collects funding for them is not possible. The Managing Authority has to know which organisations receive Programme funding and whether they are eligible according to the Programme rules in order to ensure a functioning audit trail. ~~In order to ensure the proper audit trail the Managing Authority has to know which organisations receive Programme funding and whether they are eligible according to the Programme rules. Therefore, an "umbrella" type of partnership structure, where one partner collects funding and represents other partners without naming them is not possible.~~

~~For more information on the Partner Declaration, please go to chapter 2.4 Partner Declaration.~~

Organisations that do not fulfil the requirements of legal status can participate in the project as associated organisations. This means that **they can support the activities of the project, but** their expenditure will not be co-financed by the Programme and, thus, they have to finance their activities from own resources (see chapter 2.3 Composition of the partnership).

2.1.2. Geographical location **(UPDATED!)**

As a general rule, organisations that receive financing from the Programme must be located in the Programme area (see chapter 1 and 9.1.2 of the OP and chapter 1.2 Programme area of this manual). In accordance with chapter 9.5 of the OP, Lead Partners must be located in the territory of a Member State in the Programme area or, in duly justified cases, located in Norway.

Geographical flexibility rule: 20 % rule (ERDF co-financing)

The 20% rule provides the only exception from the aforementioned principle regarding the geographic location of Project Partners and Lead Partners.

In duly justified cases confirmed by both the Monitoring Committee and Managing Authority, Project Partner organisations located outside the Programme area but inside the European Community may be co-financed by the ERDF. The maximum limit is 20% of the ERDF co-financing to the project. In any case, the expenditure of the outside partners must be for the

benefit of the regions in the Programme area⁸. The ERDF co-financing rate for these partners is up to 50 %. The ERDF co-financing rate for partners located in the German State of Niedersachsen (outside NUTS II area Lüneburg) is up to 75 %.

In addition, there is an exception from the principle regarding the location of Lead Partners within the Programme area.

As a basic principle, Lead Partners must not be located outside the Programme area except for legal entities which are located (in the sense of legal registration) in German regions outside the Programme area, provided that these organisations:

- ▶ fulfil the respective requirements according to chapter 9.1.1 of the OP;
- ▶ are competent in their scope of action for certain parts of the eligible area, e.g. federal ministries, federal agencies, national research bodies which are registered outside the Programme area etc.;
- ▶ carry out activities which are for the benefit of the regions in the Programme area.

As this exception is provided within the 20 % rule (ERDF co-financing), the same co-financing rates apply. The ERDF co-financing rate for these Lead Partners is up to 50 %. The ERDF co-financing rate for Lead Partners located in Niedersachsen (outside NUTS II area Lüneburg) is up to 75 %.

Partners from countries located outside the Programme area (e.g. UK, NL, BE) are strongly recommended to seek the confirmation of their legal status/eligibility by the responsible national authorities already during the application stage. For more details see previous chapter 2.1.1 Legal status (UPDATED!).

2.1.3. Programme co-financing (UPDATED!)

The Programme has three sources of funding:

- ▶ European Regional Development Fund (ERDF)
- ▶ Norwegian national funds
- ▶ European Neighbourhood and Partnership Instrument (ENPI)

In spite of three different funding sources for partners coming from different parts of the Programme area, all partners can apply for funding with a single Application Form followed by a joint assessment procedure and joint decision making procedure for each project.

Co-financing from the **European Regional Development Fund (ERDF)** can be committed to organisations fulfilling the required legal status and located in the territory of the EU Member States within the Programme area. Referring to the geographical flexibility rule mentioned earlier in this chapter,

⁸ Regulation (EC) No 1080/2006, Art 21 (2), chapter 9.1.2 of the OP.

in some exceptional cases ERDF co-financing can also be committed to legal entities that are located outside the Programme area.

Norwegian national funds are used to co-finance participation of organisations that are located in Norway. Such organisations follow the same procedures as the ERDF-eligible organisations when it comes to submission of applications, project reporting and monitoring.

The **European Neighbourhood and Partnership Instrument (ENPI)** funding is used to co-finance activities for the benefit of Belarus. It may also be used for common benefit of the Member States and Belarus to promote transnational cooperation in the Baltic Sea Region. The activities can be carried out by any eligible partner located in the Programme cooperation area, except for partners from Norway. However in general, ENPI funding shall be devoted to co-finance Belarusian participation in the Programme. Norwegian partners can administer and transfer ENPI funding to other Project Partners but not use it for their own expenditure. Further details regarding location of the beneficiaries receiving ENPI funding are provided in chapter 9.1.3 of the Operational Programme.

The financial contribution required from the Project Partner to the ERDF, Norwegian and ENPI funds depends on the location of the partner organisation (see chapter 15 of the OP and table below). Regarding the ENPI funding, Project Partners may agree among themselves on the division of the required financial contribution, taking into account that their total financial contribution shall be at least 10% of the project ENPI budget.

The size of each Project Partner budget has to be indicated in the Application Form and formally confirmed in the Partner Declaration (see chapter 2.4 Partner Declaration). There is no minimum or maximum Project Partner budget specified by the Programme.

The following table summarises possibilities for participation of legal entities from different geographical location in the Programme and respective maximum co-financing rates.

TABLE 2.1.a. Maximum co-financing rates and possibility to act as a Lead Partner for organisations located in different regions of the Programme area and beyond

| | Programme Funds Organisations located(registered) at: | ERDF | | Norwegian National | | ENPI | |
|---|---|----------------------------------|-------------------------------|----------------------------------|-------------------------------|----------------------------------|-------------------------------|
| | | Maximum co-financing rate up to: | Lead Partner from this region | Maximum co-financing rate up to: | Lead Partner from this region | Maximum co-financing rate up to: | Lead Partner from this region |
| 1 | The new EU MS covered by the Programme (PL, LT, LV, EE) | 85% | Yes | No | Yes | Conditionally. *) 90% | Yes |
| 2 | Regions in old EU covered by the Programme (SE, DK, FI, eligible regions in DE) | 75% | Yes | No | Yes | Conditionally. *) 90% | Yes |
| 3 | German legal entities located | Conditionally acc. to 20 % | Yes | No | No | No | No |

| | | | | | | | |
|---|---|--|-----|--|-----|-----|-----|
| | (registered) outside Programme area | rule and conditions of chapter 2.1.2. 50% | | | | | |
| 4 | German legal entities located (registered) in Land of Niedersachsen (outside Lüneburg Region) | Conditionally acc. to 20 % rule and conditions of chapter 2.1.2. 75% | Yes | No | No | No | No |
| 5 | EU MSs outside the Programme area (e.g. in Portugal or Austria) | Conditionally acc. to 20 % rule 50% | No | No | No | No | No |
| 6 | Norway | No | Yes | 1 st -and 2 nd call: 50% From 3 rd -call on: 30% | Yes | No | Yes |
| 7 | Regions in Belarus covered by the Programme | No | No | No | No | 90% | No |
| 8 | Regions in RU | No | No | No | No | No | No |
| 9 | Non-EU countries not covered by the Programme (e.g. in Japan or India) | No | No | No | No | No | No |

*) There must be benefit for eligible regions in partner countries

2.2. Lead Partner principle

The Baltic Sea Region Programme 2007-13 is based on the Lead Partner principle⁹. This means that each project appoints one organisation to act as a Lead Partner to be responsible for the entire project. The Lead Partner organisation shall be located in an EU member state within the Programme area or, in duly justified cases, in Norway. The JTS/ MA will advise the projects at an early stage whether a Norwegian Lead Partner can be justified in the respective project.

The Lead Partner takes full financial and legal responsibility for the implementation of the entire project, including all the Project Partners. The responsibilities of the Lead Partner resulting both from ERDF and ENPI regulations are defined in the Grant Contract that is concluded and signed between the Lead Partner and the Managing Authority (Investitionsbank Schleswig-Holstein).

2.2.1. Main responsibilities of the Lead Partner

The main responsibilities of the Lead Partner include:

- ▶ developing and maintaining an efficient and reliable project implementation, system (strategic, operational and financial management), e.g.:
 - ◆ securing an efficient use of the project's resources;
 - ◆ co-ordination of activities (division of budget and tasks) among the involved partners and ensuring that these tasks are subsequently fulfilled;
- ▶ signing and submitting the Application Form to the Joint Technical Secretariat;
- ▶ representing the project – the LP serves as a contact point to the Joint Technical Secretariat and should ensure continuous communication between the Programme authorities and the Project Partnership;
- ▶ signing the Grant Contract with the Managing Authority and therefore ensuring the implementation of the entire project;
- ▶ laying down the arrangements for its relations with the partners participating in the project in a written agreement comprising, inter alia, provisions guaranteeing the sound financial management¹⁰ of the funds

⁹ Responsibilities of the Lead Partners and project partners are set in Art. 20 of Regulation (EC) No 1080/2006 and further specified in chapter 9.1.4 of the Operational Programme.

¹⁰ The principle of sound financial management is defined in Art. 27 (1, 2) of Council Regulation (EC, Euratom) No 1605/2002. This regulation says that the budget shall be spent "in accordance with the principles of economy, efficiency and effectiveness. The principle of economy requires that the resources used by the institution for the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price. The principle of efficiency is concerned with the best relationship

allocated to the operation, including the arrangements for recovering amounts unduly paid;

- ▶ ensuring the planned progress on the project; in particular the delivery of outputs described in the approved Application Form;
- ▶ informing the public about the assistance received from the European Union;
- ▶ reporting of activity related progress and financial follow-up to the Joint Technical Secretariat, especially ensuring that the expenditure presented by the Project Partners has been incurred for the purpose of implementing the project and corresponds to the activities agreed between the Project Partners;
- ▶ verifying that the expenditure presented by the Project Partners participating in the project has been validated by the controllers;
- ▶ requesting and receiving ERDF, and if relevant also Norwegian national and ENPI payments from the Programme, and transferring it to the Project Partners;
- ▶ monitoring the project expenditure, its eligibility and compliance with EU and national legislation, as well as Programme rules. The Lead Partner is responsible for ensuring that the expenditure is supported by invoices or documented by accounting documents, has actually been paid out by the Project Partners within the project preparation phase or duration, was paid for activities described in the approved Application Form and that the products or services have actually been delivered;
- ▶ observance of the project spending plan against the total project budget and the budget of each partner;
- ▶ producing all documentary evidence required for first level control and payments.

2.2.2. Norwegian organisations as Lead Partners

Legal entities located in Norway can act as Lead Partners in cases where there are four partners or more in the project and where a separation of project leadership from financial responsibilities would make the project management structure unnecessarily complex.

In smaller projects with only three partners, a Norwegian organisation may act as a Lead Partner for content related activities only while the financial responsibilities must be carried out by a partner located in the EU territory.

between resources employed and results achieved. The principle of effectiveness is concerned with attaining the specific objectives set and achieving the intended results."

Norwegian partners are not entitled to utilise ERDF or ENPI funding for their own expenditures. They may receive ERDF or ENPI funding from the Programme only for the purpose of transferring it to other partners participating in the respective project.

2.3. Composition of the partnership (UPDATED!)

Each project has to involve at least three financially contributing Project Partners from three different countries of the Programme area: the Lead Partner and at least two Project Partners. From these two Project Partners at least one has to be located on the territory of a EU member state in the Programme area (see also chapter 9.5 of the Operational Programme).

The responsibilities of the Project Partners are listed below:

- ▶ carrying out activities planned in the Application Form and agreed in the Partnership Agreement;
- ▶ assuming responsibility of any irregularity in the expenditure which it has declared
- ▶ repaying the Lead Partner any amounts unduly paid in accordance of the Partnership Agreement signed between the Lead Partner and the respective Project Partner;
- ▶ carrying out information and communication measures for the public about the project activities;
- ▶ in case the Project Partner is located in an EU member state but outside the Programme area, informing the responsible authorities of the respective member state about its participation in the project; **the partner should seek the legal status/eligibility confirmation by the national authorities already during the application stage as the partner can only start its activities after these authorities have approved its legal status; a missing confirmation of the legal status/eligibility might lead to exclusion of the partner from the project;**
- ▶ keeping available all documents related to the project until end of the year 2025.

The number of partners may considerably vary between the projects depending on the character of the project. The project consortium should be comprised in a strategic manner and well adapted to its purpose. A partnership that is too small might reduce the potential of the project while a partnership which is very large might cause significant organisational, communication and co-ordination problems and thus be cost ineffective. Keeping this in mind, the applicant should always reflect on the optimal number and role of partners to be involved. No maximum limit of partners is fixed. However, the technical capacity of the Application Form is limited to 50 entries.

It is not the number of institutions listed in the Application Form that makes the Project Partnership ideal, but rather their expertise necessary to carry out the planned activities. The topics addressed by the project (e.g. common environmental problems) determine the profile of the organisations that could be involved in the project activities. The composition of Project Partners should include:

- ▶ sufficient transnational representation
- ▶ necessary sectoral expertise (horizontal composition of the partnership)
- ▶ necessary expertise at relevant administrative levels (vertical composition of the partnership)
- ▶ sufficient financial, technical and human resources to implement project activities.

In order to apply integrated territorial approach (see chapter 1.4.1) the Project Partnership should not consist only of organisations from one sector (e. g. universities, ports, environmental associations) but include relevant organisations from other sectors affected by the project as well.

Furthermore, the partnership should not be concentrated in only one country, at one administrative level nor focused on only one economic sector but should demonstrate a larger geographic or sector perspective.

Political commitment is often crucial for transferring the strategies worked out in the project into real actions or investments. In addition, involvement of public authorities might facilitate the implementation of project results. Otherwise there is a risk that e.g. the strategies developed by the projects are not recognised by the respective decision-makers.

Project Partners should be involved already in the project drafting phase in order to incorporate ideas from all partners and to ensure a high level of commitment to the project. In addition, during the preparatory phase partners can test how the co-operation works before the implementation of the project activities is started.

Involvement of permanent staff of the participating organisations helps the network to keep operating after closing the actual project activities and ensures that the knowledge gained during the project implementation stays in the organisation.

Associated organisations

Associated organisations in the Baltic Sea Region Programme projects are organisations that support the project implementation but are not considered as Project Partners. This means that they have to finance their activities from own resources, as their expenditure in the project cannot be co-financed by Programme funds. Associated organisations could be e.g. ministries, which do not want to apply for Programme co-financing because of administrative and financial reasons. Organisations whose legal status

does not fulfil the requirements of the Programme (see chapter 2.1.1 Legal status) can also participate in the project as associated organisations.

To demonstrate the commitment of associated organisations¹¹ to the project the letters of support for the project activities may optionally be submitted together with the Application Form. There is no formal model to such letters. The letter should be in English and preferably include description of the organisation's role/contribution to the project and explain its particular interest/benefit. The letter of support is perceived as a formal proof of involvement of an associated organisation. Therefore, the information provided in the letter should also be presented in the relevant parts of the Application Form.

Involvement of Russian organisations

Projects are encouraged to involve Russian organisations despite the non-availability of ENPI funds for Russia. In this regards, projects are recommended to:

- a) discuss to which activities the involvement of Russian organisations can bring added value, and
- b) investigate alternative ways on financing the involvement of Russian organisations (e.g. national funds).

In general, all Lead Partners and Project Partners receiving ERDF co-financing are allowed to pay for activities that are implemented on the territory of countries outside the European Community, i.e. also in RU. However, there are certain restrictions:

- Not more than 10 % of the ERDF co-financing of the project can be used to finance the above-mentioned activities.¹²
- The above-mentioned activities must be described in the Application Form and realised for the benefit of the regions of the EU Member States belonging to the Programme area. Of course they can additionally benefit Russia.

It has to be underlined that the costs for the above-mentioned activities must be incurred and paid by EU Project Partners. It is not possible that costs of organisations located outside the EU territory are reported to the Programme for reimbursement.

More information can be found in the FAQ section on eu.baltic.net.

2.4. Partner Declaration

The aim of the Partner Declaration is to ensure that the respective partner is capable of participating in the project from a legal and financial point of view

¹¹ Bodies that do not have a project partner status but are nevertheless involved in project activities.

¹² Cf. chapter 5.2.10 'Use of ERDF co-financing outside the EU and Programme area '

and is able to deliver the planned outputs. The signing of the Partner Declaration is compulsory for all Project Partners (including the Lead Partner). Among others, the Partner Declaration includes a statement that the respective partner:

- ▶ complies with the Programme eligibility requirements regarding the legal status of partner organisations
- ▶ does not receive any other Community funding for the activities scheduled in the action plan;
- ▶ does not receive funding from any other public sources that would exceed the amount of obligatory national co-financing which has to be provided by partner organisation to co-finance the project activities.
- ▶ possesses sufficient human, financial and administrative capacity to implement the assigned project activities;
- ▶ will carry out activities in line with Community and national legislation and Programme rules, especially the state aid rules¹³.
- ▶ is familiar with the content of the Application Form and understands what its role in the project will be;
- ▶ will operate within a given budget (the concrete amount must be specified);
- ▶ is entitled / is not entitled to recover VAT.

A Partner Declaration must be completed and signed by a person entitled to make financial commitments on behalf of the organisation in the standard version provided for in the Application Package. The wording in the standard Partner Declaration may not be changed in any way. All information in the declaration (especially the financial figures) must correspond to those given for each partner in the Application Form.

The Partner Declarations have to be attached to the Application Form and sent in one single package to the Joint Technical Secretariat. Photocopies of Partner Declarations are accepted at the stage of submission of project proposals. The originals will have to be submitted after the project has been approved by the Monitoring Committee.

Acquiring the Partner Declarations from the partners can be a lengthy process. This should be taken into account when preparing the project application.

The Lead Partner has to ensure the implementation of the entire project. The budget presented in the Application Forms a contractual basis, i.e. its non-fulfilment might lead the Managing Authority to terminate the Grant Contract. Therefore it is advisable to only consider reliable Partner Declarations and secured promises of financial contributions. The Partner Declarations are valid for the given call only. In case of reapplying in the

¹³ Each project partner organisation has to confirm that it complies with the state aid rules and follows the conditions of the Programme (cf. chapter 1.4.6).

following call, the Lead Applicant must collect new Partner Declarations from all partners once more.

2.5. Partnership Agreements

The Project Partners should give full support to the Lead Partner to ensure the successful implementation of the project. In order to ensure the high quality and fulfilment of objectives of the project, a contract between the Lead Partner and Project Partners has to be concluded¹⁴. The Partnership Agreement formalises the division of mutual responsibilities and rights of partners. In addition it comprises, i.a. provisions guaranteeing a sound financial management of the project.¹⁵ This includes arrangements for recovering funds unduly paid to the Project Partners.

The Partnership Agreements should be concluded among all Project Partners before the first payment request is submitted. The first level controller of the Lead Partner has to verify that a Partnership Agreement has been signed by all Project Partners and that this agreement contains clauses which regulate the minimum requirements stipulated below. Upon request the Partnership Agreement has to be sent to the Joint Technical Secretariat together with the progress report.

Project Partners will only receive Programme co-financing of their costs after they have signed the Partnership Agreement. In case a partner has not signed the Partnership Agreement by the time the second progress report is due it will be removed from the Project Partnership. In such case the Lead Partner has to follow the project change procedure foreseen for a discontinuation of a Project Partner's financial contribution to the project (partner drop out), for details see chapter 10.6. The request for this project change has to be submitted to the JTS together with the second progress report at the latest.

An example of a Partnership Agreement is available on eu.baltic.net. It is not compulsory for the Lead Partner and its Project Partners to adopt the example clauses. Issues that are to be stipulated in the Partnership Agreement depend on the specific needs of each project. Therefore, the Lead Partner can negotiate the example of the Partnership Agreement with its Project Partners. However, the Partnership Agreement should fulfil the following minimum requirements:

- ▶ Definition of the joint objectives of the project;
- ▶ Definition of roles and responsibilities of the Project Partners (including the Lead Partner) and their mutual obligations, especially regarding
- ▶ Implementation of the project activities,
- ▶ Establishment of a sound financial management structure,

¹⁴ Regulation 1080/2006, Article 20(1)

¹⁵ The principle of sound financial management is defined in Art. 27 (1, 2) of Council Regulation (EC, Euratom) No 1605/2002. This regulation says that the budget shall be spent "in accordance with the principles of economy, efficiency and effectiveness."

- ▶ Reporting obligations and related deadlines to be met,
- ▶ Retention of documents,
- ▶ Observance of information and publicity measures (see chapter 5.2, no. 5.2.6 Publicity rules and chapter 8);
- ▶ Detailed work plan, including the operational structure and responsibility for the different work-packages and their administration, as well as the duration of the individual partner activities (in consistence with the MC decision and Grant Contract) and handling of potential changes in the project set-up;
- ▶ Detailed project budget, including the co-financing for and contribution of each Project Partner (including the Lead Partner) and handling of potential changes in the project budget;
- ▶ Detailed spending plan for all Project Partners (including the Lead Partner);
- ▶ Agreement on the cost sharing method (see chapter 5.5.2 Minimum requirements of cost sharing);
- ▶ Provisions regulating the partners' liability and the consequences of non-fulfilment of obligations;
- ▶ Arrangements for recovering funds unduly paid to the Project Partners;
- ▶ Procedures for solving disputes and imposing penalties;
- ▶ Working language shall be English, communication;
- ▶ Handling of potential changes in the Project Partnership;
- ▶ Physical or intellectual ownership of the outputs

The Lead Partner shall ensure that expenditure presented by the partners participating in a project has been incurred for the purpose of implementing the project and corresponds to activities agreed between the partners. Therefore, the budget of each partner should be formally agreed in the Partnership Agreement. However, it should be prepared already by the time of applying funding for the project.

It is important that the Project Partners transfer information for progress reports to the Lead Partner regularly and in time. In order to ensure this, the Project Partners should add a respective clause in the Partnership Agreement according to which the Project Partners have to transmit to the Lead Partner the necessary documents (certification of expenditure, financial and activity report of the Project Partner) by a fixed time (e.g. one month) before the LP has to submit the aggregated report to the JTS.

For the successful management of the partnership and completion of the project, the LP may agree with the Project Partners to set up a Project Steering Committee responsible for monitoring the implementation of the project.

All changes in the project set-up¹⁶ that are approved by the Monitoring Committee and/or the Investitionsbank Schleswig-Holstein and that affect the content of the Partnership Agreement shall result in an Addendum to the Partnership Agreement (incl. annexes). This Addendum must be signed by the LP and its Project Partners until the end date of the closure phase at the latest¹⁷. With the final progress report the first level controller of the LP has to verify that such an Addendum to the Partnership Agreement has been signed by the LP and all Project Partners. Project Partners will only receive Programme co-financing of their final costs if they have signed the Addendum to the Partnership Agreement.

3. Project management, duration and work plan

3.1. Project management

The term 'project management' includes both coordination of issues related to activities as well as administrative and financial management of the project and its accounts. The management of a transnational project is a challenging and time-consuming task. Therefore the project staff should have experience in the management of (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 project should appoint a person responsible for establishing and maintaining the project implementation system (**project coordinator**). The tasks assigned to a project coordinator could for example include:

- ▶ co-ordination of activities (division of tasks) among the involved partners and ensuring that these tasks are subsequently fulfilled;
- ▶ monitoring the progress of the project and ensuring the delivery of planned outputs
- ▶ securing an efficient use of the project's resources;
- ▶ being a contact point for the project;
- ▶ ensuring proper information flow - continuous communication between the Programme (secretariat) and the Project Partnership as well as between the Project Partners;
- ▶ preparation and submission of the activity report as part of the progress report to the Joint Technical Secretariat every six months (see chapter 10.4 Monitoring and reporting).

The project coordinator should have a sound knowledge of the issues addressed by the project and be able to work as a driving force to the partnership and people around it in order to achieve the objectives laid down in the Application Form.

¹⁶ For more information about project changes see chapter 10.6 Changes in the approved project set-up

¹⁷ For information about the project duration see chapter 3.2 Project duration).

Proper coordination of project activities is not the only aspect that needs to be ensured by the Lead Partner. Professional financial management at project level is also essential. Each Lead Partner should therefore appoint a skilled **financial manager**, who is responsible for an adequate and orderly accounting practice and the proper management of the project budget, including ERDF/ENPI/Norwegian co-financing. This means that the financial manager should ensure:

- ▶ a sound book-keeping system;
- ▶ proper documentation of payments and payment flows, a well-functioning audit trail;
- ▶ selection of first level controllers (see chapter 11.2 The first level control system)
- ▶ compliance with EU and national legislation as well as Programme rules about financial management, eligibility of costs and public procurement;
- ▶ a clear communication of the aforementioned rules and regulations to the Project Partners (e.g. through: Project Partner training, provision of information and regular updates, a close contact to the first level controllers, etc.);
- ▶ observance of the budget allocation;
- ▶ adherence to the project's spending plan, including the set-up of reliable cash flow forecasts and tight control of the incurred cash flows as a consequence of the N+3/ N+2 Rule (see chapter 5.3. De-commitment of ERDF co-financing (n+3/n+2-rule)) and
- ▶ timely preparation of the six-monthly financial progress reports.

The financial manager should work in close contact with the project co-ordinator and the first level controllers in order to establish effective project monitoring and financial systems. These systems should guarantee clearly identifiable costs and outputs of the project, proper and orderly payments and handling of the grant, including the traceability of the different funding sources (i.e. ERDF/Norwegian/ENPI co-financing and the partners' own financing).

For all projects, it is strongly recommended that the Lead Partner opens a separate bank account or sub-account to which the Programme will transfer the ERDF/Norwegian/ENPI co-financing and from which the Project Partners will be reimbursed. Lead Partners of projects receiving ENPI co-financing are strongly recommended to keep a (sub-) account in EUR.

This will ensure that project funds are explicitly separated from the Lead Partner's general budget and can be clearly identified, as well as properly monitored and managed (see also chapter 10.3.4 Setting up a project accounting system).

It is very important that project coordinator and financial manager are involved already in the development phase of the project. In addition, a contact person from the Lead Partner organisation should be available at

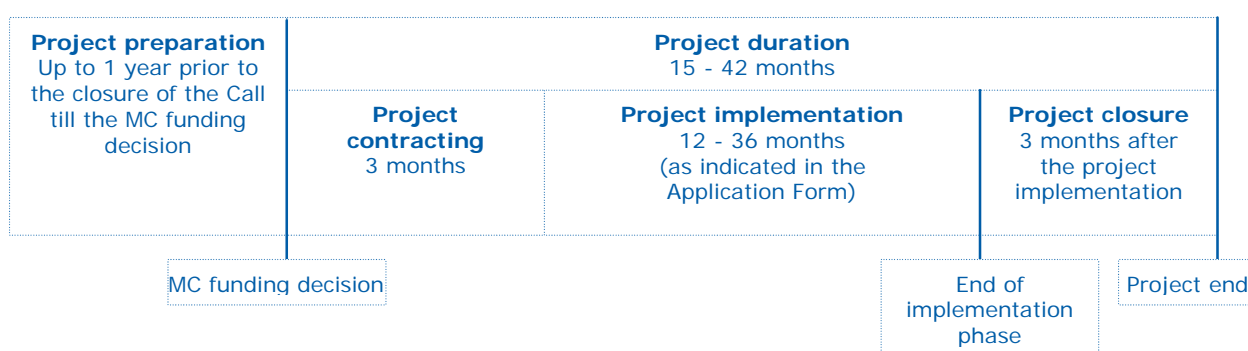
least six months after the project's official end date to enable a smooth closure of the project.

Each project also has to comply with the EU requirements on information and communication and visibility of actions. Therefore, each project is recommended to appoint an **information manager** responsible for implementation of information and communication measures (it could be e.g. the same person as project coordinator). For more information, see chapter 8. Information and communication.

The tasks of the project co-ordinator, financial and information managers are crucial throughout the project duration and their importance should not be underestimated. As English is the working language of the Programme, all contact with the Joint Technical Secretariat should be in English.

3.2. Project duration

The project duration consists of three phases: a contracting phase, an implementation phase and a project closure phase. For an overview please see the chart below.



The contracting phase covers fixed three months from the decision of the Monitoring Committee (MC). The length of the contracting phase is the same for all projects. During this phase Lead Partners are expected to submit missing documentation (e.g. originals of partners declarations) and, if necessary, clarifications (e.g. on eligibility of partners in question). Within this phase the Grant Contract is expected to be concluded. Regardless of when the Grant Contract is signed, the contracting phase ends exactly three months after the MC decision.

The applicant has to indicate the length of the implementation phase in the Application Form. The duration of the implementation phase may vary for each project and can last from 12 up to 36 months. The implementation phase starts three months and one day after the MC decision. However, Project Partners co-financed from ERDF or Norwegian funds may begin with some activities already on the day after the MC decision and before the start date of the implementation phase.

The closure phase may last up to three months after the end date of implementation phase. It is the time for winding-up activities (e.g. compiling final progress report), hence only activities related to project management and administration are eligible during that time.

As a general principle the project duration may vary from 15 to 42 months, depending on the length of implementation of the project activities phase and project closure phase. At the end of the programming period, all projects have to be finalised in due time enabling the Programme closure. Therefore, the duration of projects must end no later than 30.06.2014.

For a more detailed overview of the project phases, the eligible costs in different phases and the specific obligations of the Lead Partner please see chapters 9.4.2 Contracting of projects and 9.5 Extension Stage.

3.3. Project work plan

In the Application Form all projects are asked to specify their activities as far as possible including the involvement of the partners. The projects in the Baltic Sea Programme are required to apply a transnational approach in the project implementation. Therefore it should be clearly described in the work plan, how the Project Partners from different countries are working jointly in order to produce the planned outputs and to achieve the expected results.

A well-structured work plan should help a project to organise its activities. The work plan used in the Programme is based on work packages (WP) and milestones. Defining work packages enables the project to break down its work to easily distinguishable groups of activities that are focused on delivering specific outcomes. There are three pre-defined work packages in the Application Form: WPO for description of project preparation activities, WP1 for project management and administration and WP2 for communication and information. In addition the project may define up to five further work packages.

It is expected that the work plan consists of a logically interlinked chain of actions, in which the outcome of a previous activity enables the start of the following one. Therefore the projects are asked to define certain important points in the implementation process of the work packages, so-called milestones. Milestones indicate a completion of a series of core activities which results in the delivery of main outputs, and/or readiness to begin a new stage (e.g. completion of a thematic expertise, completion of a pilot study, or a conference presenting project results, etc.).

For monitoring purposes projects are asked to indicate in which six-month reporting period milestones and main outputs are planned to be achieved. It is expected that there will be at least one milestone/ main output indicated for each year of the project implementation. In the course of monitoring the Joint Technical Secretariat (JTS) follows the achievement of the planned milestones and the progress of development of the main outputs.

The work plan is directly connected to the project budget. Therefore, during the preparation of budget plans, it is important to base figures on planned activities. In the Application Form the projects are asked to include their spending targets on six-month basis (reporting periods). The projects are obliged to follow these targets throughout the implementation. Chapter 5 Project budget and applicable rules gives some recommendations for budget planning, which are based on the experience of the predecessor INTERREG III B Programme.

4. Investments in projects

4.1. Programme expectations towards investments

As stated in the Operational Programme (OP) the projects implemented under the Baltic Sea Region Programme should achieve tangible and strategically relevant outcomes - this includes investments. Otherwise, projects are encouraged to strengthen their potential for future investments from other resources. Therefore the preparation and implementation of investments of transnational relevance are strongly supported in the Programme.

The requirements for investments of transnational relevance, in other words **transnational investments**, are described in the OP as follows:

"Transnational investments come out in the course of the project as an effect of joint transnational work. Preparation, implementation and evaluation of such investments should be done in a clear transnational context. This context means that the project should either:

- ▶ follow a transnational physical or functional link (e.g. transport corridor, tourism route, network), the placement of which has been analysed from a transnational perspective and which demonstrates a socio-economic or environmental impact over the national border,"

Examples:

- technical infrastructure improving innovation performance of a transnational network of SMEs and research organisations;
- technical infrastructure improving the diffusion of knowledge across the BSR;
- infrastructure and technical investments in ports, railway routes and road junctions improving the operability of a transnational transport corridor;
- technical equipment enhancing effectiveness of action in case of marine accidents in the Baltic Sea.

"or

- create a transferable practical solution (blue-print) through a case study in one area, which is in the following milestones jointly evaluated by the Project Partners and transferred for testing in at least two other participating countries.”

Examples:

- new and broadly applicable technologies for SMEs;
- ICT solutions unlocking accessibility of peripheral areas;
- technical equipment of rescue ships;
- solutions reducing land-based marine pollution;
- solutions for efficient production and using of bio-mass;
- solutions for energy saving in buildings;
- technical solutions increasing the share of public transportation.

The Programme does not finance investments that do not have transnational relevance.

Examples of investments that are **not transnational**:

- A selection of local investment projects only linked with each other by the need for EU funding;
- Investments that have been planned before the start of a transnational project in a national, regional or local context without a clear need for a transnational approach;
- Investments only related to each other through a vague thematic relationship;
- A series of individual pilots/investments for which there is only an ex-post exchange of experience and no joint evaluation, implementation or cross-fertilisation.

Because of the limited financial resources the Programme does not finance investments of more than 10 MEUR. The Programme does not set any limits on how large each (in percentages) investment may be in a project. For example, if the preparation of an investment is already done in a clear transnational context (e. g. in a previous project) more than 50% of a project budget can be planned for the implementation of this investment.

In order to support a proper joint preparation of transnational investments, the Programme offers a possibility for an **extension stage** for investment projects. If a project foresees an investment or series of investment with a budget higher than 100,000 EUR, it can take a two-stage approach. First stage is the regular project, where the investments are planned in a transnational process (i. a. in order to decide on location/s, to set the exact budget and other details of the investment/s). The second stage is an

extension stage to the regular project, where the investments are implemented. The extension stage instrument is further explained in chapter 9.5.

4.2. The difference between equipment and investments in the Programme

The Programme makes a clear **difference between project equipment and investments** (See also chapter 0.

Budget lines). An *investment* is an output or a result of the project that remains in use by the project's target group after project completion. As stated above investments in the BSR Programme must have transnational value either as a part of a transnational physical or functional link or because of their pilot character as a transnationally transferable practical solution (see examples in chapter 4.1. Programme expectations towards investments). Project *equipment* on the other hand is purchased by a Project Partner or already in possession of a Project Partner and used in order to carry out project activities (e.g. a computer for the project coordinator, equipment for carrying out necessary measurements in a project). Such equipment does not have to be used by the Project Partners or the project's target group after the project duration.

Following this, for example a computer is regarded as (a part of) an investment, if it belongs to a technical network that the project has created as an output, in order to support the transnational performance of SMEs. Whereas a computer is regarded as equipment if it is used by a Project Partner in order to work in a project and does not belong to any project outputs that are benefiting project target groups also after the project. Furthermore for example a measuring instrument is regarded as equipment if it is needed for carrying out a study in a project, but as (a part of) an investment if it belongs to a technical solution produced by a project and as a solution transferable to other partner regions (even if the concrete model investment is staying and further used only in one location).

Investments co-financed by the Programme are aimed at public use and their ownership cannot be changed during five years after the project has been finalised. Full costs of investments can be reimbursed in the Programme. Equipment is used only in project lifetime and only its depreciation value can be reimbursed for the project (see also chapter 0.

Budget lines).

4.3. Rules and regulations to be followed

All projects that carry out investments have to be aware and follow the national and EU regulations and other provisions concerning the implementation of the investment in question. For example depending on the type of investment an environmental impact assessment and building

permit may be needed (e. g. construction works). For each investment item the project has to state in the Application Form whether a building permit is needed, and if yes, whether the respective partner already has it or when the partner expects to get the permit. Before the projects are selected for funding the representatives of the participating countries in the MC are responsible to check whether the investments planned for their country are in compliance with the national regulations. During the project implementation it is the responsibility of the first level controllers to check that the implementation of investments is carried out in accordance with the national and EU regulations as well as to ensure that the implementing partner is in possession of all the documents needed for the implementation. The JTS may ask for copies of such documents if needed. Concerning the eligibility rules of the Programme in general, public procurement, rules in case of revenues and depreciation see further the chapter 0.

Budget lines. Guidance concerning the publicity rules as well as inventory of investment items (similar to equipments) is given in chapter 8. Information and communication. Rules concerning the ownership of an investment after project closure are explained in chapter 15 Closing of the project.

5. Project budget and applicable rules (UPDATED!)

The project budget is composed of the following financial resources (please see also the chapter 2.1 Eligible Project Partners and co-financing rates):

- a) *ERDF co-financing* (Funding from the European Regional Development Fund (ERDF) which is available for eligible partners from the EU Member States).
- b) *ERDF partners' contribution* (Eligible contribution from Project Partners of the Member State that is used to generate the ERDF co-financing).
- c) ERDF budget (The sum of ERDF co-financing and the ERDF partners' contribution which is available for eligible ERDF partners.).
- d) *Norwegian co-financing* (Funding from Norwegian national funds which is available for eligible Norwegian partners).
- e) *Norwegian partners' contribution* (Eligible contribution from Norwegian Project Partners that is used to generate the Norwegian co-financing).
- f) Norwegian budget (The sum of Norwegian co-financing and the Norwegian partners' contribution).
- g) *ENPI co-financing* (Funding from the European Neighbourhood and Partnership Instrument (ENPI) which is available for eligible partners from Belarus and the EU Member States).
- h) *ENPI partners' contribution* (Eligible contribution from Project Partners of Belarus and the Member States that is used to generate the ENPI co-financing).

i) ENPI budget (The sum of ENPI co-financing and the ENPI partners' contribution).

TOTAL PROJECT BUDGET (The total amount of financial resources that are available to cover the project's expenses during the project duration).

Please note that organisations applying for funding in the legal status categories a)-d) (see chapter 2.1.1 Legal status (UPDATED!)) are regarded as public ~~because their own contribution to the budget comes from public sources~~. Organisations applying for funding in the legal status category e) are regarded as private ~~because their own contribution to the budget comes from private sources~~.¹⁸

| | | |
|----------------------|--------------------------------------|---|
| TOTAL PROJECT BUDGET | ERDF budget | |
| | ERDF co-financing (50%, 75%, 85%) | ERDF partner's contribution - public or private - (50%, 25%, 15%) |
| | Norwegian budget | |
| | Norwegian co-financing (50%) | Norwegian partner's contribution - public or private - (50%) |
| | ENPI budget | |
| | ENPI co-financing (90%) | ENPI partner's contribution - public or private - (10%) |

5.1. Budget lines

It is crucial that each Project Partner plans its budget when developing the project Application Form. Involvement of all Project Partners in the planning stage results not only in a stronger partnership but also in a more realistic project budget.

In the Application Form it is not required to specify the Project Partners' budget per budget line, work package or six-monthly reporting periods. Nevertheless, it is recommended to prepare the budget of each Project Partner in this way. This approach facilitates the preparation of the project budget by the Lead Partner and leads to better management and monitoring of the project during its implementation.

Under the Baltic Sea Region Programme 2007-2013 the ERDF, ENPI and Norwegian co-financing will be granted to expenditure directly related to the project activities with reference to the following budget lines:

¹⁸ This paragraph was changed following the MC written procedure, closed on 25.01.2010

- BL1 Personnel
- BL2 External services
- BL3 Travel and accommodation
- BL4 Equipment and investment
- BL5 Other direct costs

The main preconditions for eligibility of all expenditure are:

- ▶ all activities comply with **the principles of real cost, efficiency, economy and effectiveness** (see chapter 10.4.3. Financial Report);
- ▶ all expenditure is generated by the project;
- ▶ all expenditure is essential to the project's implementation and would not have been incurred if the project had not been carried out (value added), and
- ▶ all expenditure is supported by invoices or other equivalent accounting documents directly attributable to the project or project staff.

The detailed eligibility rules for each budget line are set out in the next chapters. More details and examples concerning specific eligibility questions can be found in the Programme's FAQ section on eu.baltic.net.

5.1.1. BL1 Personnel (UPDATED!)

Under this budget line, the following costs are eligible:

- ▶ Personnel costs (including salaries, wages, employment taxes, social security, health insurance and pension contributions) of the staff directly engaged in the project and employed by the Project Partner institution on the basis of an employment/labour contract according to the law applicable in the country of the Project Partner location;
- ▶ Unpaid voluntary work based on a written agreement.

The following documentation of the personnel costs should be available for the first level controller:

- ▶ payslips or other accounting documents where the personnel costs are clearly deductible;
- ▶ timesheets;¹⁹
- ▶ employment/labour contract;
- ▶ other documents of proofs required by the first level controller.

At minimum the timesheet must:

- ▶ be filled in separately for each employee and worker involved in the project;
- ▶ contain information on a monthly basis about the hours worked for the project;

¹⁹ Templates are available on eu.baltic.net ('Management toolkit')

- ▶ briefly state the activities performed within the project;
- ▶ in the case of part-time employment²⁰ for the project:
 - also indicate activities performed outside the project (e.g. “work for another EU financed project”, “statutory tasks” etc.);
 - information about the total hours worked per month for the project and at large;
- ▶ be signed by the employee and his/her supervisor.

The personnel costs for part-time employees in the project have to be calculated based on an hourly rate and hours worked for the project. The calculation of the hourly rate should be:

- ▶ according to the national rules,
- ▶ based on the real personnel costs, and
- ▶ based on the total hours really worked. Hours for sick leave, parental leave and vacation shall not be included, neither in the hours worked for the project nor in those worked outside the project. For each progress report the working hours must be recorded for the whole reporting period or at least 6 months.

Example:

| Monthly | |
|---|--------------|
| Personnel costs | 2,000.00 EUR |
| Hours worked for the project | 116 hrs. |
| Hours worked outside the project | 60 hrs. |
| Hours worked in total | 176 hrs. |
| Hourly rate (2,000 EUR/176 hrs.) | 11.36 EUR |
| Project related personnel costs (116 hrs x 11.36 EUR) | 1,318.18 EUR |

This is only an example and projects are strongly recommended to take into account all applicable national regulations when calculating the hourly rates for their part-time employees in the project.

In kind contributions except for **unpaid voluntary work** are not eligible. Each Project Partner can report the value of unpaid voluntary work only up to the amount of its individual partner contribution to the project. This means that unpaid voluntary work can amount from 10% to ~~50~~70% of the total eligible expenditure of each Project Partner, depending on the Project Partner location and source(s) of funding (ERDF, ENPI or Norwegian co-financing). Within the BSR Programme 2007 – 2013 unpaid voluntary work is defined as work, which is done on a voluntary basis and for which the person does not receive any remuneration from whatever source or which is

²⁰ The programme defines part-time employees as employees who spend their working time work (as stipulated in the employment contract) partly for the project and partly for other activities (e.g. own organisation, other projects).

not part of his/her paid assignment within the organisation he/she is working for.

Examples:

- ▶ students carrying out research for the project;
- ▶ volunteers working for an NGO not receiving any salary/wage for the work done within the project.

Unpaid voluntary work must be:

- ▶ essential to the project;
- ▶ based on a written agreement;
- ▶ proved by timesheets indicating the hours worked for the project;
- ▶ objectively valued, e.g. by the Project Partners and 1st level controller. The hourly/daily rates for remuneration of equivalent work²¹ in the country/region of the Project Partner should provide the basis for this valuation;
- ▶ listed in each progress report stating the Project Partner who has reported unpaid voluntary work.

Cost of personnel hired under a contract other than the employment or labour contract should be included under BL2 External services.

The following costs are **not eligible**:

- ▶ additional voluntary contributions to the health and social systems not based on the employment/labour contract or tariff agreement (e.g. additional voluntary contribution to the pension scheme or additional voluntary health insurance);
- ▶ additional unjustified payments or voluntary remuneration (e.g. extra bonuses not based on the employment/labour contract or tariff agreement etc.);
- ▶ unpaid voluntary work provided by persons employed by the Project Partner organisation (from which they receive a salary or other remuneration);
- ▶ direct²² or indirect (overhead) administration costs. Direct administration costs should be budgeted under BL5 'Other direct costs'.

5.1.2. BL2 External services

Under this budget line the work done by an external expert, consultant or other supplier of external services is eligible provided that the following conditions are fulfilled:

- ▶ the work is essential to the project;

²¹ Commission Regulation (EC) No 1828/2006, Art.51, point 3

²² Direct administration costs should be budgeted under BL5 'Other direct costs'.

- ▶ the costs are reasonable according to the standard rates in the country where the contracting Project Partner is located;
- ▶ Community and national public procurement rules are followed²³ by the EU and Norwegian Project Partners with ERDF/ENPI/Norwegian budget²⁴;
- ▶ Procurement rules defined in ENPI regulations (in particular in the Practical Guide to contract procedures for EU external actions) are followed by Belarusian Project Partners;
- ▶ the basic principles of transparency, non-discrimination (on grounds of nationality) and equal treatment laid down in the EC Treaty have been respected for all contracts.

The project must break down the main planned external services in the Application Form²⁵ and report in the progress reports all external services, which were actually delivered and paid out.

All contracts for external services must be backed up by the necessary documentation required by the national and Community legislation and Programme rules. All documents must be available and preserved (e.g. tender documentation).

Examples of eligible costs:

- ▶ external expert hired for project co-ordination;
- ▶ external first level controllers;
- ▶ external researchers;
- ▶ external speakers for events;
- ▶ external IT and web consultants, e.g. creating and maintenance of a web page;
- ▶ external translators, interpreters;
- ▶ external company designing, editing, printing, distributing, etc. project brochures /leaflets /publications /bags;
- ▶ external publishers of promotion articles, inserts in newspapers, press releases, etc.;
- ▶ expenditure of external organisers of project events, e.g. rent of hotel premises for the event, catering, etc.

Advance payments to the external service providers can be reported in the payment claim only after the (partial or full) delivery of the purchased services/goods. Partial delivery means that a part of the contracted services/goods has been delivered to the contracting Project Partner, for example a draft of the study or a part of it.

²³ See chapter 1.4.3 Directive on public procurement and the horizontal rule on public procurement in chapter 5.2.4 Public procurement

²⁴ In accordance with chapter 9.6 of the Operational Programme

²⁵ The overview in the Application Form is not an exhaustive list and can be changed during the project implementation without an approval of the JTS.

The following costs are **not eligible**:

- ▶ contracting between Project Partners ²⁶;
- ▶ contracting of employees of the Project Partner organisation as external service providers, e.g. as freelancers;
- ▶ any services provided by another unit (internal) of the same Project Partner organisation (e.g. translator, IT expert performing any tasks for the project). These costs should be reported under BL1 Personnel;
- ▶ advance payments which are not based on an invoice or accounting document of equal value which is provided by the external supplier;
- ▶ basic courses, seminars, etc.

5.1.3. BL3 Travel and accommodation

Under this budget line the following costs are eligible:

- ▶ Travel costs, directly related to and essential for the effective delivery of the project and covering economy class travel on public transport. As a general rule the most economic way of transport must be used;
- ▶ Accommodation, provided that the cost is within the national limits;
- ▶ Subsistence allowances for project staff occurring from project work related travel. The subsistence allowances must not exceed the usual subsistence allowances of the public authorities of the Project Partner country and must comply with the rules applicable in that country. Despite of the Project Partner's legal status the subsistence allowances rates of the public authorities have to be followed.

The total amount of accommodation and daily allowance costs paid from the ENPI budget cannot exceed the per diem rates set by the European Commission.

(http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm).

In well justified and documented cases the Lead Partner and the Project Partners have the possibility to cover travel and accommodation expenses of a few guests and to report them under this budget line. The participation of the guests must be relevant and valuable for the outcome of the event.

Business trips within the Programme area are eligible (see chapter 1).

Business trips within the European Community are eligible.

Business trips outside the above mentioned areas and additional to those described in the Application Form approved by the Monitoring Committee are subject to a prior approval by the Joint Technical Secretariat.

The following documentation must be made available to the first level controller in case of travel:

²⁶ In case of sharing of the common costs, please refer to chapter 5.5 Sharing of project costs.

- ▶ agenda/program of the meeting/event;
- ▶ travel report or equivalent memo;
- ▶ original tickets and all other original documentary evidence for the travel (i.e. boarding pass, invoices/other equivalent documents for accommodation, in the case of e-tickets without a standard flight ticket an e-mail with the booking number serves as a proof etc.).

The following costs are **not eligible**:

- ▶ for ERDF and Norwegian Project Partners: costs exceeding national limits (e.g. rate per room per night);
- ▶ for ENPI Project Partners: costs exceeding the national and the European Commission's limits;
- ▶ travel in first or business class, unless it is clearly proved that there was no other option or that this was the most economic/less expensive option (documentation on the justification is required);
- ▶ subsistence allowances for guests;
- ▶ use of taxi if public transport is available, unless duly justified (documentation on the justification is required);
- ▶ use of car (e.g. company car, private car), unless duly justified and documented (e.g. public transport is not available, car is the most economic option). In case a car is taken only travel costs connected to the business trip within the project are eligible and must be accounted according to the national rules (e.g. mileage allowance);
- ▶ travel and accommodation costs of participants from outside the Project Partnership in project events (e.g. trainings, seminars).

5.1.4. BL4 Equipment and investment

Under this budget line the following costs are eligible:

- ▶ depreciation²⁷ expenditure of depreciable equipment;
- ▶ costs of equipment which is not depreciable (e.g. low-value asset) or rent of an equipment;
- ▶ investment costs.

Costs of equipment and investments are eligible provided that they were:

- ▶ not financed from any other financial instrument (e.g. EU, international, national or regional);
- ▶ not fully depreciated;
- ▶ not already included in another budget line;
- ▶ not purchased from another Project Partner;

²⁷ Commission Regulation (EC) No 1828/2006, Art.53

- ▶ incurred during the eligible project duration (e.g. for equipment that is purchased before the project approval but used for project purposes only the depreciation related to the project duration is eligible);
- ▶ respecting the relevant public procurement rules.

The purchase costs of second-hand equipment or investment are eligible provided that the following three conditions are fulfilled:

- ▶ the seller of the equipment/investment item must provide a declaration stating its origin, and confirm that at no point during the previous seven years it has been purchased with the aid of other financial instruments (EU, national or other grants);
- ▶ the price of the equipment/investment item must not exceed its market value and must be less than the cost of similar new equipment;
- ▶ the equipment/investment item must have the technical characteristics necessary for the project and comply with applicable norms and standards.

Every co-financed piece of equipment and investment must comply with the information and publicity rules set by the Commission Regulation (EC) No 1828/2006, in particular with the provisions of Article 9 and of Annex I and must be identified with the specific label as mentioned in chapter 8 Information and communication of this manual.

In case equipment and investments are bought by ENPI partners from ENPI co-financing, they must be according to a prior agreement transferred to any Belarusian partners and/or the final recipients of the project results in Belarus, at the latest by the end of the project duration. Transfer of equipment and investments with a total purchase price of more than 5,000 EUR have to be carried out on the basis of a transfer of ownership document, which must be kept in the receiving partner's organisation for verification purposes. If equipment and investment items become the property of a partner organisation, it should be registered in its accounts.

Project **equipment** is defined as a tool or device which is purchased by a Project Partner or already in possession of a Project Partner and used in order to carry out project activities. Equipment does not have to be used by Project Partners or project target group after the project duration. However, the equipment must be essential for the project outcomes and related solely to the project. The equipment's functions/features must be in line with the project's needs. If it is not exclusively used for the project purposes, only a share of the cost, depreciation or rent can be allocated to the project. This share has to be calculated according to a justified and equitable method.

For equipment which is depreciable only the depreciation expenditure resulting from applying the national accounting regulations is eligible. The monthly share of this depreciation expenditure should be calculated and multiplied by the month(s) of the equipment's use for the project. Accordingly, the depreciation rate can vary between the Project Partner countries.

For equipment which is not depreciable according to the national accounting regulations (i.e. for example below the national accounting threshold set for depreciation, low-value assets) the total cost of the equipment can be reported (if the equipment is solely used for project purposes).

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.

Examples of equipment:

- ▶ IT equipment (PC, monitor, printer, incl. common software);
- ▶ special software;
- ▶ scanner;
- ▶ digital projector;
- ▶ digital / video camera;
- ▶ office furniture;
- ▶ exhibition equipment
- ▶ special measurement equipment;
- ▶ laboratory equipment;
- ▶ other specific equipment needed for carrying out the project activities.

Costs for equipment items of part-time workers²⁸ are only eligible if the equipment is used for the project purposes, and all eligibility conditions as set out in the second paragraph of budget line 4 are fulfilled.

Neither the purchase nor the leasing of a car is eligible. If a car shall be used for business travels in the project, it is important to observe the rules stipulated under BL3.

The term **investment** refers to an output or a result of project activities that remain in use by the project's target group after the completion of project activities.

The cost of the investment is fully eligible provided that:

- ▶ all eligibility conditions as set out in the second paragraph of budget line 4 are fulfilled;
- ▶ all compulsory requirements set by Community and national legislation related to the respective investment are fulfilled (e.g. feasibility study, environmental impact assessment, building permission etc.).

The investment must be of transnational relevance. For more information and examples, see chapter 4 Investments in projects.

²⁸ i.e. staff members that work partly for the project and partly for the organisation or another organisation or project

In the Application Form there are two tables, one for the specification of the equipment and one for the specification of the investments. For each cost item the Project Partner that will purchase the equipment/investment, the location of the equipment/investment and the planned budget have to be specified.

In the progress report the actual costs, depreciation or the rent will be reported. As only equipment and investment specified in the contracted Application Form and approved by the Monitoring Committee are eligible for co-financing, the nature (and intended use) of all reported costs items must correspond to the equipment and investment items in the Application Form.

5.1.5. BL5 Other direct costs

All direct costs relevant to the project which cannot be included under any of the above mentioned budget lines can be included here. These costs must be directly generated by the project and fulfil the following conditions:

- ▶ they are essential to the project's implementation and would not have been incurred if the project had not been carried out and
- ▶ they are supported by invoices or other equivalent accounting documents directly attributable to the project or project staff. The invoices must be addressed to the Project Partner and the Project Partner must mark it with the title and number of the project. Other equivalent accounting documents (e.g. internal cost summary per cost centre) might also refer to the project staff, or carry any other detail that identifies them as directly linked to the project.

Examples:

- ▶ Direct administrative costs, such as:
- ▶ costs of consumables;
- ▶ direct office running costs and service charges (rent of the project premises, telecommunication and postal fees, direct invoices for heating, light, water, electricity or other forms of energy, direct maintenance costs);
- ▶ financial charges and guarantee costs²⁹: charges for transnational financial transactions, bank charges for opening and administering the bank account(s) of the project;
- ▶ fees for taking part in events relevant for the project;

This list should be considered as an example of costs eligible under this budget line and not as an exhaustive list.

Legal consultancy fees and other costs for external experts belong to budget line 2 External services.

²⁹ Commission Regulation (EC) No 1828/2006, Art.49

The following costs are **not eligible**:

- ▶ indirect administrative costs (overheads). It means general costs incurred by the partner organisation and allocated pro rata to the project;
- ▶ any allocation of the general Project Partner costs on a percentage basis;
- ▶ charges for financial transactions within the country;
- ▶ debit interests and exchange rate losses;
- ▶ awards and prizes (e.g. prize money, goblets, etc.)
- ▶ costs for basic courses, seminars, etc.

5.2. Horizontal rules applicable to all budget lines

5.2.1. No contracting between Project Partners

The Project Partners financially contributing to the project and receiving funds from the BSR Programme 2007-2013 are not allowed to contract each other to carry out project activities. This does not apply to the system of sharing common costs (see chapter 5.4 Sharing of project costs).

5.2.2. Conflict of interests

The Lead Partner and the Project Partners must undertake all necessary precautions to avoid conflicts of interest and must inform the Joint Technical Secretariat/Managing Authority without delay about any situation constituting or likely to lead to any such conflict.

A conflict of interest exists where the impartial and objective exercise of the functions of any person involved in the project is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with another person³⁰.

5.2.3. Budget flexibility rule (UPDATED!)

The budget flexibility rule allows the project to make within certain limits an adjustment of the project budget during the whole project duration. Under the flexibility rule the project may adjust the total budgets of all budget lines and work packages whenever it is needed (not only once) as long as the cumulative amount of the reallocated sum (a sum of all adjustments done from the beginning of the project) does not exceed either:

20%

or

40,000 EUR, whichever is the highest

³⁰ General Conditions applicable to European Community-financed grant contracts for external actions, ANNEX II, Art. 4 - Conflict of interests

of the respective total work package budget or respective total budget line. For example, if the budget of budget line 1 is 200,000 EUR, then a maximum amount of 40,000 EUR can be moved to that budget line.

Please note that within the budget flexibility rule it is not possible to change the nature (and intended use) of equipment / investment items and the Project Partner purchasing them as specified in the Application Form.

| | BL1 | BL2 | BL3 | BL4 | BL5 | Total WP |
|----------|-------------|-------------|-------------|-------------|-------------|---------------------------|
| WP0 | | | | | | Flexibility ^{*)} |
| WP1 | | | | | | Flexibility |
| WP2 | | | | | | Flexibility |
| WPn | | | | | | Flexibility |
| Total BL | Flexibility | Flexibility | Flexibility | Flexibility | Flexibility | Total budget |

*) NOTE: The flexibility of WP0 is limited: The preparation cost budget indicated in the Application Form cannot be exceeded. ~~The preparation costs subject to a limitation of 50,000 EUR or 2% of the total eligible project budget, whichever is lower.~~

Under the budget flexibility rule it is not possible to make changes between the Project Partners' budgets. ~~Moreover, the preparation cost budget indicated in the Application Form cannot be exceeded.~~

Any budget changes, which fall under the flexibility rule, are approved by the Joint Technical Secretariat (JTS) afterwards. Every six months the project submits a financial report to the JTS. Among other things, this report automatically calculates the overspending of budget lines and work packages. In this way the JTS is informed about the budget reallocations of the project. The reallocation under the budget flexibility rule is approved when the clarification of the progress report is finalised and the project received the requested amount.

5.2.4. Public procurement

For Project Partners from the EU Member States and Norway

Public procurement is a process used by governments, regional and local public authorities or public equivalent bodies to obtain goods and services with taxpayers' money. Public procurement presumes observance of the regional, national and Community³¹ rules and regulations in which the formal requirements are stipulated. In certain cases institutional rules exist for procurement of goods, services and works. The public procurement rules aim at more efficient use of public funds ("value for taxpayers' money") and increased competitiveness.

³¹ e.g. Directive 2004/18/EC

The main principles to be respected for acquisition of goods, services or work are laid down in the EC Treaty. These are in particular the principles of transparency, non-discrimination and equal treatment. The transparency principle means in practice that, for the benefit of any potential supplier, the public contracts must be sufficiently publicised³², while non-discrimination (on grounds of nationality) and equal treatment require equal conditions for suppliers independent of their country of origin, sex, race, etc. and according to pre-described award criteria.

All Project Partners and Lead Partners under the BSR Programme 2007-2013 must comply with the applicable institutional, regional, national and European public procurement regulations whenever they intend to purchase goods, services as well as public works from ERDF/ENPI/Norwegian funds³³. Please note: According to the jurisdiction of the European Court of Justice, the contracting authorities have to comply with the above-mentioned fundamental principles of the EC Treaty even below the EC-thresholds.

More information about public procurement is available at the Programme website.

For Project Partners from Belarus

Belarusian Project Partners have to respect procurement rules in the context of European Community external actions³⁴. These rules must be applied in all Belarusian organisations financed from ENPI funds and listed as Project Partners in the Application Form (also by public institutions).

Basic rules to be followed by Belarusian Project Partners are the Rule of Nationality and the Rule of Origin.

According to the **Rule of Nationality** participation in procurement procedures is open on equal terms to all legal entities from:³⁵

- ▶ EU Member States;
- ▶ beneficiary countries of the European Neighbourhood and Partnership Instrument (ENPI) (Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestinian Authority of the West Bank and Gaza Strip, Russian Federation, Syria, Tunisia and Ukraine);
- ▶ member countries of the European Economic Area (Norway, Iceland, Liechtenstein);

³² Please be aware that some contracts must be advertised in the Official Journal of the European Union if it is required by the relevant EC Directives. Further information and standard forms for the publication of notices in the framework of public procurement procedures are annexed to the COMMISSION REGULATION (EC) No 1564/2005 of 7 September 2005.

³³ As laid down in chapter 9.6 of the Operational Programme.

³⁴ As laid down in Regulation (EC) No 1638/2006 (Art. 21) and the Practical guide to contract procedures for external actions 20078 (Chapters 3, 4, 5))

³⁵ cf. chapter 2.3.1 and Annex A2 of PRAG

- ▶ candidate countries (former Yugoslav Republic of Macedonia (FYROM), Turkey, Croatia); countries that are beneficiaries of the Instrument for Pre-Accession Assistance (IPA) (Albania, Bosnia, Montenegro, Serbia, Kosovo);
- ▶ international organisations:
 - a. international public-sector organisations set up by intergovernmental agreements, and specialised agencies set up by such organisations;
 - b. the International Committee of the Red Cross (ICRC);
 - c. the International Federation of National Red Cross and Red Crescent Societies;
 - d. the European Investment Bank and the European Investment Fund.
- ▶ countries under reciprocity.

According to the **Rule of Origin** equipment procured within a project must originate (i.e. be produced or undergo their last, economically justified substantial transformation) in an eligible country (see “Rule of Nationality”).

Derogations from the rule of origin are possible if sufficient justification is provided (e.g. applying the rule of origin comes in strong contradiction with local legislation).

For services, works and/or supplies with a value of 10,000 EUR or less, the Lead Partner or the Project Partners may place orders on the basis of a single tender.

Service contracts worth 200,000 EUR or more must be awarded by means of an international restricted tender procedure following publication of a procurement notice. Service contracts worth less than 200,000 EUR must be awarded by means of a negotiated procedure without publication, in which the Lead Partner or Project Partners consult at least three service providers of its choice and negotiates the terms of the contract with one or more of them.

Supply contracts worth 150,000 EUR or more must be awarded by means of an international open tender procedure following publication of a procurement notice. Contracts between 60,000 EUR and 150,000 EUR are awarded by means of an open tender procedure published locally: the procurement notice is published in all appropriate media but only in the country in which the project is being carried out (i.e. Belarus). Supply contracts worth less than 60,000 EUR must be awarded by means of a negotiated procedure without publication (see the description above).

Work contracts worth 5,000,000 EUR or more must be awarded by means of an international open tender procedure following publication of a procurement notice. Contracts between 300,000 EUR and 5,000,000 EUR are awarded by means of an open tender procedure published locally (see the description above). Work contracts worth less than 300,000 EUR must

be awarded by means of a negotiated procedure without publication (see the description above).

| | | | | |
|-----------------|--|---|---|-------------------------------|
| SERVICES | = 200,000 EUR International restricted tender procedure | < 200,000 EUR, but > 10,000 EUR 1. Framework contract procedure 2. Competitive negotiated procedure | | = 10,000 EUR Single tender |
| SUPPLIES | = 150,000 EUR International open tender procedure | < 150,000 EUR, but = 60,000 EUR Local open tender procedure | < 60,000 EUR, but > 10,000 EUR Competitive negotiated procedure | |
| WORKS | = 5,000,000 EUR International open tender procedure | < 5,000,000 EUR, but = 300,000 EUR Local open tender procedure | < 300,000 EUR, but > 10,000 EUR Competitive negotiated procedure | |

5.2.5. Bid-at-three rule

In order to ensure transparent contracting procedures, equal treatment and cost efficiency, the Baltic Sea Region Programme applies the 'bid-at-three' rule. This means that Project Partners must collect at least three offers for all contracting amounts above 1,000 EUR (excl. VAT), but below the threshold set by the Community and institutional, regional and national procurement rules.

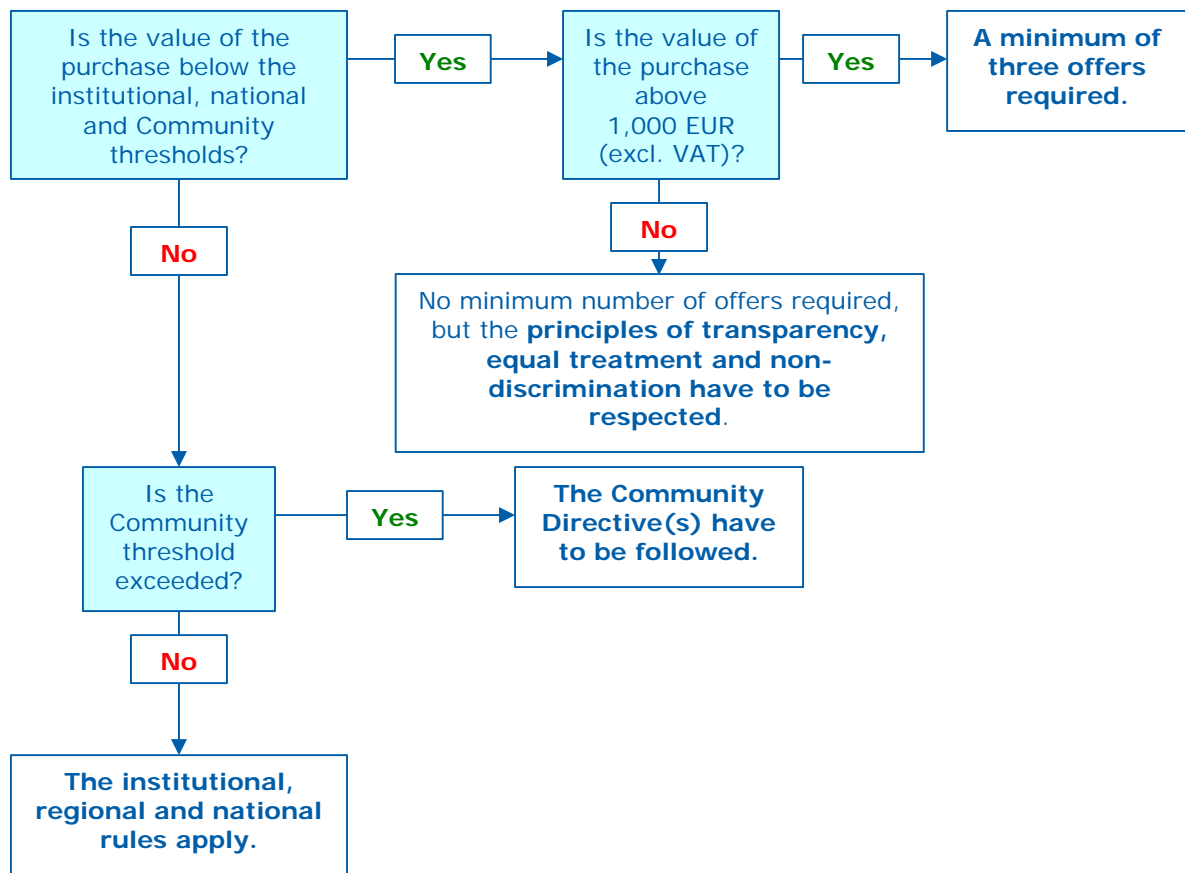
The offers can be received orally, electronically and in writing and have to be properly documented (e.g. by e-mail, fax, memos, print-outs from the Internet).

An exception to the bid-at-three rule can be so called follow-up contracts provided this is in conformity with the national rules. For example, there might be some external expert tasks which were not foreseen in the main contract but which are essential for the project.

If it is impossible to collect three offers, the activities undertaken to obtain the offers have to be documented. By doing so it will be ensured that prices for similar goods, services or work have been compared and that the contracting is transparent and traceable, e.g. for the first level controller during the audit process.

Only if the afore-mentioned public procurement procedures and the 'bid-at-three' rule are observed costs for goods, services and works will be considered eligible for funding under the Baltic Sea Region Programme. Please note that in case more stringent rules exist, these must be applied.

The following picture summarises which rules have to be applied depending on the value of the contract:



5.2.6. Publicity rules³⁶ (UPDATED!)

During its implementation each project has to comply with the Commission Regulation (EC) No 1828/2006 (Article 8, 9 and Annex I) **and with Commission Regulation (EC) No 846/2009 (Art 1)**. Please refer to these articles and Annex for detailed explanation. Joint projects part-financed by the ERDF and ENPI also have to follow EU Visibility Guidelines for External Actions.

Additionally, in the case of project outputs, investment, equipment, event, information and communication material (e.g. brochures, leaflets, newsletters, etc.), project presentations, articles or advertisement in public media or public events the following requirements must be fulfilled:

- clear indication of the European Union's participation:
 - EU graphic image (flag);

³⁶ See chapter 8 Information and communication

- statement of the EU part-financing “Part-financed by the European Union (European Regional Development Fund and /where appropriate/ European Neighbourhood and Partnership Instrument)”;
- clear indication of the BSR Programme 2007-2013:
- logo of the Programme.

The same rules set above must be applied to information made available by electronic means (e.g. websites) and by audio-visual material (e.g. presentations, CD-ROMs).

Also project outputs and activities financed from the Norwegian funds must have clear reference to the EU and the Programme.

Should any of the above conditions not be met by any of the Project Partners, this would imply a recovery of the funds unduly paid³⁷.

5.2.7. Value added tax and other financial charges

Value added tax (VAT) which is recoverable, by whatever means, cannot be considered eligible, even if it is not actually recovered by the final beneficiary or individual recipient³⁸.

Only non-recoverable VAT borne by the Project Partner that may not be refunded or offset by the tax authorities or by any other means may be included in the progress report.

Financial charges (e.g. charges for transnational financial transactions, bank charges for opening and administering the bank account(s) of the project) and where required also guarantee that costs are eligible³⁹. This does not apply to debit interests and exchange rate losses, which have to be borne by the Lead Partner and its Project Partners.

5.2.8. Treatment of cash in-flows (incl. revenues) (UPDATED!)

Definition of cash in-flows

The Baltic Sea Region Programme differentiates between two types of cash in-flows:

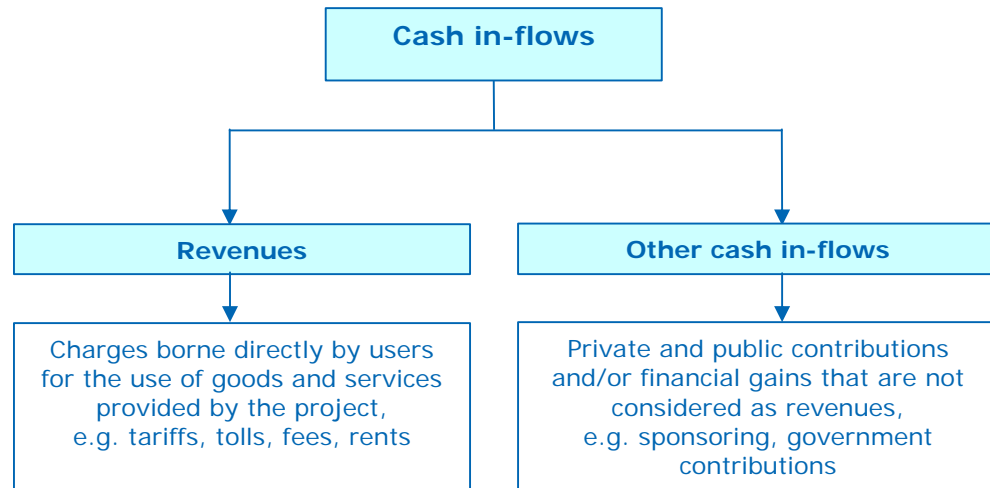
- Revenues, that is, cash in-flows *directly paid by users* for the goods and/or services provided by the project, such as charges borne directly by users for the use of infrastructure, sale or rent of land or buildings, or payments for services. Revenues reduce proportionally the maximum eligible expenditure;

³⁷ Council Regulation (EC) No 1083/2006, Articles 98 to 102.

³⁸ Regulation (EC) No 1080/2006, Art 7.

³⁹ Commission Regulation (EC) No 1828/2006, Art.49

- Other cash in-flows, that is, private and public contributions and/or financial gains that do not stem from tariffs, tolls, fees, rents or any other form of charge directly borne by the users.



Examples

a) Investments in infrastructure

Revenues: User fee/compensation for use, e.g. fares paid by train travellers⁴⁰, etc.

Other cash in-flows: Government contributions towards construction and/or operating costs, etc.

b) Land or building

Revenues: Sales price or rent, e.g. prices or rents paid for using rooms of a technological park, which was established by the project, rents for exhibitions in a cultural building that was renovated within the framework of the project, etc.

Other cash in-flows: Contribution of public bodies or private donors, e.g. to the construction and/or operating costs of a building, etc.

c) Other goods and services

Revenues: Service fees, e.g. enrolment fees paid by users of training curricula and material, which were developed by the project, attendance fees for project workshops, sales revenue of project brochures, etc.

Other cash in-flows: Contribution of private equity to the development and/or implementation of training courses, etc.

⁴⁰ Taking into account the variety of situations in the Member States as regards the rail market, it is possible that the fees paid by railway operators (track access charges) should be considered as revenue within the meaning of Article 55(1) instead of fares paid by travelers. In principle, if a project has more than one operator, the revenue that needs to be considered for the calculation of the eligible expenditure is that directly paid by the operators through charges.

Revenues and other cash-in-flows are treated differently in the Baltic Sea Region Programme, as the paragraphs below describe.

Treatment of revenues

The treatment of revenues is regulated in Article 55 of Council Regulation (EC) No 1083/2006, which stipulates that *"the eligible expenditure on revenue-generating projects shall not exceed the current value of the investment cost less the current value of the net revenue from the investment over a specific reference period."*

Therefore, revenues generated by a project are monitored and treated by the Programme as follows:

Project application

Applicants have to indicate their expected revenues in the Application Form. These revenues must have been set off with the planned expenditure.

Project implementation

All Project Partners are responsible for keeping account of all their revenues in order to track down the revenues and to have the required documentation available e.g. for control purposes.

All revenues must be stated in the progress report and must have been deducted from the eligible expenditure.

Therefore, each Project Partner has to provide its first level controller (FLC) with information on any revenues generated in the reporting period and to support this with accounting or equivalent documents. The FLC checks the submitted documents. In the certification of expenditure the FLC clearly indicates how much costs have been reported by the Project Partner and how much revenues have been generated. The latter amount must be deducted from the eligible expenditure certified by the FLC.

When compiling the project's progress report, the Lead Partner (LP) indicates each project eligible expenditure and revenues as confirmed by the partners' FLC. The Joint Technical Secretariat carries out a plausibility check of these indications during the clarification of the progress report.

Project closure

The Programme has to ensure that all revenues generated by projects within a specific reference period are deducted from the eligible project expenditure.

The Programme defines the reference period as the useful life of an asset, i.e. the length of time, as set by the national (tax) law, that a depreciable asset is expected to be in use. This implies that not only revenues generated

during the project implementation, but also after project closure have to be deducted from the project's eligible expenditure, if these revenues were generated during the useful life of the asset.

If the useful life of an asset cannot be determined with the national (tax) law (e.g. because the asset is very innovative) then any revenue generated within five years following the completion of the project must be deducted from the payments claimed from the Programme.

Revenues after project closure will be considered in the calculation of the final balance and will be followed up by the Programme bodies up to three years after the closure of the Baltic Sea Region Programme 2007-2013.

Treatment of other cash in-flows

The Baltic Sea Region Programme differentiates between financial contributions and/or financial gains stemming from either private or public sources.

Treatment of public contributions

All costs which were already co-financed from EU funds of any kind or were fully covered by other international, national, regional and/or local funds are not eligible as this is considered double-financing.

In case of co-financing from other international funds (e.g. UNESCO funds), as well as from national, regional and/or local funds the costs can be considered as eligible provided that

- ▶ such international, national, regional or other subsidy does not exceed the partner's contribution (10%-~~50~~70% depending on the location of the Project Partner and Programme funding source), and
- ▶ national, regional and/or local funds come from the Project Partner's country.

During the Programme period running from 1 January 2007 to 31 December 2015 the project can receive funding under only one operational programme at a time⁴¹.

Treatment of private contributions

In the Baltic Sea Region Programme private contributions are regarded as donations and sponsoring if they are granted project-related.

Examples are: an airline company sponsors air fares of the Project Partners, a business partner pays for the event management, etc.

⁴¹ Council Regulation (EC) No 1083/2006, Art.54 (3) and (5).

All expenditure which was financed by these private contributions is regarded as non-eligible, i.e. this expenditure should not be reported to the Programme in the progress reports.

5.2.9. Interest and equivalent benefits

Any interest or equivalent benefits accruing from advance payment of ENPI co-financing paid to Project Partners shall be specified in the progress reports. Additionally, copies of statements from the ENPI and Lead Partners' banks detailing the amount of interest accrued/not accrued should be submitted to the JTS. The cumulated interest received by all partners is deducted from each further interim payment to the Lead Partner.

5.2.10. Use of ERDF co-financing outside the EU and Programme area (UPDATED!)

Expenditure incurred by Lead Partners or Project Partners in implementing projects or parts of projects on the territory of countries outside the European Community, ~~e.g. also in the eligible areas of Norway and Belarus~~, may be financed up to the limit of 10% of the amount of the ERDF co-financing to the Baltic Sea Region Programme 2007–2013. This is the so called 10%-rule (ERDF co-financing). ~~It applies, for example, when Lead/Project Partners receiving ERDF co-financing pay for activities that are implemented in Russia⁴², as well as in the eligible countries Norway and Belarus.~~

Projects are asked to indicate such activities and the budget for them already in the Application Form. The eligibility of these activities must be confirmed by both the Monitoring Committee and the Managing Authority and their maximum limit is up to 10% of the amount of the Programme's ERDF co-financing to the project. Any additional activities not indicated in the Application Form must be approved beforehand by the MA/JTS. The expenditure for activities carried out outside the EU territory has to be for the benefit of the regions of the EU Member States belonging to the Programme area⁴³.

It has to be underlined that this exception is related to activities carried out by Project Partners or Lead Partners from the EU Member States that are co-financed by the ERDF. It is not possible to have Project Partners from outside the EU territory receiving ERDF co-financing.

Please note that in case costs of Norwegian or Belarusian partners are shared (e.g. management costs of a Norwegian Lead Partner), the cost shares of ERDF partners fall under the 10% rule.

⁴² For more information about the involvement of Russia please see chapter 2.3 'Composition of the partnership (UPDATED!)' of the Programme Manual.

⁴³ Regulation (EC) No 1080/2006, Art 21 (3), chapter 9.1.2 of the OP.

The following picture summarises the differences between the 10% rule and the 20% rule, which was mentioned in chapter 2.1.2 Geographical location.

| | 20 % rule (ERDF) | 10 % rule (ERDF) |
|-------------------------------|---|--|
| Who/what is concerned? | Project partners... ...located outside... ...the programme area ...AND inside ...the European Community | (Parts of) project's activities... ...the European Community ...COULD BE inside ... the programme area (i.e. BY, NO) |
| Condition? | Expenditure must be for the benefit of the regions... ... in the programme area. | ...of the EU Member States in the programme area. |
| Limit? | ERDF co-financing to the expenditure should not exceed... ...20 % of the total ERDF co-financing | ...10 % of the total ERDF co-financing |
| Examples | <p>Eligible:</p> <ul style="list-style-type: none"> A Spanish project partner is co-financed by the ERDF with 120,000 EUR, which is 10% of the total ERDF co-financing of the project. The expenditure of the partner benefits the Baltic Sea Region. <p>Not eligible:</p> <ul style="list-style-type: none"> A Spanish project partner is co-financed by the ERDF with 150,000 EUR, which is 25% of the total ERDF co-financing of the project. A Swiss project partner applies for an ERDF co-financing of 10,000 EUR. | <p>Eligible:</p> <ul style="list-style-type: none"> A Finnish project partner pays a Belarusian hotel for the organization of a project conference. The ERDF co-financing to this expenditure is 5% of the total ERDF co-financing of the project. <p>Not eligible:</p> <ul style="list-style-type: none"> A Finnish project partner pays a Belarusian hotel for the organization of a project conference. The ERDF co-financing to this expenditure accounts for 15% of the total ERDF co-financing of the project. |

5.3. De-commitment of ERDF co-financing (n+3/n+2-rule)

The European Commission demands from the structural fund Programmes that each annual ERDF co-financing for the years 2007 to 2010 (as stated in the financial table of the Operational Programme) is spent within the three following years. Similarly, each annual ERDF co-financing of 2011 to 2013 must be spent within two years. This means that ERDF co-financing which the Certifying Authority does not claim from the European Commission in time is automatically de-committed from the Programme budget and therefore lost.

The above described principle is the so-called "n+3/ n+2 rule", where "n" represents the year for which the co-financing was planned and "+3/+2" refers to the time (in years) during which the co-financing has to be spent. The rule does not apply to Project Partners that receive Norwegian or ENPI co-financing.

For projects co-financed by the ERDF, the automatic de-commitment has fundamental implications. The payment claims to the European Commission are based on the certified and reported expenditures submitted by the projects, thus very much depend on projects' financial performance. In the case the European Commission de-commits ERDF co-financing and if the de-commitment cannot be covered otherwise, the ERDF co-financing of ongoing projects must be reduced.

In order to help projects to plan their budget the following chapter gives some recommendations.

Recommendations for budget planning

Evaluation of project spending patterns in the predecessor programme BSR INTERREG III B NP showed that most projects were too optimistic about their spending profiles during the first reporting periods and that they needed to prolong their projects in order to complete their activities and spend their budget:

| | 6-monthly reporting period | | | | | | |
|---|----------------------------|-----|-----|-----|-----|-----|------|
| | I | II | III | IV | V | VI | VII |
| Planned spending (% of total budget) | 13% | 18% | 20% | 19% | 17% | 13% | 0% |
| Real spending (% of total spending) | 8% | 15% | 16% | 16% | 16% | 19% | 10% |
| Difference | -5% | -3% | -4% | -3% | -1% | +6% | +10% |

TABLE 5.3.a. Evaluation of the BSR INTERREG III B Neighbourhood Programme: Comparison of projects' planned and real spending per reporting period

Therefore, the Lead Partner and its Project Partners are encouraged to develop a more realistic project budget and spending plan from the start. As ERDF co-financing, which was not requested in time and in full from the JTS/MA may be lost, the following experiences of the BSR INTERREG III B NP could be useful:

1. The spending rate of an average three-year project is lowest at the beginning of the project, because at the early stage the project focuses on planning and preparation activities. The spending increases towards the end of the implementation phase, where it reaches its highest level.
2. Higher spending rates, especially at the beginning, are appreciated, but they can only be fulfilled if the project implementation is speeded up right from the beginning. For this purpose, the key staff for project co-ordination should be available shortly after the Monitoring Committee meeting when projects are selected for funding. Also a kick-off meeting and detailed project planning meetings should preferably be arranged soon after the project approval has taken place.
3. Every project should provide at least six-monthly spending targets down to the partner level. These should be included in the Partnership Agreements, which have to be prepared early. It is recommended that the Lead Partner requires quarterly interim reports from their partners in order to monitor the partners' financial performance.

On the other hand, project financial managers should be aware that significantly overdrawn spending targets (above 10%) right from the beginning of the project might result in temporary liquidity problems at programme level. The Programme management can only secure cash for those funds which were planned in the Application Form.

5.4. Project preparation and project closure costs⁴⁴

5.4.1. Project preparation costs

Project Partners eligible for ERDF or Norwegian co-financing in the framework of the Baltic Sea Region Programme can apply for reimbursement of costs for the preparation of the project. Such costs must be directly linked to the development of the project and preparation of the application material in the framework of the call for project proposals within the Baltic Sea Region Programme 2007 – 2013. Only projects approved by the Monitoring Committee can report preparation costs. Preparation activities have to be described and the related costs have to be estimated in the Application Form.

The preparation costs are subject to a limitation of 50,000 EUR or 2% of the total eligible project budget, whichever is lower.

The eligibility period of the preparation costs lasts

From: one year prior to the closure date of the opened call for project proposals.

To: the date of the funding decision by the Programme Monitoring Committee.

Example:

| | |
|---|------------------------------|
| Closure date of the call | 7 March 2008 |
| Monitoring Committee funding decision | 15 June 2008 |
| Eligibility period of preparation costs | 8 March 2007 to 15 June 2008 |

5.4.2. Eligibility guidance (UPDATED!)

A Project Partner can **only request reimbursement** of those preparation costs which it has paid and accounted for during the eligible period for the preparation costs **(see above)**. Only costs under the following budget lines are eligible:

- ▶ Personnel (BL1)
- ▶ External services (BL2)
- ▶ Travel and accommodation (BL3)

⁴⁴ See the charts in the chapters 3 Project management, duration and work plan and 10.2 Overview on project phases

This means that no expenditures for equipment and investment (BL4) and no other direct costs (BL5) can be reported as preparation costs.

Moreover, in the preparation cost the expenditure must not exceed the preparation cost budget indicated in the Application Form (see chapter 5.4.3 below).

According to the ENPI regulatory framework preparation costs of ENPI partners cannot be reimbursed. As it is of crucial importance to involve Belarusian partners in the project preparation phase, the following special exception is made: Travel and accommodation costs of ENPI partners from Belarus can be co-financed from the ERDF, if a preparatory meeting or seminar takes place on the territory of the European Union and is part of an approved project. ERDF partners that pay for travel and accommodation costs of Belarusian partners should plan these costs in BL2 of their budget accordingly.

Preparation costs must follow the same eligibility rules that apply to the eligibility of expenditure during the project implementation phase (EU and national legislation, Programme rules). The co-financing rate approved by the Monitoring Committee for a Project Partner is also valid for co-financing of the preparation costs.

5.4.3. Submission of the preparation costs report

All preparation costs are subject to a first level control and have to be included in a special report submitted together with the first progress report to the Joint Technical Secretariat. More than the amount indicated in the Application Form cannot be reimbursed.

5.4.4. Costs of the project closure

Costs of the project closure are eligible for ERDF, ENPI and Norwegian co-financing. Projects can use additional three months after the closing date of the implementation phase to finance activities related to the closure of the project (see also chapter 3 Project management, duration and work plan). Please note that only costs budgeted under work package 1 (WP1) Project Management and Administration in the Application Form can be reported as project closure costs.

For example, the implementation of thematic activities ends on 31 December. By that date all activities have to be carried out, all services or goods have to be delivered and all related costs have to be paid. The costs related to the project closure and planned in WP1 (e.g. personnel costs from the compilation of the final report, audit etc.) can still be paid within the next three months, i.e. until the end of March.

5.5. Sharing of project costs

5.5.1. Definition of the cost sharing concept

In the Baltic Sea Region Programme sharing of project costs is understood as pro rata allocation of certain single project expenditure or a group of thematically related expenditure to at least two Project Partners according to a transparent and equitable method. The shared costs derive from joint project implementation and as a result of carrying out activities that benefit either a number of Project Partners or the whole partnership (e.g. project coordination and management, project website, project publication, such as brochures, project events etc.)

The following actors are involved in the cost sharing procedure:

- ▶ Lead Partner and its first level controller;
- ▶ Implementing partner and its first level controller;
 - ◆ The *implementing partner* is the Project Partner who is responsible for generating the relevant cost(s) (contracting an external expert, providing own staff costs, purchasing tickets, equipment, etc.) that will be shared later on. The implementing partner is responsible for the maintenance of the full accounting documentation according the bookkeeping rules of its country. If relevant, the implementing partner is responsible for fulfilling the required public procurement or contracting requirements, etc.;
- ▶ Paying partners and their first level controllers.
 - ◆ *Paying partners* are all other partners participating in the cost sharing agreement.

5.5.2. Minimum requirements of cost sharing (UPDATED!)

1. Documentation requirements

A proper documentation is needed, so that the method can be verified by all Project Partners, Project Partners' first level controllers, second level auditors and/or other potential Programme or EU controllers. Therefore, the implementing partner should have sufficient documentation covering:

- ▶ the cost sharing method - division key (incl. its calculation) with the relevant justification;
- ▶ the cost sharing subject - the type of costs that are shared between partners;
- ▶ exact amount and specification of the shared expenditure supported by relevant accounting documents (e.g. expert invoice or staff pay slips supported by timesheets);
- ▶ evidence for delivery of work, service, equipment, etc.;

- ▶ evidence for incurring and payment of the shared expenditure;
- ▶ other specifications that might be needed in order to verify the acceptability and eligibility of the method (e.g. documents required by public procurement rules).

2. Written agreement on cost sharing method between partners

An agreement on the cost sharing model should be concluded in written form among all partners concerned before the shared costs are actually incurred. It could be regulated either in the Partnership Agreement or in a separate agreement on cost sharing.⁴⁵ The written agreement should contain the following information:

- ▶ estimated total amount of the expenditure;
- ▶ kind(s) of expenditure (incl. budget lines and work packages concerned);
- ▶ indication of the implementing partner/paying partners;
- ▶ cost sharing method - division key (incl. its calculation) with the relevant justification.

The cost sharing model must be in possession of the Lead Partner, the implementing partner and all paying partners. Each partner should check the acceptability of the method beforehand with its first level controller.

3. Realisation of activity by the implementing partner

The implementing partner executes the planned activity. He is the contracting partner for all external experts and suppliers and ensures that activities and contracts comply with the applicable eligibility rules (e.g. public procurement rules).

4. Payment, **and validation and reporting of shared costs**

The implementing partner pays the full amount of the shared expenditure (e.g. invoice(s) from suppliers or external experts, salaries of own staff, etc.) and ensures that the costs are identifiable in its accounting and financial management system. The date when such expenditure is incurred and the ordered goods/services are (at least partly) delivered is considered to be the official date of the cost used later on for reporting purposes. The first level controller of the implementing partner validates the shared costs and the applied cost sharing method in a separate cost sharing overview/**report**. **In case the Lead Partner is not involved in the actual cost sharing, the implementing partner has to report all the relevant cost sharing information to the Lead Partner.**⁴⁶

⁴⁵ An example agreement on cost sharing is available in the Management Toolkit at eu.baltic.net.

⁴⁶ A template for the "Report on cost shares" is available in the Management Toolkit at eu.baltic.net. It contains a cost itemisation list for the shared costs, an overview about each Paying Partner's share per budget line and work package and the first level control confirmation.

5.5.3. Settlement of shared costs by the paying partners

After the costs have been validated by the first level controller of the implementing partner, they are shared according to the agreed and documented cost sharing method.

The paying partners can cover their cost share in different ways in practice:

1. The implementing partner submits an invoice⁴⁷ about the shared costs to the paying partner. The paying partners transfer the invoiced amount to the implementing partner.
2. The implementing Project Partner asks the paying partners for advance payment.⁴⁸ All partners should be aware that only the real costs can be reported after the implementing Project Partner actually spent the money and at least a part of the cost sharing object has been delivered. The paying partners' shares cannot be reported.
3. The implementing partner submits a financial note⁴⁹ about the shared costs to the paying partners. This document informs them about their cost share. After the Lead Partner received the payment from the Programme, he deducts the cost shares from each partner's ERDF/ENPI/Norwegian co-financing and transfers the remaining amount to the Project Partners. Then the Lead Partner transfers the deducted amounts to the implementing partner to cover the real shared costs which the implementing partner paid for.
It should be noted that only real cost shares but no advance payments of cost shares can be set off against each partner's ERDF/ENPI/Norwegian co-financing.

Templates for the invoice / financial note and for calculation of the shared costs are available on the Programme website. These documents should include at least the following information:

- Identification of the implementing partner;
- Identification of the relevant paying partner;
- Identification of the cost-sharing subject and method;
- Breakdown of costs that were paid by the implementing partner, including a brief description and the relevant paying partner's share per cost item and in total;
- A document certifying the eligibility and payment of the costs (e.g. signed validation of the first level controller).

The level of detail of the required documentation forms should be agreed on beforehand with relevant partners, preferably in written.

⁴⁷ A template for a cost sharing invoice is available on eu.baltic.net

⁴⁸ A template for a cost sharing invoice for advance payments is available on eu.baltic.net

⁴⁹ A template for a financial note on cost sharing is available on eu.baltic.net.

The implementing partner is not allowed to add any profit margins for itself to the total amount of shared costs. Only actual costs can be shared.

In case the implementing partner is entitled to recover VAT, he can share the net expenditure (without VAT) only. In case the implementing partner cannot recover VAT by whatever means, he can share the total (gross) amount (including VAT). In the cost sharing invoice to the Paying partners the VAT should not be specified as the cost sharing invoice is not a real invoice based on which a Paying partner will receive any recovery of VAT.

5.5.4. Reporting of shared costs (UPDATED!)

In case the Lead Partner is not involved in the actual cost sharing, the implementing partner has to communicate all relevant cost sharing information to the Lead Partner.⁵⁰

The Lead Partner adds the validated cost shares to the implementing partner's and to each paying partner's expenditure and compiles the overall report. All cost sharing expenditure shall be reported in the progress report during which period the payment by the implementing partner and at least partial delivery of the cost sharing subject took place. All cost sharing expenditure shall be broken down to each contributing Project Partner. The Lead Partner ensures that no double reporting of shared costs takes place.

In case costs of Norwegian or Belarusian partners are shared (e.g. management costs of a Norwegian Lead Partner), the cost shares of ERDF partners fall under the 10% rule (see also chapter 5.2., rule 5.2.10 Use of ERDF co-financing outside the EU and Programme area).

The overall report including the shared costs allocated for each relevant partner is validated by the Lead Partner's first level controller.

Each Project Partner is entitled to receive an ERDF/Norwegian/ENPI co-financing which is calculated by multiplying the partner's co-financing rate (50-90%) with the sum of its own expenditure and its costs share(s).

Example:

ERDF/Norwegian/ENPI co-financing

= Co-financing rate of the partner x (own expenditure + cost share(s))

= 50% x (1,000 EUR + 100 EUR)

= 550 EUR

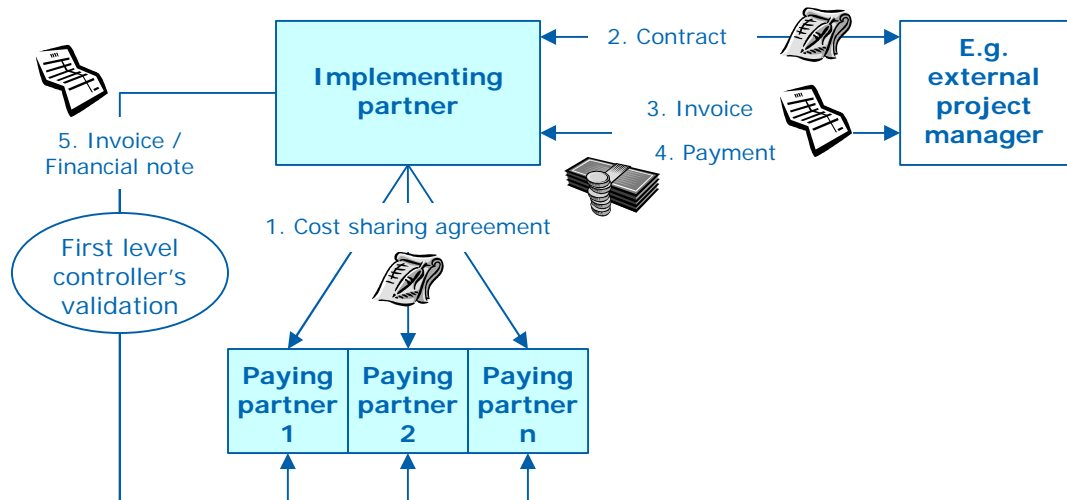
After the Lead Partner received the payment from the Programme, he transfers the ERDF/ENPI/Norwegian co-financing to each partner. In case the partners agreed on applying cost settlement procedure no. 3 (see the previous chapter), the Lead Partner deducts the cost shares from each

⁵⁰ ~~A template for the specification of the shared cost is available on the programme website eu.baltic.net. A~~ template for the "Report on cost shares" is available in the Management Toolkit at eu.baltic.net. It contains a cost itemisation list for the shared costs, an overview about each Paying Partner's share per budget line and work package and the first level control confirmation.

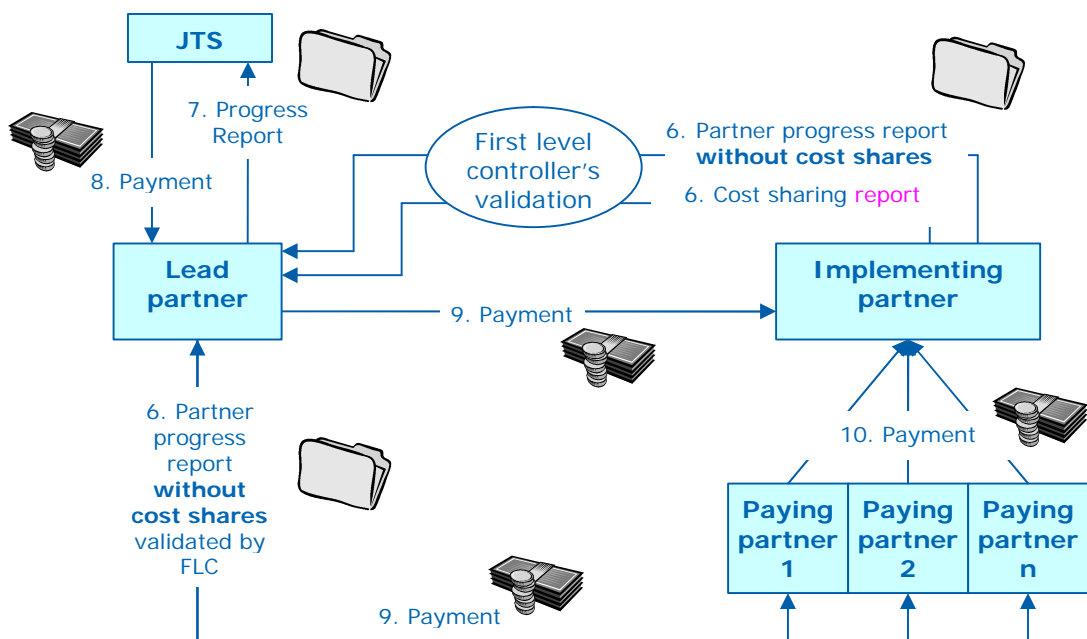
partner's co-financing and only transfers the remaining amount to the Project Partners.

5.5.5. Graphical summary of the cost sharing procedure (UPDATED!)

1. From the cost sharing agreement to the invoice/financial note



2. Reporting of shared costs and payment of cost shares



5.5.6. A cost sharing example

A project has 10 partners with different total budgets. The Project Partners agreed in written to share those costs of the project which arise from the project management activities of the Lead Partner. They consent to divide the costs in relation to the size of their budget vs. the total project budget.

The Lead Partner will deduct the share of the paying partners from the Programme co-financing to which they are entitled.

The Lead Partner, acting as implementing partner, has taken care of the project management and has paid out the costs related to the management (staff, travel etc.). The total costs of the management for the respective reporting period are 10,000 EUR.

| Partner | % share of project costs | amount in EUR |
|--------------|--------------------------|------------------|
| LP | 10% | 1,000.00 |
| Partner 2 | 5% | 500.00 |
| Partner 3 | 5% | 500.00 |
| Partner 4 | 15% | 1,500.00 |
| Partner 5 | 10% | 1,000.00 |
| Partner 6 | 10% | 1,000.00 |
| Partner 7 | 15% | 1,500.00 |
| Partner 8 | 10% | 1,000.00 |
| Partner 9 | 10% | 1,000.00 |
| Partner 10 | 10% | 1,000.00 |
| TOTAL | 100% | 10,000.00 |

The first level controller of the Lead Partner validates all costs and provides each paying partner with a financial note and the calculation of the shared costs (list of total paid amounts, specification of cost items, each partner's share, calculation method).

The Lead Partner adds each paying partner's share in the overall financial report of the project. After payment from the Programme, the Lead Partner deducts the cost shares from the paying partners' ERDF/ENPI/Norwegian co-financing and transfers the remaining amounts to them.

Example:

Partner 5 reported own expenditure of 12,000 EUR. The Lead Partners adds the shared costs (1,000 EUR) to the own and validated expenditure of partner 5. Thus the total amount reported for partner 5 in the respective progress report is 13,000 EUR. The co-financing rate for partner 5 is 75%. Therefore the Programme co-financing for partner 5 amounts to 9,750 EUR. The Lead Partner deducts the shared costs from the co-financing and transfers the remaining amount of 8,750 EUR to partner 5.

Partner 5 (DE - 75% co-financing rate)

| | |
|--|---------------|
| A) own direct expenditure: | 12,000.00 EUR |
| B) respective share of project administration costs: | 1,000.00 EUR |
| C) total reported amount: | 13,000.00 EUR |
| D) Programme co-financing (75%) | 9,750.00 EUR |
| E) transfer LP => Partner 5 (D – B) | 8,750.00 EUR |

The reason for deducting the entire cost share from the grant payment is

that the Paying partner did not pay the costs before. The own contribution to the costs in the above example is 3,250 EUR (12,000 EUR - 8,750 EUR).

If the Paying partner had paid the total costs on its own, he would have actually paid 13,000 EUR. The Programme would have reimbursed 9,750 EUR. The own costs of the partner would have been 3,250 EUR (13,000 EUR - 9,750 EUR), i.e. the same amount.

5.5.7. Points of special attention

Please note that the Joint Technical Secretariat cannot take any responsibility for the actual application of the described cost sharing procedure.

It is important that

- ▶ the project reflects on the cost sharing model taking into account the needs and characteristics of the partnership and if necessary adapt it;
- ▶ the procedure is discussed with partners and their first level controllers beforehand to ensure that the cost sharing model is acceptable and also in line with national regulations;
- ▶ if making use of the cost-sharing option, the Lead Partner is always informed about the model applied by Project Partners in order to ensure a correct allocation of the costs in the project bookkeeping system and reports.

6. Strategic projects

6.1. Selection criteria for strategic projects

The Baltic Sea Region Programme 2007 – 2013 puts special emphasis on projects that have a particular strategic relevance in the Baltic Sea Region. (see chapter 4.5 of the Operational Programme (OP).) Such strategic projects demonstrate the following features that are used in the Programme as the **selection criteria for strategic projects**:

- ▶ **Content:** The project addresses one or more “issues of common concern” that are listed in the chapter 2.3 in the OP and develops solutions for the stable BSR development clearly based on the SWOT analysis presented in the chapter 3.1 of the OP.
- ▶ **Geographical area or area of influence:** The geographical area of the project or its area of influence encompasses the whole of the BSR.
- ▶ **Focus on implementation:** The project has a strong focus on implementation. That means it contains infrastructural investment/s or pilot investments in accordance with chapter 4.3 of the OP and chapter 4 Investments in projects of the Programme Manual; a preparation

stage for a major investment funded through other EU programmes, national programmes or private sources; or local demonstration actions.

- **National backup:** The project has a strong back-up from the national level authorities or, when relevant due to devolved competences, from the regional level authorities that take the responsibility for implementation of investments or endorsement of the policy recommendation.
- Regarding the last criterion, the national representatives of the countries in the project's geographical area or area of influence are either partners in the project or support the project as associated organisations. As associated organisations a letter of support (in English) from these representatives should be submitted together with the Application Form proving their support to the project and preparedness to use the project's results (see also chapter 2.1.1 Legal status).

As a part of the quality assessment (see chapter 9.3 Evaluation of project proposals and selection criteria) **all projects** applying for funds from the Baltic Sea Region Programme are assessed additionally regarding their potential to become a strategic project. The above mentioned selection criteria for strategic projects is thus applied as additional assessment category in the quality assessment. Different to the other quality assessment categories, however, even if a project fails or gets a very low score in the strategic project selection criteria this does not mean that the project is assessed as not being as good quality as any "regular" Baltic Sea Region Programme project. In other words, a project may show very good quality as a transnational project and be highly recommended to be approved even if it is not regarded as strategic!

6.2. Selection process for strategic projects

Following the quality assessment procedure the Joint Technical Secretariat gives each project proposal a score on how far the proposal fulfils the criteria for strategic projects together with a short comment for its justification. These are included in the assessment report that serves as a basis for the Monitoring Committee (MC) decision on the selection of the projects for funding.

After the decision on approved projects, the MC takes a decision on which of the selected projects may be considered strategic enough in order to be selected as strategic project. The selection is based not only on the fulfilment of the selection criteria for strategic projects but also on the national opinion presented by the MC members on the influence and importance of the given project both in their country and the whole Baltic Sea Region.

If a project is seen to have great potential to become a strategic project after some improvements, the MC may give recommendations in order to increase the strategic relevance of such a project. However, these

recommendations should not be seen as conditions for approval. Together with the approval letter the Lead Partners whose project is selected as strategic projects are asked whether they are willing to implement their project as a strategic project and are willing and able to fulfil the possible recommendations. If a Lead Partner does not want to implement its project as a strategic project or is not willing or able to fulfil the given recommendations, the project is implemented as a regular project in the BSR Programme.

The Programme target is to have 2-3 strategic projects in each of the priorities. All strategic projects may have an ENPI component.

6.3. Special support by the Programme for the implementation and marketing of strategic projects

Strategic projects are monitored through the same procedure as regular BSR Programme projects (six-monthly progress reporting). However, strategic projects will possibly be implemented in closer cooperation with the JTS and the MC than regular projects. A person from the JTS (depending on staff resources) is appointed as a contact person to a strategic project. As far as possible s/he takes part in the main events of the project. In addition the JTS information managers help strategic projects with their communication activities. Strategic projects and their progress are also presented regularly at the MC meetings. A MC Task Force may be put up for support to strategic projects, i. e. in finding financial resources for follow-up investments.

Strategic projects deal with complex topics of high relevance for the development of the Baltic Sea region. Furthermore they are expected to have broad and significant influence in the region. That is why strategic projects will be given an opportunity to apply for an **extension stage** in order to considerably strengthen the final results of the project (e. g. to implement transnational investments, to demonstrate in a chosen region the implementation of the action plan developed in the project, to carry out a training programme in order to disseminate the jointly developed new method). Further information on extension stage is given in chapter 9.5.

6.4. Top-down approach towards developing strategic projects

Based on Monitoring Committee decisions the JTS may take a pro-active approach towards developing strategic projects. In this case, the JTS or a Monitoring Committee (MC) Task Force - with JTS support - will facilitate an interactive process, where topics for strategic projects will be agreed upon among the representatives of the countries participating in the Programme. Potential partners and implementing bodies will be targeted through seminars and workshops and the project plans will be further developed together with the representatives of the participating countries. There will

not be a conflict of interest concerning the JTS role in the development and later on in the assessing and monitoring of strategic projects since the JTS members will only act as facilitators in the project development and all decisions will be taken by the Monitoring Committee. Depending on the amount of approved strategic projects in the different priorities after the first call, the MC may decide on starting a top-down process for the development of strategic projects in some priorities of the Programme.

7. Expected results and main outputs (UPDATED!)

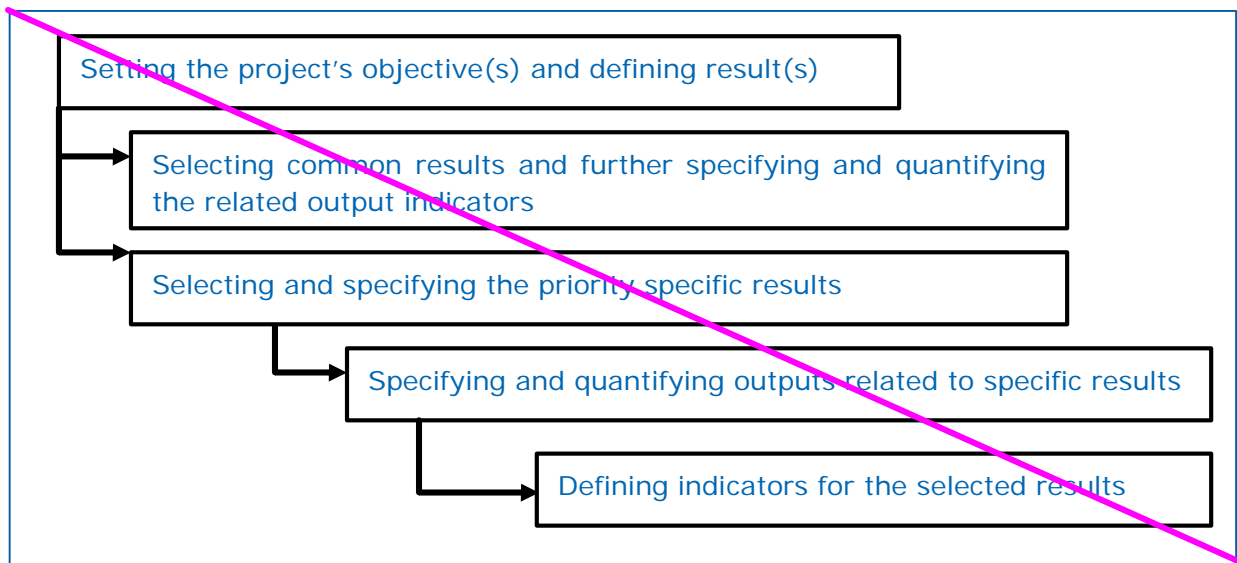
~~7.1 Introduction to the use of indicators in the Programme (REMOVED!)~~

~~In order to know whether the goals set by the Programme have been achieved a measurement system has been developed. It consists of indicators at two levels: programme and project level. This **system of indicators** is based on a set of expected results predefined by the Programme and accompanied by respective outputs (see chart 1 and tables 1-4 in chapter 6.6 of the Operational Programme). There are two types of expected results: common and priority specific. Common results are used for all priorities, whereas priority specific results are defined for each priority separately.~~

~~At the programme level **result indicators** are defined as the number of projects addressing a given result. Result indicators at the project level are defined and quantified by the projects themselves. The actual data on indicators for specific results defined and quantified by the projects are not accumulated at the programme level. This is not feasible i.a. because of the lack of standardisation of the measurements. Instead, the information on the fulfilment of the specific results at priority level is collected by counting the number of projects that has successfully contributed to each particular expected result. In addition, descriptions how the projects contributed to the achievement of a specific result are collected.~~

~~All approved projects have to contribute to at least one of the common results and one of the priority specific results. This means that each project is asked to select the most suitable expected result from the predefined ones, to specify how it plans to achieve the selected results as well as to define and quantify corresponding indicators. Finally, the project is asked to specify and quantify outputs. The Programme leaves room for innovative approaches by the projects. Therefore, projects may define additional expected results with corresponding indicators for them. The explanation of each component of the system of indicators is given in chapter 6.6 of the Operational Programme.~~

~~In order to apply the system of indicators at the project level, applicants will follow a sequence of steps described in detail further in this chapter (see chart below) as well as in chapter 10.3.3.~~



7.1. Project objective(s) and results (PREVIOUS CHAPTER 7.2)

The most important step for the applicants in developing the project proposal is to set the objective and define the expected results clearly and precisely right from the beginning.

The objective specifies positive aspects of a desired future situation. The results should specify the needed change(s) in the current situation. **'Good' objectives** and **results** clearly express what kind of changes the project intends to bring about. They should be as specific as possible, thus providing the answers to the following questions:

- ▶ what type of change is to be achieved
- ▶ where shall the change happen
- ▶ for whom it is going to be done
- ▶ by when it has to happen.

In other words, the 'good' objectives and results are SMART:

Specific = an objective has to define a single, simple change in a clear and easily understandable way and set out what will change, for whom and where.

Measurable = it must be possible to collect quantitative or qualitative data in order to evaluate if the objective is met.

Achievable = there are enough internal financial, human, institutional and physical resources available to achieve the (level of) change.

Relevant = the objective clearly meets the problem it intends to address and is meaningful to key stakeholders and beneficiaries.

Time-framed = There is a deadline by when the objective shall be achieved.

In the application form it is essential to describe the project objectives and results in a SMART way. The assessors of the application will want to know what the positive change is that the project is aiming at, who needs the results and whether it is realistic to achieve these results with the proposed project.

~~7.3 Common results and priority specific results (REMOVED)~~

~~Each project has a unique and distinguishable character. This is of value to the Programme. However, in order to present the programme results in a comprehensive manner a set of predefined expected results is defined. This set is presented in the Operational Programme (chapter 6.6 of the OP). It contains two kinds of results: **common and priority specific**.~~

- ~~► **Common results** express the Programme's expectations towards all projects. The goal is to achieve a broad recognition of the projects among politicians, ensuring sustainability of transnational structures, and unlocking investments.~~
- ~~► **Priority specific results** show the main Programme aims for all different areas of support in a priority. If a project proposal fits to the Programme, it most likely contributes to one or more predefined specific results in a given priority.~~

~~Each project is expected to contribute to the achievement of at least one common and one priority specific result. Hence, in the Application Form each project is asked to select from the list of the Programme expected results the one(s) that are closest to the project's own objective. The objective of the project may contribute to the achievement of several Programme expected results. Thus, it is possible to select more than one common and more than one priority specific result.~~

~~For each selected common result the project should only focus on specification of the fixed output indicators (see table below). Hence, in the Application Form the project should precise which politicians are to be targeted (e.g. from regional or national level), what kind of transnational structures are to be established, what type of investments are foreseen and from which funds these investments are planned to be implemented (Programme funds, private, other sources). Quantification of the fixed output indicators takes place only after the approval of the project, within the first half a year of project implementation (see chapter 10.3 Getting started).~~

| Common result | Output indicators |
|---------------------------------|---|
| Increased political recognition | Number of politicians directly involved in project activities |
| | Number of open public events with participation of politicians |
| | Number of political statements to be endorsed, resulting from project activities and signed within the project lifetime |

| | |
|--|---|
| Increased sustainability of transnational co-operative structures | Number of established transnational structures based on official agreements (networks, platforms, forums, councils etc) |
| Unlocking public/private investments | Amount (EUR) of investments realised with Programme's funding within the project lifetime |
| | Amount (EUR) of public investments realised with other than Programme's funding within the project lifetime |

TABLE 7.1.a. COMMON RESULTS AND RELATED OUTPUT INDICATORS

Once the priority specific result is selected the project is asked to precise what exactly will be done in the project to contribute to the achievement of the selected result. The project should specify the change it is aiming at in details including e.g. the geographical area, the specific field and/or organisations that will be targeted. In case two or more results are chosen, all of them shall be specified in the same way.

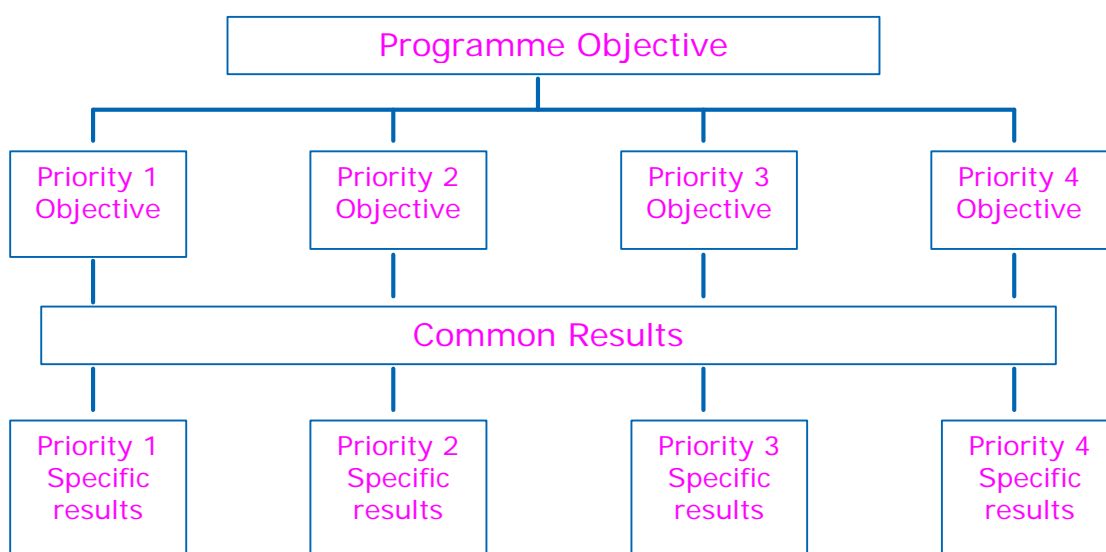
In addition to contributing to the Programme's expected results the project may aim to achieve some other important results. In that case the project may define them as well. These additional results must however be in line with the objective of the priority. The project can define up to three additional results.

All approved projects have to define indicators for selected specific results and for additional ones they have chosen. All projects are asked to plan and carry out a mid-term self-evaluation with the help of their indicators. These indicators are to be presented to the JTS in the first progress report. For more guidance on defining indicators please see chapter 10.3.3 Defining indicators.

Examples of indicators at project level for each priority are given in the Annex 2.

7.2. Linking to Programme objectives and expected results (NEW!)

In order to monitor and report on the Programme's achievements, a systematic way to collect information about the projects' achievements is needed. The information is collected from the projects on the basis of Programme objectives, expected results and related indicators. The chart below presents the system of Programme objectives and expected results.



The Programme has an overall objective and a specific objective is set for each priority. Furthermore, a set of common results as expected effects of all the priorities are defined for the Programme. In addition priority specific results, i. e. expected effects of a particular priority, are given. (Please, see also Operational Programme chapter 6, chart 1.) The common and priority specific results are further described below. In addition, the Programme requirements on how projects should link to the common results and to the priority specific results are explained.

Common results

Common results express the Programme's expectations towards all projects. The goal is to

- achieve increased recognition of projects' outcomes among politicians,
- achieve increased sustainability of transnational structures, and
- unlock investments.

In order to present the achievement of the common results in a more tangible way, output indicators are defined for the common results. These are shown in the table below including a short definition of terms used.

| Common result | Output Indicators |
|---|--|
| Increased political recognition | Number of politicians directly involved in project activities Politicians = Politically elected members of local, regional, national governments and/or decision makers representing public authorities. Directly involved= Involvement of politicians is ensured in the project's decision making bodies as for example project's steering committee, management board, advisory group or board etc. |
| | Number of open public events with politicians' participation Events (conferences, press conferences, seminars etc) organised for wider public (not limited to the project partnership) where politician(s) take(s) an active role, for example give a speech, moderate an event, a session or panel discussion etc. This may include international, national and regional/level events. Not included are internal working meetings, workshops, and seminars etc that are organised only for the project partners. |
| | Number of political statements to be endorsed, resulting from project activities and signed within the project lifetime Statements signed/endorsed by politicians either at local, regional, national or European level during the project lifetime. As for example Memorandum of Understanding, Agreement, Transnational Action Plan, Territorial Development Plan, regional plan/strategy, local land use plan etc. |
| Increased sustainability of transnational co-operative structures | Number of established transnational structures based on official agreements (networks, platforms, forums, councils etc.) Signed agreement or similar document on the establishment of new transnational structures as for example a network, a new platform, a new council etc. Signed agreement, action plan, etc. aiming at strengthening or improving the performance of existing transnational structure network, platform, organisation etc.). |
| Unlocking public /private investments | Amount (EUR) of investments realised with Programme's funding within the project lifetime Investments that the project has indicated in the application form. |
| | Amount (EUR) of public investments realised with other than Programme's funding within the project lifetime Investments planned to be realised during the project lifetime by other funding than the funds committed to the project by the Baltic Sea Region Programme 2007-2013. These investments should contribute to the achievement of the project's expected results and planned objectives. For example, implementation of certain activities agreed among the project partners in an action plan designed during the project lifetime (building a road, installing equipment to prevent the pollution from the Baltic Sea or reconstruction of the building by using the feasibility study developed by the project etc.) |

TABLE 7.2.a. COMMON RESULTS AND RELATED OUTPUT INDICATORS

In the project application the applicants are asked to indicate to which of these above listed common results the project will contribute. The applicants may select one or more of these results. In addition the applicant is asked to specify how the project is going to fulfil the output indicators related to the chosen common result(s).

If the project is approved for funding, it will be asked to set targets to the output indicators for common results. This is required at the starting phase of the project implementation. The targets will be stated in the first progress report. (See chapter 10.3.3.) During the project implementation the projects are asked to report on achievements of these indicators in the progress reports.

Priority specific results

Priority specific results show the main Programme aims for different areas of support in a priority. If a project proposal fits to a Programme priority, it most likely will contribute to one or more predefined specific results in that priority.

There are 3-4 specific results defined for each of the priorities (see Operational Programme chapter 6, chart 1).

Examples of priority specific results:

Priority 1: "Improved transnational transfer of technology and knowledge"

Priority 2: "Speeded up integration of areas with low accessibility"

Priority 3: "Increased sustainable economic potential of marine resources"

Priority 4: "Improved preconditions for increase of BSR competitiveness in Europe and worldwide"

In the project application the applicants are asked to indicate to which of the specific results in the chosen priority the project will contribute. The project must contribute to at least one priority specific result. It can however contribute to several results. Furthermore the applicants should specify how the project in particular will contribute to the selected result. The project should specify the change it is aiming at in detail including e.g. the geographical area, the specific field and/or organisations that will be targeted.

When starting the project implementation the lead partner together with the project partners are asked to define indicators for the chosen priority specific results. These indicators and their targets are indicated in the first progress report (see chapter 10.3.3). They will be used as one of the means to monitor and evaluate whether the project will achieve its planned results.

In addition to the contribution to the Programme's expected results the project may aim to achieve some other important results. In that case the project may define such additional results. Similar to the priority specific results, the project should define indicators also for the additional results, when starting the project implementation.

7.4 Specifying and quantifying the outputs related to specific results

~~For each selected specific result the project must both specify the related main outputs and quantify them. **Main outputs** that are collected at the programme level are different types of tools, methods or model solutions developed by the project and used as a means to achieve the expected results. In the course of monitoring, the projects will have to report the progress of delivering these outputs. Main outputs must be produced in line with the principle of transnationality (see Operational Programme chapter 4.3). This means that they have to result from joint transnational work and/or present a transnational value either due to their practical use by the project target groups or by being used as a model solution that can be transferred to other locations.~~

~~The main outputs have been divided into categories (see table below). In the Application Form, the projects are asked to name and specify each output separately, indicate the corresponding specific result for each output, indicate the work package where the output is produced, partners involved in this output development as well as to quantify the number of outputs in the category. There might be one or more (up to five) outputs produced that belong to the same category.~~

7.3. Main outputs

The results of a project will be achieved through activities and outputs. At the Programme level information will be collected about the **main outputs** produced by the projects. These are different types of tools, methods or model solutions developed by the project and used as means to achieve expected results.

The main outputs are divided into categories:

- ▶ Guidelines and Manuals
- ▶ Documents for Specific Investment (feasibility studies, technical concepts, Environmental Impact Assessments (EIAs) Territorial Impact Assessments (TIAs), building plans, construction design etc.)
- ▶ Thematic Expertises (including economic analysis; e.g. analysis of the cargo flow in the area of concern, market analysis etc.)
- ▶ Business plans
- ▶ Management Plans (crisis management, management plans for the marine environment, logistics, etc.)
- ▶ ICT-based Supporting Tools (databases, information exchange portals, other Decision Support Systems, etc.)
- ▶ Territorial Development Concepts (strategies, visions, scenarios etc.)
- ▶ Transnational Action Programmes or Plans

- ▶ Branding and Marketing Concepts and Strategies
- ▶ Tourism Products
- ▶ Educational Products (e.g. training programmes or methods, curricula, etc.)
- ▶ Others

~~While specifying an output the projects are further asked to explain how this output is to be used in the project and/or afterwards (will it only be developed, or perhaps tested/used one or more times, will it be utilised in one location or in many different location within the project lifetime, are there any organisations other than the ones involved in the project interested in using this output, etc.) as well as who will retain the ownership of the output after the project closure.~~

~~Please note that all activities related to specified outputs development and their actual utilisation during the project lifetime shall be visible/ described in the project work plan.~~

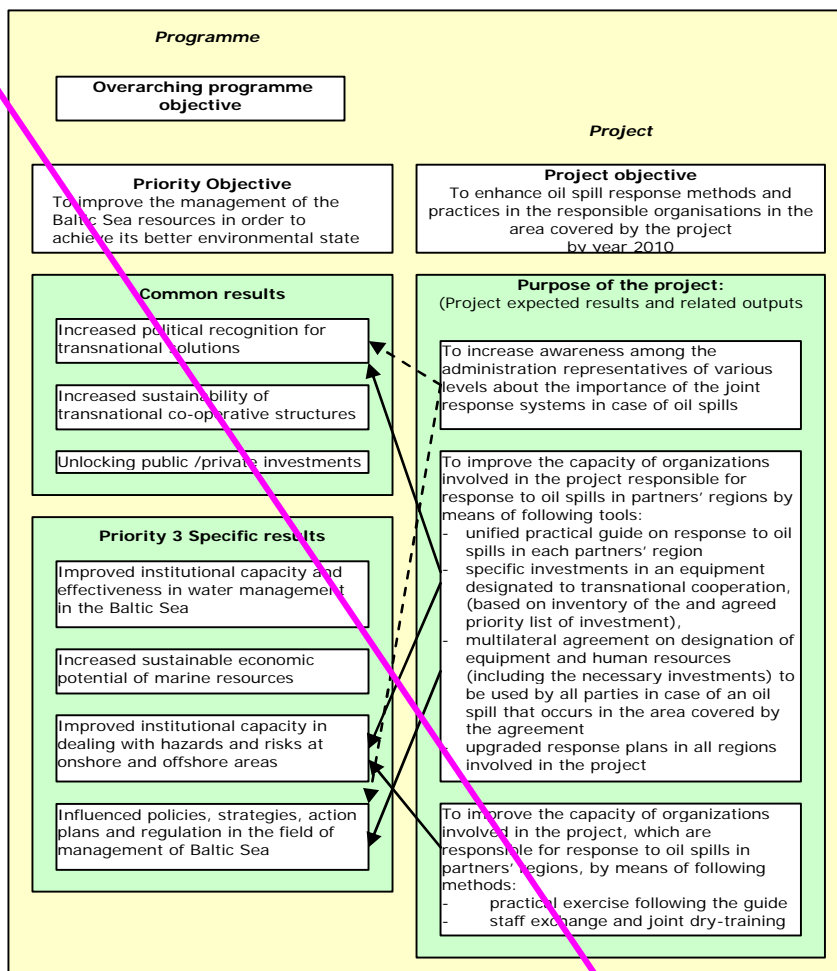
~~The above mentioned main outputs are not the only means the project may produce in order to achieve its results. Project events, presentations, project flyers, newsletters etc. will also be produced. These outputs should be presented when the whole work plan of the project is outlined and the tasks are described in detail in the Application Form, as well as in the communication plan (see chapter 8 Information and communication and chapter 10.3 Getting started).~~

In the application form, the applicant is asked to define the project's main outputs in relevant categories. Main outputs should be produced in line with the principle of transnationality (see Operational Programme chapter 4.3). This means that they result from joint transnational work and/or present a transnational value either due to their practical use by project target groups or by being used as a model solution that can be transferred to other locations. The development of main outputs should be clearly described in the project work plan (see chapter 3.3 on project work plan). In the course of monitoring, the projects will have to report on the progress of delivering these main outputs.

Normally a project produces also other deliverables than the above-mentioned main outputs. The project may produce partner specific outputs. Project events will be organised and presentations, project flyers, newsletters etc. will be produced. The applicants should consider the difference between the project's main outputs that are of transnational relevance and all other outputs produced by the project. All types of outputs will be presented in the project work plan. In addition, outputs related to publicity and communication are presented in the communication plan (see chapter 8).

Practical example on how to select expected results and quantify the main outputs (1)

In order to further clarify the expectations towards the projects and the selection of predefined common and priority specific results an example for Priority 3 is given below: the proposal focuses on oil spill response methods and practices. The chart below illustrates the linkage between the objective, expected results and outputs as defined by the project on one hand and the predefined common and priority specific results on the other hand.



Selecting the programme predefined results

Once the project objective and results have been defined and specified, the project's own results should be linked with the programme ones. This is done in the Application Form. From the list of predefined common and specific results the project selects the ones that are most relevant. After that the project describes how the selected results will be achieved. In this example the project ticks the third common result ('Unlocking public/private investments') and specifies the type and size of investments in ship equipment.

The project in this example selects two priority specific results:

- 'Improved institutional capacity in dealing with hazards and risks at onshore and offshore areas', and
- 'Influenced policies, strategies...'

These two priority specific results are selected by the project in the Application Form. The selected priority specific results may be specified as follows:

1. 'Enhanced knowledge and improved procedures among of the personnel engaged in rescue actions in the organisations responsible for response to oil spills in regions x, y, z of countries x, y, z'
2. 'Influenced action plans (response plans) used in regions x, y, z'

Defining additional results

As shown in the chart above, apart from direct linkages between the results anticipated by the project and the ones defined by the programme, there are still some additional results that the project may intend to achieve. In the example an additional result would be: 'Increased awareness among the administration representatives of various levels about the importance of the joint response systems in case of oil spills'. As indicated in the chart this result may indirectly contribute to the achievement of the first common result and the last priority specific one, yet the essence of the expected change is not predefined by the programme: awareness rising of the transnational cooperation in a very specific field. The project further specifies such formulated additional result in the Application Form.

Practical example on how to select expected results and quantify the main outputs (2)

Specifying main outputs

The next step in applying the indicators system by the project is to specify and quantify the main project outputs that are to be produced in order to achieve the selected priority specific results. The main outputs (the main concrete goods and products) to be delivered by this exemplary project may be as follow:

| Category | Specification | Corresponding result code | to be tested | to be transferred | Number of outputs in category |
|------------------------|--|---------------------------|--------------|-------------------|-------------------------------|
| Guidelines and Manuals | Uniform practical guide on response to oil spills in each partners' region | SR3 | x | | 1 |
| Management Plans | Upgraded Response Plans in regions x, y, z | SR4 | | | |
| Educational products | Joint dry-trainings | SR3 | x | | 1 |
| others | Priority list of investment, base on the inventory of the needs in the equipment used in case of spills | SR3 | | | 1 |
| | Multilateral agreement on designation of equipment to be used by all parties in case of an oil spill that may occur in the area covered by the agreement | SR3, SR4 | x | | 1 |

In this example three outputs are to be tested. It means that they will be used in practice (e.g. field exercise based on the unified guide or joint dry trainings that the staffs plan to undertake). It is not the case in this example, but the third tested output – the multilateral agreement - could potentially be transferred to other regions as a model solution how to influence the action plans.
Please remember to indicate in the work plan (in the Application Form) when (in which reporting period) the above specified main outputs are expected to be delivered.

TABLE 7.3.a. Practical example on how to select expected results and quantify the main outputs

8. Information and communication

In the programming period 2007-2013 the role of communication and information on project level is strengthened since the previous programming period has shown that communication and information activities are practical and efficient tools to improve the quality of the projects. In addition coordinated and targeted communication strategy throughout the project life cycle shall ensure wider visibility of project activities, achieved results and assistance obtained from the Programme and the EU.

Communication and information activities in the project are an important part of project implementation. Communication will help the project to achieve its goals and will ensure transparency in the use of the EU funds. Therefore, projects are strongly encouraged from the very beginning to plan their information and communication activities in order to improve the project implementation and results.

8.1. Preparation stage (UPDATED!)

Planning of efficient resources for the implementation of information and communication measures is a part of the project preparation.

During this stage it is recommended that the Lead Partner **plans resources for and** appoints an information manager responsible for implementation of information and communication measures.

The information manager's main responsibilities would include:

- ▶ preparation and implementation of information and the communication plan;
- ▶ production of project information materials;
- ▶ organisation of project events;
- ▶ communication of project results to the stakeholders, target groups and general public, etc.

It is recommended to plan from half to one full staff for this position. In smaller projects that have little resources for project management these tasks can be carried out by other persons involved, for example, the project coordinator. The Joint Technical Secretariat would regularly be in contact with the appointed information manager on information and communication issues of the project.

During the preparation of the Application Form the following two steps will help projects to plan and implement their communication and information activities.

Step 1: Filling in **WP2 "Communication and information" in the Application Form** which will be used for assessment and forms the basis for **planned** financial resources **planned**. WP2 "Communication and information" of the Application Form informs about planned communication and information activities in the project. It should briefly specify aim and purpose of the planned communication and information activities, target groups as well as communication **tools 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, e.g. websites, meetings, seminars, publications, press conferences and newsletters.~~

Step 2: Preparing a communication plan and **revising reviewing** the WP2. The approved projects are asked to prepare a **separate** communication plan, **and to revise including reworked** WP2, which later forms the basis for monitoring the implementation of the information measures.

Preparing and evaluating communication plan

The project needs to prepare a project **specific** communication plan. The purpose of the **project-specific** communication plan is to:

- ▶ agree on communication aims plan information and communication activities;
- ▶ target the audience with information they are interested in;
- ▶ disseminate information about the project and its results.

A communication plan, as well as any major amendments to it, is to be drawn by the Lead Partner or person appointed by the Lead Partner (e.g.

information manager). The communication plan should include at least the following:

- ▶ communication aims
- ▶ 2-3 main messages of the project;
- ▶ ~~aims and~~ target groups as well as strategy and content of information and publicity measures;
- ▶ indicative budget, with breakdown to activities, for implementation of the plan/~~WP2~~;
- ▶ as annex ~~4~~ a revised WP 2 of the Application Form “Communication and information” with breakdown of communication activities according to the reporting periods. This will be the basis for monitoring of the information and communication activities;
- ▶ an indication of how the communication plan will be evaluated at the mid-term and at the end of project life;
- ▶ Additionally, in the first progress report the project will have to quantify the publicity and communication indicators. The indicators will be monitored and reported every six months to the JTS within the regular reporting forms. A list of publicity and communication indicators is given in chapter 10.3.2. Drafting a communication plan

~~As an~~ For an example of the communication plan, please refer to the communication plan of the Programme as well to the Communication Guidelines for the projects that are available on the Programme website eu.baltic.net.

The communication plan should not exceed 4-6 pages. The Lead Partner submits the communication plan to the Joint Technical Secretariat (to: communication@eu.baltic.net) during the first reporting period but no later than the last day of the first reporting period. The Joint Technical Secretariat will evaluate the plan according to the requirements set above and will follow up on the progress and implementation of the communication plan.

Project logo and website

In order to make the project more visible, recognisable and to ensure the transparency of the project, activities and results projects are recommended to **design their own logo and to establish a website**. The website should contain information about project, its progress, contact data, project achievements and results. The website should be regularly updated during the project lifetime. It is recommended to maintain the project website until end of 2015, and preferably even beyond that, as project outputs and results shall also be available to other projects, Programme stakeholders and other interested actors after the project closure.


Budgeting expenditure for project information and communication

The budget line of expenditure for project information and communication (e.g. marketing materials, such as brochures, bags, etc.; conference costs, such as renting of conference room, renting of equipment, etc.) **is subject to depends on** the status of the service provider and the source of materials used. If an external service provider was contracted (e.g. design company, printing house, speaker, caterer, etc.), its expenditure should be planned under BL 2 External services. If the work (e.g. design, presentation, website update) was done by a Project Partner's own staff member, who used the materials of the Project Partner organisation, then the personnel costs should be planned under BL 1 Personnel and the depreciation of the equipment belongs to BL 4 Equipment and investment.

8.2. Implementation stage (UPDATED!)

Use of Programme logo

The project must use the Programme logo in parallel to the EU logo⁵¹. The Programme logo and EU logo can be downloaded at eu.baltic.net or requested from the Joint Technical Secretariat.

| | |
|---|---|
|  | <p>Logo colours</p> <p>Dark blue: 100,60,0,0 cmyk, #005DAA (Pantone 286)</p> <p>Light blue: 55,20,0,0 cmyk, #6CAEDF (Pantone 284)</p> |
|---|---|

Project material

Projects are to send exemplars of their information and communication tools (e.g. publications, CDs, etc.) to the Joint Technical Secretariat together with progress reports.

Examples on ensuring the visibility of EU financing in project outputs and results

All project outputs and results, including investments, must be made available to the public and must have a clear a reference to the EU co-financing and to the Programme regardless of the source of financing.

⁵¹ Article 9 of Regulation 1828/2006

- a. The reference requested by the Art. 8 and 9 (a, b) of Commission Regulation (EC) No 1828/2006 shall read as follows ⁵² :



This reference must be reproduced and well visible on all media produced by the project, e.g. websites, documents (reports, presentations, invitations etc.), publications, promotion materials (T-shirts, bags, cups, umbrellas etc.), press releases, newsletters, billboards, signs, commemorative plaques, vehicle panels etc.

For very small promotional objects (e.g. pens, memory sticks) the use of the EU logo alone is sufficient.

b. Events

Project has to display the EU & Programme logo at all events (e.g. conferences, seminars, press conferences, briefings, trainings etc.).

c. Equipment and investments

Every part-financed piece of equipment and/ or investment must comply with the information and publicity rules set in Commission Regulation (EC) No 1828/2006, in particular in Art. 8 and 9 and in Annex I and shall be marked with the following label, which must not be removed even after the finalisation of the project.



Projects that receive more than 500,000 EUR public funding for infrastructure or construction activities shall put up a billboard during the

⁵² Reference to the European Neighbourhood and Partnership Instrument (ENPI) can be removed if the project does not receive any ENPI funds.

project implementation and, not later than six month after completion of the project, a permanent explanatory plaque. Both items should be visible and of significant size and the above-mentioned reference to the EU co-financing should cover up at least 25% of the space.⁵³

Where it is not possible to place a permanent explanatory plaque on a physical object, other appropriate measures shall be taken in order to publicise the Community contribution.⁵⁴

References to the EU legislation

Projects have to comply with the Commission Regulation (EC) No 1828/2006 (Article 8 and 9, Annex 1) and No 846/2009 (Article 1) amending the aforementioned Regulation.

Joint projects part-financed by ENPI also have to consider the Communication and Visibility Manual for EU External Actions (April 2008, European Commission) available at:

http://eu.baltic.net/Programme_document_98.html.

<http://ec.europa.eu/europeaid/work/visibility>.

9. Project application and selection procedure

9.1. Preparation and opening of calls for application (UPDATED!)

Schedule and duration of the calls

The timing and duration of calls are set by the Monitoring Committee. As soon as the dates are known, all relevant information is published on the Programme website. The calls will be open for a period of ca. 1-3 months. During this time, pro-active information measures to support project applicants will be carried out (e.g. lead applicant seminars and individual consultations) by the Joint Technical Secretariat. Each application round (from opening till MC decisions) may take 6-8 months.

Application Package

The basic documents needed for application can be found in the Application Package which is updated in regard to each call for application and published on the Programme website. It consists of:

- a. Announcement of the call for applications including a possible guidance note to applicants

⁵³ Commission Regulation (EC) 1828/2006, Art. 8 (2) and (4).

⁵⁴ Commission Regulation (EC) No 846/2009 (Article 1).

- b. Application Form including relevant attachments (e.g. model Partner Declarations)

a. Announcement of the call for applications

The announcement of the call for applications includes basic information about the Operational Programme (available funds, who can apply etc.) and the specific information concerning the given call for applications (opening and closing dates, focus of the call etc.). It also includes guidance on where to find further information.

As the implementation of the Programme is progressing and the objectives set for the Programme are gradually achieved, there will be a need for specific guidance to project applicants regarding focus of the respective call and availability of funds under each priority.

The Programme takes an active part in the implementation of the EU Strategy for the Baltic Sea Region including its Action Plan.

- All applicants are invited to explain the link of their project application to the Strategy and its Action Plan in the respective section of the Application Form.

In addition, the Programme is encouraging particularly flagship projects of the Action Plan to prepare an application. When applying they should seek the support of the Action Plan's Priority Area Coordinators to verify their relevance for the Strategy.

- In practical terms, flagship project leaders are asked to submit a "letter of commitment" together with the application form for the 3rd call of applications.

This letter is to be issued by the Priority Area Coordinator, under which the flagship is going to be implemented. By this letter, the priority area coordinator confirms that the project is a flagship project or a part of a flagship project in line with the Action Plan. The coordinator furthermore expresses his/her commitment to support and to follow up the implementation of the flagship project in case of approval by the Baltic Sea Region Programme.

During the assessment of applications, links to the EU Strategy for the Baltic Sea Region will be evaluated and highlighted to the decision making body (the Monitoring Committee).

b. Application Form including relevant attachments

- The only document used by the applicants to present their project proposals is the **Application Form**. The Application Form includes guidance on how to fill in the form. It must be submitted in electronic (via email) as well as in paper version (personally or via regular post). Both versions have to be identical; however the assessment of the proposals is made on the basis of the electronic version.

Partner Declaration form

- Furthermore, the signature of a **Partner Declaration** is compulsory for the Lead Partner and all Project Partners' partner organisations. The Partner Declaration forms are to be submitted to the JTS together with the Application Form. For more information regarding the Partner Declaration form, see chapter 2.4 Partner Declaration.

~~Optionally, letters of support (in English) issued by the associated organisations might also be submitted.~~

- The projects applying as Flagship Projects of the Strategy are asked to submit a **letter of commitment** from relevant Baltic Sea Strategy Priority Area Coordinator together with the Application Form.
- Optionally, the applicant may submit **letters of support** from associated organisations and project stakeholders as well as one document in pdf-format containing up to five DIN A4 pages of graphical information.

Submission of Application Forms

~~The applicants must submit the following documents:~~

- ~~Application Form in electronic (via email) as well as in paper version (personally or via regular post). Both versions have to be identical; however the assessment of the proposals is made on the basis of the electronic version.~~
- ~~Signed Partner Declaration for the Lead Partner and all Project Partners~~
- ~~Optionally, the project may submit letters of support from associated organisations.~~

The following table summarises which documents must be submitted:

| | How to submit an application? | |
|--------------|--|--|
| | Digital version | Paper version |
| What? | <ul style="list-style-type: none"> ► Application Form in Excel format (the check sum visible on the printout must be identical with the one in the digital version) ► Optional: one file in pdf-format containing up to five DIN A4 pages of graphical information | <ul style="list-style-type: none"> ► One stamped and signed Application Form (the check sum visible on the printout must be identical with the one in the digital version) ► Partner Declarations for all Project Partners including the Lead Applicant (may be submitted as copies) ► Flagship projects of the Strategy: Letters of commitment from the Priority Area Coordinators ► Optional: Letters of Support from associated organisations (in English; may be submitted as copies) |
| When? | <ul style="list-style-type: none"> ► By the deadline indicated in the "call for proposals notice" | <ul style="list-style-type: none"> ► By the deadline indicated in the "call for proposals notice" (The date on the post stamp must be that date or earlier.) |

| | How to submit an application? | |
|---------------|-------------------------------|---|
| | Digital version | Paper version |
| Where? | ► applications@eu.baltic.net | ► Baltic Sea Region Programme 2007-2013 Joint Technical Secretariat Investitionsbank Schleswig-Holstein Grubenstrasse 20 18055 Rostock, Germany |

TABLE 9.1.a. Documents to be submitted for application

Within two working days upon arrival of the electronic version to the Joint Technical Secretariat, the Lead Partner of each project will receive a notification via email.

9.2. Programme support to project generation and development

The Programme provides different tools and organises various events to facilitate the generation of project proposals and to support the applicants in the project development process.

Project Idea Forms (PIFs) and Project Idea Database

Project Idea Form is a tool to shortly present a project idea and the state of its development towards a project proposal. There are two formats of PIFs. Firstly PIF is used as an internet based tool to submit a project idea to the project idea database of the Baltic Sea Programme. This is a public database containing short characteristics of project proposals and supporting applicants in finding partners for their projects. Secondly there is PIF in MS word format to be downloaded from the Programme website, filled in and submitted to the Joint Technical Secretariat. The information in PIF is used as a basis for discussion with the project developers when they request feedback from the JTS.

Project Idea Forums

Project idea forums are organised in connection to other events like Programme conferences or other Pan-Baltic conferences in different locations around the Baltic Sea. Project idea forums offer potential applicants a possibility to discuss and share their ideas with other project idea owners working on similar topics, to further develop the ideas and to find partners. The forums may cover all priorities of the Programme or be more focused on some priorities or topics.

Reimbursement of project preparation costs

This support instrument co-finances the development costs of projects approved for funding by the Monitoring Committee. The aim is to encourage project applicants to intense communication between the Project Partners already in the preparation stage and to a careful development of the project proposal. For more information on the application and procedures for reimbursement of project preparation costs, see chapter 5.4 Project preparation and project closure costs.

Lead Applicant Seminars and Individual Consultations

The aim of the lead applicant seminars is to inform potential applicants on Programme requirements and other issues related to the application. In other words the aim is to help the applicants in preparing a complete and well structured project application. Normally, two such events are organised in relation to each application round. The seminars take place approximately two months before the deadline for submission of applications for the open call.

The target group of the lead applicant seminars are those who are preparing a project proposal to the open call or at least for the following call. These lead applicants are expected to have already some basic knowledge on the Programme content and requirements. The lead applicant seminar consists of joint plenary sessions and working sessions where more detailed guidance on the requirements in filling in the Application Form is given. The seminar is followed by individual consultations with applicants. Applicants taking part in the consultations should be at an advanced stage of developing the project application (a Project Idea Form must be completed before the event), and have specific questions and/or problems to be solved with the help of JTS staff (e.g. interpretation of questions in the Application Form, budgeting, eligibility of actions).

Project Management Toolbox

The Joint Technical Secretariat has developed a technical toolbox for project development and implementation. This toolbox includes a project development tool in excel format that supports budget and activity planning of a project proposal and helps to fill in the respective sections in the Application Form. The toolbox also includes communication guidelines as practical help for projects to fulfil the information and communication requirements (see chapter 8 Information and communication). The toolbox is available on the Programme website.

Thematic seminars

Thematic seminars are organised on topics, where there is lack of project applications. Thematic seminars include elements of the project idea forums

(discussion and further development of project ideas, searching for partners). Project idea development is supported at the thematic seminars by contributions of experts in the specific fields in question.

General advice to applicants

Questions of potential applicants are answered by the Joint Technical Secretariat via phone or email on a regular basis. The applicants can also have individual consultations at the JTS office premises in Rostock and Riga.

Programme information on the website

All the Programme documents necessary for a project application as well as the project management toolbox are available on the Programme website eu.baltic.net. On the website the applicants also find:

- ▶ Newsletters which are dedicated to project idea development or facilitate generation of specific projects (e.g. strategic projects);
- ▶ FAQ section that includes general information about the Programme;
- ▶ Country-specific sections contain information in national languages or information specific only for one country (e.g. responsible organisations, information about national first level control system, national funding programmes, etc.).

National Information Networks

Assistance to applicants is also provided by national actors such as the National Sub-Committees, Monitoring Committee members and/or national authorities responsible for transnational cooperation programmes. Their contact details can be downloaded from the Programme website. The JTS supports national information networks with Programme information and training (depending on the interest and the JTS resources).

Programme conferences

Large transnational conferences to inform about objectives of the Programme, to evaluate its implementation progress and promote its achievements are organised by the JTS in cooperation with participating states upon need and resources.

9.3. Evaluation of project proposals and selection criteria (UPDATED!)

All submitted project proposals undergo an assessment procedure following a standardised process.

Project evaluation is composed of:

- ▶ Checking of the formal requirements to ensure the admissibility of the proposal according to the admissibility criteria (admissibility check);
- ▶ Evaluation of the content of the proposal according to the quality assessment criteria (referred as quality evaluation process in the Operational Programme). In addition the projects are assessed in accordance with so called additional quality features (quality assessment).

Admissibility criteria, quality assessment criteria and additional quality features compose the selection criteria. The procedures for carrying out the relevant evaluations are presented below:

Admissibility check

Upon submission and registration of project proposals, the Joint Technical Secretariat checks their compliance with the formal admissibility criteria. The admissibility criteria consist of minimum technical requirements which are unconditionally applicable to all proposals submitted. The following formal aspects will be verified:

- ▶ The electronic and paper version of the Application Form are identical (i.e. the check-sums on both versions match) and were submitted to the Joint Technical Secretariat:
 - ✦ no later than the specified deadline (date on the post stamp)
 - ✦ in English language
 - ✦ in Microsoft Excel format.
- ▶ The paper version of the Application Form is signed by the lead applicant.
- ▶ At least a copy of the duly signed Partner Declarations of the Lead Partner and all Project Partners were submitted.
- ▶ The project complies with the minimum requirements regarding the transnational approach (there are at least three financially contributing partners from at least three different countries of the Programme area, at least two of them from the EU Member States;
- ▶ The legal status and geographical location (eligibility) of the lead applicant is in line with Programme requirements.

The purpose of the admissibility check is to:

- ▶ verify that the proposal fulfils minimum requirements of the Programme regarding application of the transnational cooperation;
- ▶ avoid further assessment of inadmissible applications;
- ▶ ensure equal treatment of all proposals to be selected for funding.

After the deadline for project submission, the compliance of the legal status of partner institutions with the Programme eligibility rules is checked by the Monitoring Committee members (if necessary additional documents are

directly requested from the lead applicant). The eligibility of applicants from outside Programme area (e.g. UK, NL, BE) has to be confirmed by the responsible national authority (for details, please refer to chapter 2.1.1.). In case the legal status of the lead applicant organisation does not comply with the requirements of the Programme, the project proposal is regarded as inadmissible and will not be considered for funding. In case the legal status of a Project Partner organisation or the source of a Project Partner's contribution does not comply with the formal requirements of the Programme, exclusion of the respective partner shall be at the time of decision making.

Only projects having successfully passed the admissibility check are subject to a further quality assessment and considered for funding by the Monitoring Committee. Projects that did not pass the admissibility check are informed about their inadmissibility as soon as possible. However, formal confirmation of the inadmissibility of projects is done by the MC at the time of selection of projects for funding.

Quality assessment

The purpose of the quality assessment is to provide the Monitoring Committee members with sufficient information on the quality of each proposal to facilitate the decision making process. Quality assessment is carried out by the Joint Technical Secretariat according to the quality assessment criteria. In order to ensure equal treatment of all projects, the quality assessment is carried out on the basis of information provided in the Application Form. No additional clarifications will be requested during the assessment process.

| |
|------------------------------------|
| Quality Assessment criteria |
|------------------------------------|

| | |
|--|--|
| 1. RELEVANCE OF THE PROPOSAL | <p>1) The project proposal is in line with the quality requirements of the Programme. <i>(Is the project proposal considered to be of transnational relevance? Does it apply integrated approach towards territorial development? Does the project contribute to sustainable development? Is the project proposal considered to be of transnational relevance? Is it geographically eligible under any cross-border programme operating in BSR?)</i></p> <p>2) The project is in line with the thematic focus of the Programme and the given call. <i>(Does the problem addressed by the project and planned objectives match the thematic focus of the selected priority? Is the project proposal in line with the focus of the given call as specified in the announcement of the call?)</i></p> <p>3) The project is addressing at least one common and one priority specific result of the Programme. <i>(Do the project's planned results as specified in the Application Form contribute to the selected Programme results?)</i></p> <p>4) There is no obvious conflict with the national, Programme and Community rules, in particular with the Structural Funds and ENPI Regulatory Framework. <i>(For the list of relevant legal documents please refer to chapter 1.4 Legal framework of this Manual)</i></p> <p>5) The proposal demonstrates additional value to the current or already completed projects financed by the BSR transnational cooperation programmes. <i>(Are similar activities carried out or similar outputs produced already in the previous projects financed by the BSR transnational cooperation programmes?)</i></p> |
| 2. COHERENCE OF THE PROPOSAL AND QUALITY OF APPROACH | <p>6) There is coherence between problem, objectives and expected results. <i>(Are problem, objectives and expected results all clearly described and logically related?)</i></p> <p>7) There is coherence between expected project results and proposed approach. <i>(Can the listed results be achieved through the proposed activities and outputs? Is the action plan clearly described and realistic? Are the possible constraints clearly presented? Are investments implemented in the project lifetime relevant?)</i></p> |

| | |
|---|---|
| 3. DURABILITY, TRANSFERABILITY AND DISSEMINATION OF THE RESULTS | <p>8) Provisions to ensure the durability of the project's results are evident. <i>(Will the project produce outputs and/or results and/or establish structures, which are tangible and will exist beyond the project implementation phase? Does the project aim at launching large scale investment? Does the project contribute to capacity building in organisations involved?)</i></p> <p>9) Transferability of outputs and/or results is ensured. <i>(Do the outputs and/or results offer benefits for the target groups other than the organisations participating in the original project? Does the pilot investment ensure an added value to the project and transferability to other organisations?)</i></p> <p>10) The project's planned strategy for dissemination of project outputs and/or results is well structured and sufficient. <i>(Have resources been planned to realise the dissemination activities? Have the target groups of the dissemination activities been defined?)</i></p> |
| 4. PARTNERSHIP | <p>11) The partnership has sufficient potential to realise the planned activities and deliver the expected outputs and results. <i>(Are organisations from relevant sectors affected by the project involved? Are relevant administrative levels (e.g. local, regional and national institutions) involved? Does the involvement of associated organisations bring additional value to the project?)</i></p> <p>12) The involvement of the partners is in line with transnational approach required by the Programme. <i>(Does the project action plan ensure joint implementation of the activities? Have different partners been given a role in leading specific activities? Does the budget allocation among the Project Partners reflect the partners' joint interest in the project and is in line with the project rationale?)</i></p> |
| 5. BUDGET AND MANAGEMENT | <p>13) The project budget is adequate in comparison with the planned activities, outputs and results.</p> <p>14) The project meets the financial requirements of the Programme. <i>(Are the project activities and planned expenditure eligible from a financial point of view? Are the Project Partners financially capable to take part in the project? Are there any financial risks involved in the project?)</i></p> <p>15) The management structure shows sufficient potential to secure sound financial and content wise management of the project. <i>(Is the management structure clearly described? Does the management structure ensure effective project implementation?)</i></p> |

TABLE 9.3.a. Quality assessment criteria

In addition to the quality assessment criteria presented above, which are applicable to all project proposals, a number of desirable but not obligatory features has been defined.

| |
|---|
| Additional quality features: |
| The project includes investments of transnational relevance. |
| The project has actively participating partners from Belarus. |
| The project has financial actors from the private sector. |
| The project supports in particular the geographical focus of the Programme i.e. helps tackling the existing East-West divide, touch upon North-South disparities. |
| The project is a flagship project of the EU Strategy for the Baltic Sea Region's Action Plan or otherwise consistent with the Strategy. |

TABLE 9.3.b. Additional quality features

It is not a requirement that each project proposal should include the above-listed features. However, additional quality features might be considered by the Monitoring Committee in cases when there are several proposals demonstrating the same value according to the quality assessment criteria but not all of them can be selected for funding. **Flagship projects and other actions consistent with the Baltic Sea Region Strategy receive priority, unless they are deficient in quality or inconsistent with the priorities of the Programme.**⁵⁵

As the Programme is particularly encouraging flagship projects to apply, the Monitoring Committee will pay particular attention to the letter of commitment from the respective Priority Area coordinator verifying the status as a flagship project.

The result of project evaluation is presented to the Monitoring Committee in assessment reports (separate for each project). An assessment report includes an assessment of the project's strengths and weaknesses in relation to the quality assessment criteria as outlined in the table above.

9.4. Approval and contracting

9.4.1. Monitoring Committee decision

Members of the Monitoring Committee carry out the strategic assessment of submitted project proposals which is followed by the funding decisions. The strategic assessment is based on the results of the quality assessment. In addition, also the analysis of the existing portfolio of approved projects, the availability of funds under each priority and the fulfilment of result indicators set for the Programme are taken into account.

⁵⁵ This criterion/this passage is still under discussion by the Monitoring Committee.

At the time of approval the MC may include in its decision certain requirements which should be addressed by the applicant during the contracting process or together with the first project progress report.

The Monitoring Committee has three options in decision-making:

1. To approve the project application;
2. To approve the project application with certain requirements, or
3. To reject the project application

The decisions of the Monitoring Committee are not appealable at any place of jurisdiction.

The strategic projects are selected from the approved projects. The selection process is further described in the chapter 6 Strategic projects.

9.4.2. Contracting of projects

Within two weeks following the Monitoring Committee meeting, the Lead Partner⁵⁶ is informed about the Monitoring Committee's decision. The approval/rejection letters sent to the approved/non-approved projects contain justification for approval/rejection. The lead applicant is responsible for communicating the MC decision to the other Project Partners.

In some cases minor corrections in the project setup (e.g. correction of arithmetical errors or ineligible costs) are made after the approval and before the signature of the Grant Contract. However substantial alteration of the approved project proposals is not possible.

The implementation of the selected projects shall be done in accordance with the implementation provisions laid down in chapters 7-16 of the Operational Programme as well as the Programme Manual and Grant Contract. Regarding ERDF and Norwegian funding, costs are eligible the day after the project has been approved by the Monitoring Committee. The implementation of the project can be started at own risk already before the Grant Contract is signed.

Regarding the ENPI funding, the eligibility of project costs start on the date on which the Grant Contract is signed. However, on a case by case basis and where the applicant can demonstrate the need to start the action before the contract is signed and on the applicant's own risk, the Managing Authority may decide that the eligibility of project costs from ENPI funding starts the day following the date of the project approval by the Monitoring Committee. In any case costs of ENPI partners can only be co-financed by the Programme if the Belarusian Project Partners passed the national Belarusian approval procedure.

⁵⁶ After the MC funding decision lead applicants (LA) of approved projects are called Lead Partners (LP)

The representatives of the approved projects are invited to the Lead Partner Seminar where Programme requirements regarding project implementation will be further explained.

9.4.3. Grant Contract

The Grant Contract is signed between Investitionsbank Schleswig-Holstein (Managing Authority of the Programme) and the Lead Partner of the approved project. The contract sets down the obligations and rights of the contracting parties and constitutes the main agreement between the project and the Programme. The Grant Contract confirms the final commitment of the EU grants to each project and forms a legal and financial framework for the implementation of project activities.

In case ENPI funding is granted to the Lead Partner, the Grant Contract contains specific provisions complying with ENPI rules and regulations.

The standard template version of the Grant Contract for the Baltic Sea Region Programme projects can be downloaded from the Programme's website. It is important that before the Application Form is submitted, the lead applicant has become familiar with the issues regulated by the Grant Contract.

Belarusian partners have to undergo a national approval procedure carried out by Belarusian authorities. The signature of the Grant Contract can take place before the Belarusian approval procedure. However the Grant Contract contains a clause that ENPI co-financing can only be transferred to the project if the Belarusian Project Partners passed the national Belarusian approval procedure.

All changes in the project set-up that are approved by the Monitoring Committee and/or the Investitionsbank Schleswig-Holstein will result in an Addendum to the Grant contract which is signed by the LP and the IB (for more details please see chapter 10.6.2 Categorisation of changes and related procedures).

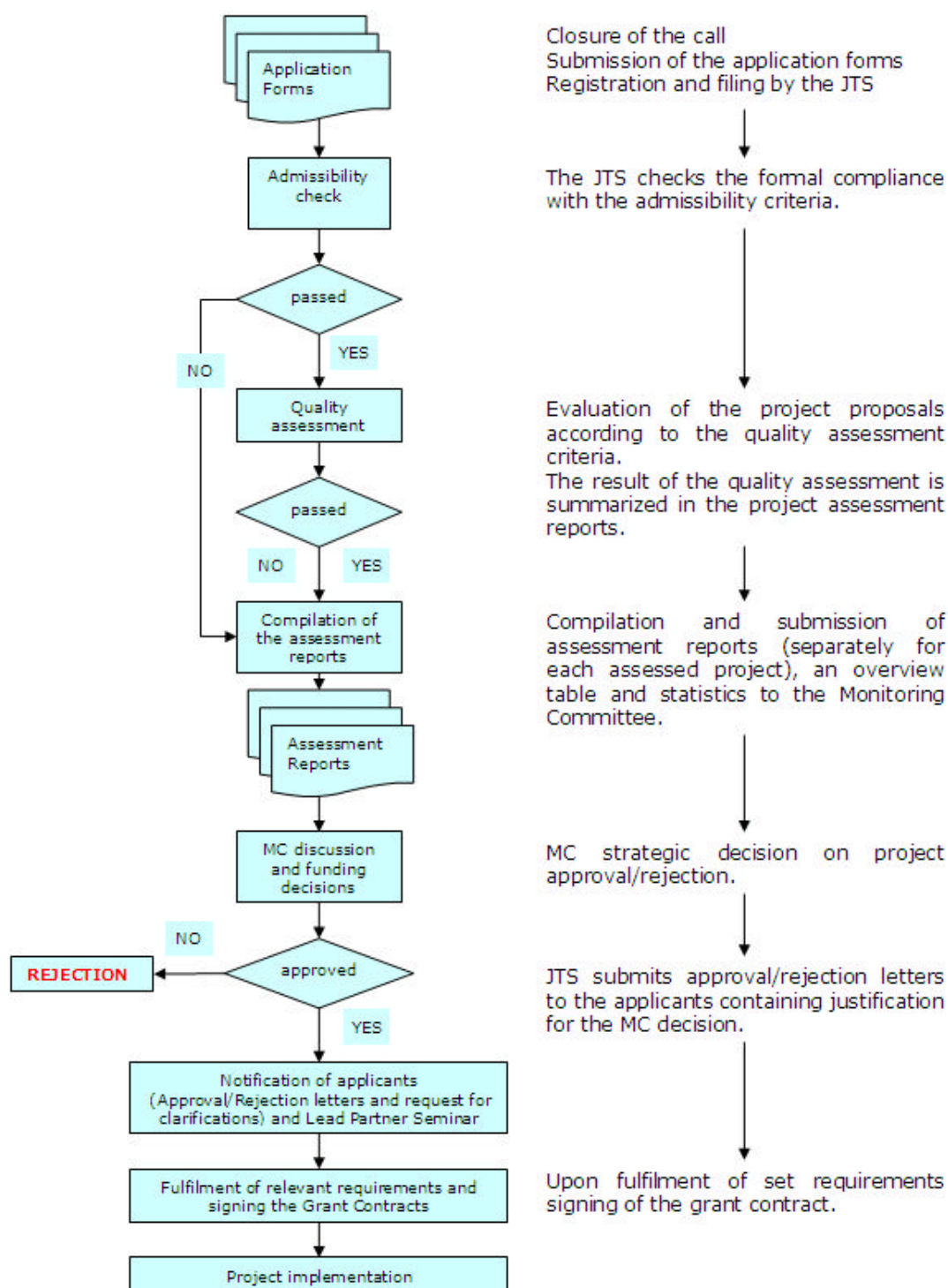
9.4.4. Project Data Form

After the decision of the Monitoring Committee the approved Application Form is transferred into a "Project Data Form". This form contains all project data that is relevant for implementation of the project. All changes in the project data that could take place during the contracting phase and the implementation phase are reflected in the Project Data Form.

The Project Data Form is annexed to the Grant Contract and its addenda and forms an integral part of them.

9.4.5. From application to contracting – A graphical overview

The flowchart on the next page provides an overview on the whole process of submission of applications, assessment, decision procedure and contracting of the projects.



9.5. Extension Stage

The content of an extension stage

The extension stage instrument has been introduced in the Programme in order to allow a proper joint preparation and implementation of transnational investments as well as to strengthen the impacts of strategic projects through demonstration activities (Please, see also the chapter 4 on investments in the projects and chapter 6 on strategic projects). In an extension stage a Baltic Sea Region Programme project is granted additional Programme funding for a period of up to 24 months for the realisation of specific follow up activities. The specification of activities in an extension stage should be a result of a joint planning process that took place during the main stage of a project (i.a. joint development of the concept and specification of the location, budget and technical aspects of planned investments). Activities planned for an extension stage should focus on the realisation of:

- a. Transnational investments and related tasks (e.g. testing and evaluation, dissemination measures or necessary training). The size of such investment or series of investments should exceed EUR 100.000. This possibility is open to all projects.
- b. Demonstration activities that strengthen the final results of the project (e.g. to demonstrate in a chosen region the implementation of an action plan developed in the project, to carry out a training programme in order to disseminate a jointly developed new method). This possibility is open for strategic projects only.

Partnership requirements

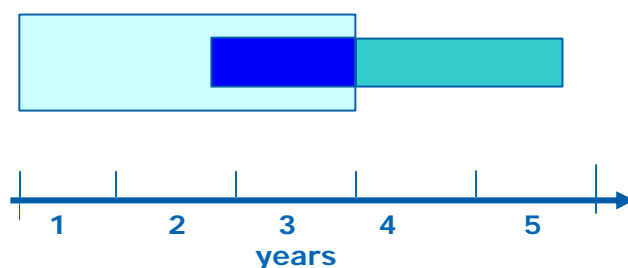
Extension stage projects should be realised by at least three financially contributing partner organisations from the original project coming from three different countries in the Programme area, of which at least two represent EU Member States. Additional partners outside of the original project may be included in the extension stage, if needed for a proper implementation of the extension stage activities.

Application, selection and contracting procedures

An extension stage should start as soon as the implementation period of the original project is over. An example can be found on the diagram below:

| | |
|--|---|
| | Main Stage (regular project): |
| | Implementation period of the main project (max. 36 months). Joint transnational work in analysing the problem and searching for solutions in the form of investments. Planning and preparing the investment(s) including its/their placement (feasibility study if relevant). |
| | Extension Stage: |
| | Implementation period of the extension stage project (max. duration 24 months). Implementation and joint evaluation of the planned investment(s). |
| | Technical preparation of application, assessment and approval of the extension stage project |

The timely relationship between the two stages is presented in the graph below:



The Application Form for an extension stage should be submitted:

- not earlier than one year after the start of the implementation period of the main stage and
- not later than 6 months before the end of the implementation period of the main stage

An adjusted Application Form will be used to submit a project proposal for an extension stage. An applicants' pack including the Application Form and further guidance for an extension stage will be available on the Programme website.

The Application Form for an extension stage can be submitted outside of the regular calls for project applications. This is to ensure that there will be no time delay between the end of the main stage and the beginning of the extension stage. Before submission of the Application Form for extension stage, the Lead Partner should consult the JTS regarding its intention to apply, and request JTS feedback on the appropriateness of the planned extension stage.

The JTS will use adjusted admissibility and quality assessment criteria in assessing the submitted proposals. Special attention will be given to the results achieved in the original project. The funding decisions will be done at

a Monitoring Committee meeting. The MC meetings take place at least twice a year. The exact dates of the MC meetings will be announced on the Programme website as soon as they are known. Approval of an extension stage will depend also on the availability of Programme funds.

Although an extension stage is thematically and procedurally closely related to an approved project in the Baltic Sea Region Programme, technically an extension stage project forms a separate entity. A new Grant Contract will be concluded with the Lead Partner of an approved extension stage project. In general, extension stage projects should be implemented according to the procedures applicable for regular projects. Further guidance will be given on any specific requirements.

10. Project implementation and reporting

10.1. Programme support to project implementation (UPDATED!)

The Joint Technical Secretariat organises a variety of different events and provides different tools and instruments not only to help facilitate the project development but also the implementation.

Lead Partner Seminars

Approximately three months after the approval, the projects are invited to a Lead Partner Seminar. The JTS organises Lead Partner Seminars in order to provide with practical information related to the implementation and management the projects. During this seminar the **project coordinators**, **financial managers** as well as **first level controllers** get further information especially on monitoring and reporting procedures, on first level controls and on payments. In addition the JTS guides the projects in developing project specific result indicators.

Communication Seminars

Communication seminars are organised regularly 1-2 months after the first reporting period. The events will help information managers of the projects to communicate better with the target audiences of their project. Participants receive training on public relations and marketing as well as working with the media. Furthermore, the participants get a possibility to exchange experience on preparation and implementation of project communication plans as well as feedback to the plans from the JTS.

Quality Workshops

The purpose of the quality workshops is to provide assistance to the running projects regarding some common implementation issues or specific thematic

subjects. An important aim of the quality workshops is to create a platform for exchange of experiences between projects on subjects important for further project implementation. The aim is also to enhance cooperation and dialogue on synergy effects between projects working on similar fields. Furthermore the events are arranged in order to give the JTS a possibility to share experiences from monitoring of the progress reports with the projects.

Project Management Toolbox

A toolbox for project development and implementation is available on the Programme website. Besides the budget and activity planning tool ~~and the communication guidelines~~ the project managers ~~and financial managers~~ ~~and information managers~~ find in the toolbox templates for travel reports, event reports, meeting agendas, ~~and minutes~~ ~~and participants lists~~ ~~and press releases~~ as well as for cost sharing documentation and reporting, cost itemisation, partner reporting, timesheets and bid-at-three documentation. In addition the toolbox includes ~~templates for press releases~~, Programme messages and logo. ~~The JTS develops the toolbox further according to the needs.~~

Information on the website and advice per email or telephone

All the Programme documents necessary for project implementation as well as the project management toolbox are available on the Programme website at eu.baltic.net. In addition, all Programme events and many project events are announced in the Programme calendar on the website. A section of frequently asked questions (FAQ) is available in order to provide general information about the Programme. Additionally, an info toolkit including all the necessary basic information about the Programme such as fact sheets, presentations, flyer, Programme and EU logos as well as cooperation area maps are available in the press corner section. The website also contains country-specific sections with information in national languages or specific only for one country (e.g. responsible organisations, information about first level control systems). The JTS can be contacted per email or per telephone on any questions regarding the project implementation. The contact information is available on the Programme website.

10.2. Overview on project phases

The project duration is divided into several phases. During these phases, the Lead Partner (LP) has a number of obligations. Moreover, the eligibility of costs depends on the project phase. The chart below summarises what has to be done and observed before, during and after the project implementation phase.

| | Call opening | Call closure | MC funding decisions | Start date of implementation phase | End date of implementation phase | Project end date | 31.12.2025 |
|-----------------------|--|--|---------------------------------|---|---|--|--|
| Project phases | Project Preparation | | | Project Duration | | | Post-project |
| | Generation and idea development | Finalization and submission of proposals | Assessment of project proposals | Contracting | Implementation | Closure | |
| Timing | | Approx. 1-3 months | Approx. 4-5 months | 3 months | 12-36 months (set by the LA in the AF) | 3 months | 10 years after the end of the programme |
| | ← 1 year | | | | | | |
| Eligible costs | Project preparation costs | | | Project implementation costs | | | None |
| | Eligible costs only under: <ul style="list-style-type: none"> • Co-financed from ERDF and Norwegian funds • 'WP preparation' and <ul style="list-style-type: none"> - BL1 Personnel - BL2 External services - BL3 Travel & accommodation | | | Eligible costs under: <ul style="list-style-type: none"> • all WPs and • all BLs | | | Project closure costs Eligible costs only under: <ul style="list-style-type: none"> • WP1 Project coordination |
| LP obligations | | | | Submission of amended Application Form taking into account requests for relevant clarifications Submission of originals of Partner Declarations Conclusion of Grant contract - (if relevant) request for ENPI advanced payment | Submission of regular project progress reports on 6-monthly basis , provision of necessary clarifications to the reports, receiving and forwarding the funds End of the 1st reporting period - Submission of Communication Plan Deadline for submission of the 1st report: - (if relevant) request of project preparation costs - LP reaction on possible MC recommendations that were made at the time of approval - conclusion of Partnership Agreement - defining indicators for selected specific results Middle of project implementation period: - mid-term self evaluation | Submission of project final report incl. the specific annex. | Maintenance of project's accounting documents |

10.3. Getting started

Within six months after the approval the Project Partners should agree in detail on the internal project management as well as on the implementation plan. The following steps are to be fulfilled: concluding a Partnership Agreement, drafting a communication plan and defining indicators. Before the end of the first reporting period the project delivers the communication plan to the Joint Technical Secretariat (JTS). Together with the first progress report the project concludes and signs the Partnership Agreement. In this first progress report the project also has to provide information on indicators for selected specific results as well as on targets for output indicators for common results. The reimbursement of costs reported in the first progress report only takes place when these steps are taken.

10.3.1. Signing Partnership Agreement

As soon as the roles and responsibilities of each partner have been defined and specified a mutual agreement among partners should be signed. The Partnership Agreement is to specify both responsibilities and rights of each partner as well as, to the extent possible, all joint procedures in order to smoothly run the project (such as cost sharing, financing of project management). For more details see chapter 2.5 Partnership Agreements.

The Partnership Agreement shall be concluded and signed by all partners before the submission of the first progress report. Costs of a partner can not be reported as long as this partner has not signed the agreement.

The first level controller of the Lead Partner has to verify that a Partnership Agreement has been signed by all Project Partners and that this agreement contains clauses which regulate the minimum requirements stipulated in chapter 2.5 Partnership Agreements. Upon request the Partnership Agreement has to be sent to the JTS together with the progress report.

10.3.2. Drafting a communication plan

Within six months of the project it is still possible to specify and verify (if needed) the communication strategy for the project. For this purpose each approved project must develop a communication plan and, thus, has the possibility to revise work package (WP) 2 "Communication and information" of the Project Data Form. The communication plan is submitted to the JTS in electronic version by the end date of the first reporting period and to the following address: communication@eu.baltic.net.

Additionally, in the first progress report the project will have to quantify the following publicity and communication indicators:

- ▶ Number of addresses e-mailed to
- ▶ Number of participants at the events

- ▶ Number of newsletters downloaded online
- ▶ Number of printed publications distributed
- ▶ Number of brochures produced
- ▶ Number of flyers produced
- ▶ Number of public events advertising the projects organised by the project
- ▶ Number of public events advertising the projects attended by project representatives (exclude the ones organised by project)
- ▶ Number of TV broadcasts
- ▶ Number of radio broadcasts
- ▶ Number of articles in international press (newsletters, magazines etc.)
- ▶ Number of articles in national newspapers
- ▶ Number of articles in regional newspapers
- ▶ Number of articles in local newspapers
- ▶ Number of project websites maintained by the project
- ▶ Number of websites the information about the project is available
- ▶ Number of newsletter issues
- ▶ Others (it is possible to specify up to 5 other indicators)

For more details on planning of the communication activities please refer to chapter 8 Information and communication.

The publicity and communication indicators are monitored by the JTS starting from the second progress report. This means that starting from the second progress report the project informs how many of the above publicity measures and means have been delivered in the given period.

10.3.3. Defining indicators and setting targets (UPDATED!)⁵⁷

Once the project is approved and before the implementation activities start the Lead Partner should make sure that there is a common understanding in the partnership on the planned results and targets for the project. This includes the task to agree on indicators for the common and priority specific results. In the first progress report the projects are asked to set targets to the output indicators for the selected common results as well as to define indicators and set targets for the selected priority specific results (see also chapter 7.2). In addition targets will be set to publicity and communication indicators (see chapter 10.3.2 above).

The targets for the output indicators to the common results should be carefully thought over within the partnership. The targets should be realistic

⁵⁷ This paragraph was changed following the MC written procedure, closed on 25.01.2010

i.e. reachable through the planned activities during the project lifetime. In the first progress report the project is also asked to further specify the output indicators e.g. what type of public events or what investments it will count.

Different to the output indicators for common results as well as to the publicity and communication indicators, the indicators for priority specific results are project specific. Each project is asked to find best suitable indicators fitting to the particular planned results of the project. These indicators should help the projects to evaluate project performance and achievements themselves at a given stage.

In general such project specific indicators allow:

- ▶ to measure how far the project is from the planned objective
- ▶ to measure the quality of achieved results
- ▶ to check if the planned results will be achieved in time
- ▶ to adjust the chosen approach if needed

In addition these indicators give facts for presenting project achievements to the stakeholders and broader public.

A four step procedure is proposed to help the projects in defining priority specific indicators. These steps are:

1. Creating common understanding on the planned results
2. Defining indicators
3. Finding measurement methods
4. Setting targets

These steps are further described below. A project example is included.

First step: *Creating common understanding on the planned results*

As a first step the Lead Partner should make sure that the Project Partners have a clear common understanding on the results that the project aims to achieve. It is important to include all the partners as this helps any joint discussions and assessment on the proceeding of the project later on.

The project's planned results are described in the section 3.4 of the Project Data Form. It may turn out, however, that a further specification of the project results as described in the Project Data Form is needed in order to agree on precise and realistic results. In this case the Project Data Form does not have to be changed but a further specification will be described in an annex to the first progress report.

When searching for a common understanding on the planned results the following questions should be asked:

- ▶ What kind of positive change does the project aim at?
- ▶ Where will the change happen?

- ▶ Who will be affected by the change?
- ▶ When will the change happen?

Example of a project in Priority 2 aiming at increased role of sustainable transport

Project result:

At the end of the project regional authorities, transport companies and SMEs are better aware of rail and inland waterway transport potentials in the project area.

It is important to consider what is really realistic to achieve during the project lifetime.

Often transnational co-operation projects end up with such tangible results like action plans, databases or networks. In such cases it is important to further agree on the quality of such results. The following questions should be asked:

- ▶ What should be the quality of the planned result?
- ▶ What is the transnational value of the result?
- ▶ Who will be using the result (e.g. database) after the project?
- ▶ What is the content of the result (e.g. database, action plan)?
- ▶ Who will be participating (e.g. in the network) after the project?
- ▶ How will the result (e.g. database, action plan, network) be used after the project?

Example of a project in Priority 2

Project result:

At the end of the project there is a transnational action plan for the project area formulating specific measures that regional authorities and/or transport companies will take to increase the use of rail and inland waterway transport.

Second step: Defining indicators

After the partnership has agreed on the specification of the planned results, the second step – defining indicators – can follow. The following questions should help to find indicators for the results (aimed changes):

- ▶ How do you know that the change (as described in the result) is happening/has happened?
- ▶ What can you observe indicating that the change is happening?

Example of a project in Priority 2

Indicators:

The number of investigated rail and inland waterway transport

alternatives to road transport presented to regional authorities, transport companies and SMEs.

The number of actions taken by regional authorities, transport companies or SMEs in order to make use or further develop the investigated rail or inland waterway alternatives.

(The latter indicator is better as it shows evidence that the aimed change is really happening; i.e. The target groups are not only informed but start to take actions.)

Or (in case of tangible results such as database, action plan and network)

► How do you know that your result is of aimed quality?

Example of a project in Priority 2

Indicators:

The number of measures in each country of the project area that have been agreed with regional authorities and/or transport companies to be included in the action plan.

The amount of money (EUR) in each country that the regional authorities and/or transport companies have committed to the measures included in the action plan.

It is often challenging to find indicators whose fulfilment starts already at an early stage of project implementation and not only at the end of the project. However, the project should strive for such indicators as they can be used for monitoring and evaluation of the project's progress during the project implementation (e.g. mid term self-evaluation, see chapter 10.5). This will be a basis for making corrections in the work plan, if it seems that the planned results cannot be achieved.

Third step: Finding measurement methods

As a third step the project should find methods how the fulfilment of the defined indicators can be measured. This step serves also as a "feasibility check" to the indicators. The projects should only choose indicators whose use is feasible within the project, i.e. the information needed can be collected with reasonable resources. The following questions can be asked when searching for a measurement method:

► How can you measure the fulfilment of the indicators?

► How do you get the information that is needed?

| Example of a project in Priority 2 | |
|--|--|
| <i>Indicator</i> | <i>Measurement method</i> |
| The number of investigated rail and inland waterway transport alternatives to road transport presented to regional authorities, transport companies and SMEs. | To count the number of investigated new alternatives that are presented to the regional authorities, transport companies and SMEs. The information is collected from the project partners. |
| The number of actions taken by regional authorities, transport companies or SMEs in order to make use or further develop the investigated rail or inland waterway alternatives. | To count the number of actions taken by regional authorities, transport companies or SMEs. The information is collected by using a questionnaire. |
| The number of measures in each country of the project area that have been agreed with regional authorities and/or transport companies to be included in the action plan. | To count the agreed measures in each country. The information is collected from the project partners. |
| The amount of money (EUR) in each country that the regional authorities and/or transport companies have promised to the measures included in the action plan. | To add up the promised amount of money in each country. The partners collect the information from the budget planning documents of each of the participating regions. |

Fourth step: Setting targets

- The final step is to set targets to the selected indicators. The targets should be realistic, i.e. achievable during the project lifetime. However, too low targets make the indicators less useful.

| Example of a project in Priority 2 | |
|--|--|
| <i>Indicator</i> | <i>Target</i> |
| The number of investigated rail and inland waterway transport alternatives to road transport presented to regional authorities, transport companies and SMEs. | Two investigated and presented alternatives in each participating country. |
| The number of actions taken by regional authorities, transport companies or SMEs in order to make use or further develop the investigated rail or inland waterway alternatives. | Four actions taken in each country. |
| The number of measures in each country of the project area that have been agreed with regional authorities and/or transport companies to be included in the action plan. | Two agreed measures in each participating country. |
| The amount of money (EUR) in each country that the regional authorities and/or transport companies have promised to the measures included in the action plan. | At least 500 000 EUR in each country. |

- In the first progress report also the baseline for the indicator is asked. The baseline means the value of the indicator before the project activities start. Often the baseline is zero. In our project example above the baseline for the last mentioned indicator (*The amount of money (EUR) in each country that the regional authorities and/or transport companies have promised to the measures included in the action plan.*) could be for instance 200 000 EUR in two participating countries.
- In Annex 3 to the Programme Manual there are further examples of indicators. The JTS assists approved projects in defining indicators by organising workshops dedicated to the development of meaningful indicators during the Lead Partner Seminars.
- For more information about indicators, please refer to the following source:
- Commission Working Document No. 2 on indicators at:
http://ec.europa.eu/regional_policy/sources/docoffic/working/sf2000_en.htm

Once the project is approved, the indicators for the selected specific results and for the possible additional results are to be defined and quantified. In addition, the output indicators for common results should be quantified. The project presents the information on indicators in the first progress report.

In other words, the project is asked to define how the fulfilment of the selected results is to be measured. The role of these indicators is to enable the project to quickly evaluate the project performance and achievements at a given stage. It may be challenging to find an indicator that could measure achievement of the result throughout the project implementation (not only at a very late stage of the project). In any case it is recommended to use also specified milestones to monitor the progress towards achievement of the main results. All projects are asked to plan and carry out a mid-term self-evaluation with the help of their indicators. In the course of monitoring the projects report the outcomes of the mid-term self-evaluation to the JTS (see also chapter 10.5 Mid-term self-evaluation of a project).

In order to define indicators the project should know two things: what kind of change it wishes to obtain (see specified priority specific result) and how it will know that this change has been achieved. For this purpose the project needs to know what kind of information should be collected and how it will be used (the method should be the same throughout the whole project in order to be able to compare the values) and finally, the project should analyse potential external factors that may also have an influence on the expected change.

In order to be measurable and manageable the indicators have to be defined in five dimensions (quality, quantity, target group, location and time) and, whenever possible, have to have a target (situation when the objective has been achieved) and a baseline (situation before the project started). It also means that the project should be aware of what is feasible and possible to measure during the project implementation.

The Programme assists approved projects in defining indicators by organising workshops dedicated to the development of meaningful indicators during Lead Partner Seminars.

Additionally, the project quantifies fixed outputs for selected common results by presenting target values for these output indicators in the first progress report. Starting from the second progress report the projects present the progress of achieving the targeted values in the given period.

For more information about indicators, please refer to the following sources:

- Commission Working Document No. 2 on indicators at: http://ec.europa.eu/regional_policy/sources/docoffic/working/sf2000_en.htm
- Interact study on indicators: <http://www.interact.eu.net/download/application/pdf/1120816>
- OECD report 'Science, Technology and Innovation Indicators in a Changing World': <http://213.253.134.43/oecd/pdfs/browseit/9207121E.PDF>

- ▶ Chapter 6 in 'Oslo Manual. OECD Proposed Guidelines for Collecting and Interpreting Technological Innovation Data':
http://epp.eurostat.ec.eu.int/cache/ITY_PUBLIC/OSLO/EN/OSLO_EN.PDF
- ▶ Chapter 3 in 'Energy indicators in Sustainable development: Guidelines and Methodologies':
http://www.pub.iaca.org/MTCD/publications/PDF/Pub1222_web.pdf
- ▶ Information on EU environment-related indicators:
http://ec.europa.eu/environment/indicators/index_en.htm
- ▶ Eurostat report 'Measuring progress towards a more sustainable Europe – Sustainable development indicators for the European Union (2005 Monitoring Report)':
http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-68-05-551/EN/KS-68-05-551-EN.PDF

Practical example on how to define indicators for priority specific results and to quantify the output indicators for common results (continuation of the example from chapter 7.2 Linking to Programme objectives and expected results (NEW!))

In order to monitor and report on the Programme's achievements, a systematic way to collect information about the projects' achievements is needed. The information is collected from the projects on the basis of Programme objectives, expected results and related indicators. The chart below presents the system of Programme objectives and expected results.

The Programme has an overall objective and a specific objective is set for each priority. Furthermore, a set of common results as expected effects of all the priorities are defined for the Programme. In addition priority specific results, i. e. expected effects of a particular priority, are given. (Please, see also Operational Programme chapter 6, chart 1.) The common and priority specific results are further described below. In addition, the Programme requirements on how projects should link to the common results and to the priority specific results are explained.

Common results

Common results express the Programme's expectations towards all projects. The goal is to

- achieve increased recognition of projects' outcomes among politicians,
- achieve increased sustainability of transnational structures, and
- unlock investments.

In order to present the achievement of the common results in a more tangible way, output indicators are defined for the common results. These are shown in the table below including a short definition of terms used.

| Common result | Output Indicators |
|---------------------------------|---|
| Increased political recognition | Number of politicians directly involved in project activities Politicians = Politically elected members of local, regional, national governments and/or decision makers representing public authorities. Directly involved= Involvement of politicians is ensured in the project's decision making bodies as for example project's steering committee, management board, advisory group or board etc. |
| | Number of open public events with politicians' participation Events (conferences, press conferences, seminars etc) organised for wider public (not limited to the project partnership) where politician(s) take(s) an active role, for example give a speech, moderate an event, a session or panel discussion etc. This may include international, national and regional/level events. Not included are internal working meetings, workshops, and seminars etc that are organised only for the project partners. |

TABLE 10.3.a. — Practical example on how to define indicators for priority specific results and to quantify the output indicators for common results

10.3.4. Setting up a project accounting system (UPDATED!)

The Lead Partner and all Project Partners involved in the implementation of the project and receiving funds from the Baltic Sea Region Programme must maintain:

- ▶ a separate accounting system or
- ▶ an adequate accounting code⁵⁸

and in every case

- ▶ cost itemisation lists in English (= overviews of all project expenditure incl. payment day, VAT specification and brief description of the cost item)⁵⁹

for all transactions related to the project without prejudice to national accounting rules. In this way all project related expenditure and receipts should be clearly identified.

It is strongly recommended that the Lead Partner and all Project Partners maintain a separate bank account or sub-account for receiving ERDF, ENPI and/or Norwegian national co-financing. Belarusian partners receiving ENPI co-financing are strongly recommended to keep a (sub-) account in EUR.

10.4. Monitoring and reporting

The chapter describes the monitoring and reporting procedures to be followed by the projects approved by the Monitoring Committee.

The Lead Partner (LP) is responsible for the project management including monitoring of and reporting on the project's progress. In order to ensure effective and efficient management of the project, the LP should set up a proper system for monitoring of achievements of milestones and outputs as well as of spending within the project. It is the responsibility of the LP to follow up and assess the quality of Project Partners' achievements and to have an overview of the overall progress of the project.

According to the Grant Contract concluded between the LP and the Managing Authority (MA) one of the LP's obligations is to regularly report on the progress of the project to the Joint Technical Secretariat (JTS). The Grant Contract and Project Data Form are the base for monitoring progress and achievements of the project. The reporting to the JTS is done through progress reports to be submitted twice a year in six-months reporting periods (exception of the first and last progress report, see below).

10.4.1. Progress Report (UPDATED!)

The progress report is a document in MS excel format, which consists of

⁵⁸ Council Regulation (EC) No 1083/2006, Art. 60(d)

⁵⁹ Templates for cost itemisation lists for one project partner (being part of the Partner Progress Report) and the total project are available on the programme website eu.baltic.net.

- Activity Report that provides information on the achievement of project's milestones and outputs, and
- Financial Report which provides information on project's expenditure.

The information provided in the progress report allows both the Lead Partner and the Joint Technical Secretariat to examine the progress of the project. In particular, progress in achievements of planned milestones, delivery of outputs and financial progress in relation to the achievement of milestones and outputs. The progress report should include information on main challenges and deviations/delays occurred during the reporting period, if any.

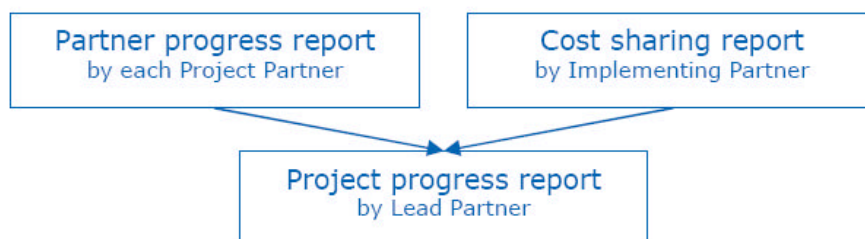
Validation

Both parts of the progress report that are submitted by the Lead Partner have to be validated in its content by the first level controller of the Lead Partner. For more details about the validation of the expenditure on the Lead Partner and Project Partner levels including the first level control requirements please see chapter 11 Audit and control.

Templates

A sample of the **standard progress report template** for the project including all Project Partners is available at the Programme website: eu.baltic.net. However, only templates of the progress report that are pre-filled by the Joint Technical Secretariat can be used by the Lead Partner. At the latest one month before the end date of the reporting period the JTS will provide the LP with the pre-filled progress report template that is valid for the given reporting period. The pre-filled report includes the description of milestones and outputs as well as the budget as planned in the approved Project Data Form.

~~The progress report template can be used by the Lead Partner to collect information from all partners, which is strongly recommended by the JTS. To support the LP in collecting all relevant information from its Project Partners the JTS developed templates for a **partner progress report** and a **cost sharing report**. It is strongly recommended that the LP makes use of these templates as they also contain the first level controller's confirmation.~~



The JTS also encourages all projects to make use of the **other documents of the management toolkit** available on the Programme website: eu.baltic.net. Besides the partner reporting templates, this toolkit contains

templates and tables that support standardisation of information and financial data to be reported (e.g. templates for event agendas and minutes, as well as participants list, travel report templates, time sheets (incl. calculation of personnel costs), cost itemisation lists, etc).

10.4.2. Activity Report

The activity report is based on the information provided in the project work plan, as described in the Project Data Form. Although a project is co-financed by two or three funding resources there is a joint activity report.

The Lead Partner should provide the Joint Technical Secretariat with information on the achievement of the project milestones (note: milestone does not mean a reporting period like in the BSR INTERREG III B NP) and main outputs for each work package. In case certain deviations/delays occur in achieving the planned milestones and outputs, the Lead Partner should explain the reasons for these deviations/delays and a plan for their achievement should be presented. In addition the LP should report on the achievement of output indicators concerning the common results as well as publicity and communication indicators. Please see chapters 7 Expected results and main outputs and 10.3 Getting started.

In addition, the Lead Partner should provide a narrative description of the progress in the project implementation during the given reporting period. This includes also the description of the main project coordination activities, for example outcomes of the steering committee or reference group meetings, joint agreements made, cooperation with associated organisations (if involved), etc. If relevant, the description should also provide information on the main challenges that occurred and how the project dealt with them or what are foreseen actions to deal with them.

In a separately designated field of the activity report the Lead Partner is asked to provide a summary of the project and its main achievements. Please note that this information is directly published on the Programme website and used by JTS for marketing purposes of the project and Programme.

10.4.3. Financial Report

The expenditures of all Project Partners are compiled in the joint financial report. All costs included in the financial report must be allocated under the correct budget line and work package. Such costs must be eligible, i.e. they have to comply with the EU and national legislation, as well as the Programme rules.⁶⁰ If the costs are eligible for co-financing and as soon as the progress report is accepted by the JTS the co-financing can be reimbursed.

⁶⁰ Cf. chapter 5 Project budget and applicable rules

10.4.4. Eligibility and reporting periods

Eligibility period

Eligibility of ERDF and Norwegian expenditure starts on the day following the date of the project approval by the Monitoring Committee. In general, eligibility of the ENPI expenditure starts on the day on which the Grant Contract is signed. However, on a case by case basis and where the project can demonstrate the need to start the action before the contract is signed the Managing Authority may decide that the eligibility of project costs from ENPI funding starts on the day following the date of the project approval by the Monitoring Committee. In any case costs of ENPI partners can only be co-financed by the Programme if the Belarusian Project Partners passed the national Belarusian approval procedure.

Reporting period

The project work plan and expenditure in the Project Data Form are planned on a six-monthly basis. There are two reporting periods per year for each project and consequently two reporting deadlines. The reporting periods and deadlines for submission of the progress reports are set in the Grant Contract. The deadline for submission of the progress report is three months after the end of the reporting period.

Example:

- ▶ Reporting Period: 1 Jan – 30 June
- ▶ Reporting deadline: 1 Oct

The first and the last progress report might cover a longer reporting period, which can last up to nine months.

Any other reporting period can only be prolonged if this has been agreed with the JTS beforehand. The request for prolongation has to be submitted to the JTS at least one month before the end of the respective reporting period. The prolongation will only be granted in extraordinary cases, e.g. second level audit.

In general, the project costs should be reported in the progress report whose reporting period comprises the date when they incurred and were (at least partly) delivered. Only in duly justified cases it is possible to report costs which do not relate to the given reporting period provided that:

- ▶ these costs are eligible;
- ▶ the costs were paid during an eligible project phase;
- ▶ the costs were not reported and reimbursed during the previous progress reports or from any other EU, international, national or regional financial instrument.

10.4.5. First and Final Progress Report (UPDATED!)

The following special requirements apply to the **first progress report**:

- ▶ The preparation costs should be reported in an extra report attached to the first progress report (see chapter 5.4.1 Project preparation costs).
- ▶ The Lead Partner has to prepare a Partnership Agreement that has to be agreed and signed by all Project Partners before submission of the first progress report. The first level controller of the Lead Partner has to verify that a Partnership Agreement has been signed by all Project Partners and that this agreement contains clauses which regulate the minimum requirements stipulated in chapter 2.5 Partnership Agreements (please also refer to the guidelines on Example Partnership Agreements available at the Programme website eu.baltic.net). Upon request the Partnership Agreement has to be sent to the Joint Technical Secretariat together with the progress report.
- ▶ The Lead Partner has to send a copy of the first level control designation certificate and of the confirmation by the Project Partner's first level controller (see chapter 11.3 Designation of the first level controller)
- ▶ In the activity report the indicators for selected priority specific results have to be defined and specified (please see chapter 10.3 Getting started).

Pre-filled templates of the preparation cost report and for the specification of the indicators will be sent to the project together with the pre-filled templates of the first progress report.

The **final progress** report consists of the final activity report, the final financial report and a specific annex. In the annex the project is asked to report on the overall achievement of the planned results making use of the result indicators. The project is also asked to describe its possible environmental impacts and, if the project aimed to promote equal opportunities, the outcome of these activities. If applicable, the Lead Partner and its Project Partners have to sign an Addendum to the Partnership Agreement before submission of the final progress report. The first level controller of the Lead Partner has to verify that such an Addendum has been signed by all Project Partners. (cf. chapter 2.5).

The Lead Partner has to submit the final progress report to the Joint Technical Secretariat within three months after the project end date. At the end of the programming period, all projects are obliged to submit their final reports in due time enabling the Programme closure.

10.4.6. Advance payment request

After the signature of the Grant Contract the Lead Partner may upon request receive an advance payment of ENPI co-financing. Further request for interim payments are part of the project's joint progress report.

For further details about the co-financing of project costs see chapter 12 Payment of grants.

10.4.7. Submission

The Lead Partner submits the progress report every six months (or up to nine months in the case of the first and last reports) according to the reporting deadlines set in the Grant Contract.

The Lead Partner shall submit both the paper and the electronic versions of the progress report to the JTS. If applicable, the Lead Partner should attach a copy of the new first level controllers' designation certificates (see chapter 11.3 Designation of the first level controller) and other documents required by the JTS, e.g. Annex to the first progress report to define the indicators.

The paper version should be sent to the following address:

**Baltic Sea Programme
Joint Technical Secretariat
Investitionsbank Schleswig-Holstein
Grubenstraße 20
18055 Rostock
Germany**

The electronic version is to be sent to the following e-mail address: report@eu.baltic.net. This ensures that the progress report is received by the responsible project officers and finance officers at the JTS.

Lead Partners should organise the control procedures within their partnership as efficiently as possible aiming at submitting their progress reports to the Joint Technical Secretariat rather prior to the deadlines. This will accelerate the payment procedure.

Any late submission of a progress report must be approved by the JTS beforehand. A request for postponement must not be submitted later than the actual deadline for submission of the given progress report.

The request might not be approved in case national deadlines for submission of the progress reports to the first level controllers are not followed by the LP or Project Partners.

In case the JTS did not receive a request for postponement of the reporting deadline and the progress report is delayed, the JTS will inform the Lead Partner about the delay and set a new deadline for submission.

If it is the failure of the Lead Partner to present a certified paper version of the progress report 3 months after the original reporting deadline (as set in the Grant Contract), the Lead Partner has to submit a progress report including all certified expenditure within the following month. The non-certified expenditure is lost and cannot be reported afterwards.

If the Lead Partner fails to submit a certified progress report at all, the project might be terminated in accordance with the rules of the Grant Contract.

10.4.8. Processing of the Progress Report

As a general rule, the incoming progress reports are processed by the Joint Technical Secretariat in the order of their arrival date. The JTS monitors all components of the progress report, such as the description of activities, the report on achievement of the planned milestones and outputs, the lists of expenditure, as well as declarations of validations and controllers' reports/checklists. The achievement of the planned milestones and outputs are monitored in relation to the work plan presented in the Project Data Form. During the financial monitoring the JTS cross-checks whether that what has been validated by the first level controller complies with the provisions of the Grant Contract and the Programme documents as well as with the contracted Project Data Form.

If the information delivered in the progress report is insufficient, the JTS will ask for further information or clarification from the Lead Partner. The Joint Technical Secretariat, the Managing Authority or the Certifying Authority may also ask the Lead Partner and the first level controllers to provide more in-depth documentation, such as the overall report/checklist on the controls performed at project level, the documents listed in the declaration of the validation of the expenditure, the cost itemisation list of all expenditure incurred at Project Partner level, timesheets, etc. The Lead Partner should provide the answers to the Joint Technical Secretariat within the set timeframe. If there are no further questions concerning the respective progress report or other outstanding issues regarding the project, the report is approved and the payment procedure can be launched.

10.4.9. Requirements to the reporting of costs

Principle of real costs

Project expenditure must comply with the principle of real costs. It means that only costs incurred (i.e. paid) by an eligible Project Partner, accounted for and proved by delivery of works, services or supplies (at least partial delivery in the case of advance payments) within the following eligible project phases⁶¹ can be considered as project costs:

- ▶ project preparation phase;
- ▶ project contracting phase;
- ▶ project implementation phase;
- ▶ project closure phase

⁶¹ See chapters 5.4 Project preparation and project closure costs and 3.2 Project duration

Principles of economy, efficiency and effectiveness

The project's budget has to be used in accordance with the principles of economy, efficiency and effectiveness⁶².

The principle of economy requires that the resources used by the institution for the pursuit of its activities should be made available in due time, in appropriate quantity and quality and at the best price.

The principle of efficiency is concerned with the best relationship between resources employed and results achieved.

The principle of effectiveness is concerned with attaining the specific objectives set and achieving the intended results.

Budget limits

The reported expenditure must not exceed:

- ▶ the approved total project budget;
- ▶ the approved budget of each Project Partner;
- ▶ the given flexibility of each total budget line and of each total work package (see chapter 0
- ▶ Budget lines).

In addition to the flexibility of budget lines and work packages projects may in well justified cases apply for budget reallocation (see chapter 10.6 Changes in the approved project set-up).

Use of the Euro⁶³

Amounts set out in the "Declaration for the validation of the expenditure by the first level controller" and expenditure reported in the financial report must be denominated in EUR.

All Project Partners whose national currency is not EUR must convert the expenditure incurred and paid in national currency into EUR. The expenditure in national currency (other than EUR) must be converted into EUR with an accuracy of four digits after the comma using the monthly accounting exchange rate of the European Commission. The monthly exchange rate is the rate of the month during which the expenditure was paid by the Project Partner or registered in the accounts of the Project Partner. At the beginning of the project each Project Partner has to decide for one option that is to be followed during the entire project lifetime. The European Commission publishes the monthly exchange rates under:

<http://ec.europa.eu/budget/inforeuro>

⁶² Council Regulation (EC, Euratom) No 1605/2002, Art. 27

⁶³ Council Regulation (EC) No 1083/2006, Art.81

Depending on the currency of the Lead Partner's and Project Partners' bank account (EUR or national currency) the exchange will be done by the Lead Partner's or Project Partners' local bank. Any exchange risk has to be borne by the Lead Partner and the Project Partners.

Display of figures

In order to avoid rounding differences all expenditure in the financial report must be rounded on **two digits after the decimal point** with 0.05 being rounded up.

The only exception of this rule is made to exchange rates. They should be rounded on four digits after the decimal point, with 0.0005 being rounded up.

Requirements to the bank information

Complete and correct bank information in the progress reports guarantee fast transfer of the co-financing.

Experience shows that the international BIC (S.W.I.F.T. code) of non-German banks as well as the international IBAN code for non-German accounts were major sources of errors. Therefore non-German Lead Partners are very much encouraged to ensure that both the BIC (S.W.I.F.T.) and the IBAN are correct and do not contain any space characters. This also applies to the national bank code ("Bankleitzahl") and account number of German Lead Partners.

Moreover, the name, address, town and country of the bank and the account holder should be given. Depending on the space available in the transfer form, in all transfers the reference to the Programme, the project acronym and number, the type of fund as well as the number of the progress report will be made. If applicable, the Lead Partner may indicate an additional internal reference in the progress reports.

10.5. Mid-term self-evaluation of a project

The purpose of a mid-term self-evaluation is to improve the work done by the Project Partners in order to achieve the project results and so to improve the quality of the project outcomes. The projects are asked to carry out a self-evaluation in the middle of their implementation phase; for example if the implementation phase of a project is 36 months (six reporting periods), the self-evaluation should be done during the third or fourth reporting period. The self-evaluation is carried out by the projects themselves. All partners should be involved in the evaluation process.

In addition to the assessment on how the project is achieving its planned results, the self-evaluation should include an evaluation on the management structure as well as on the transnational approach taken in the project. It is

up to the projects to choose the methods for the self evaluation. However the project's own result indicators and the corresponding measurements are to be used in the evaluation. Further information on the achievement of the planned outputs and results may be useful as well. If the outcome of the evaluation is that there are difficulties in reaching the planned results, the reasons for the situation should be clarified and openly discussed among the partners. In case needed, proposals for adjustments in the work plan should be done in order to better achieve the results. However any major changes in the project work plan have to be approved by the JTS (see the chapter 10.6 Changes in the approved project set-up).

As mentioned above the self-evaluation serves in the first place the project internal quality improvement. A short documentation of the evaluation process and its outcomes is submitted to the JTS together with the following progress report.

10.6. Changes in the approved project set-up

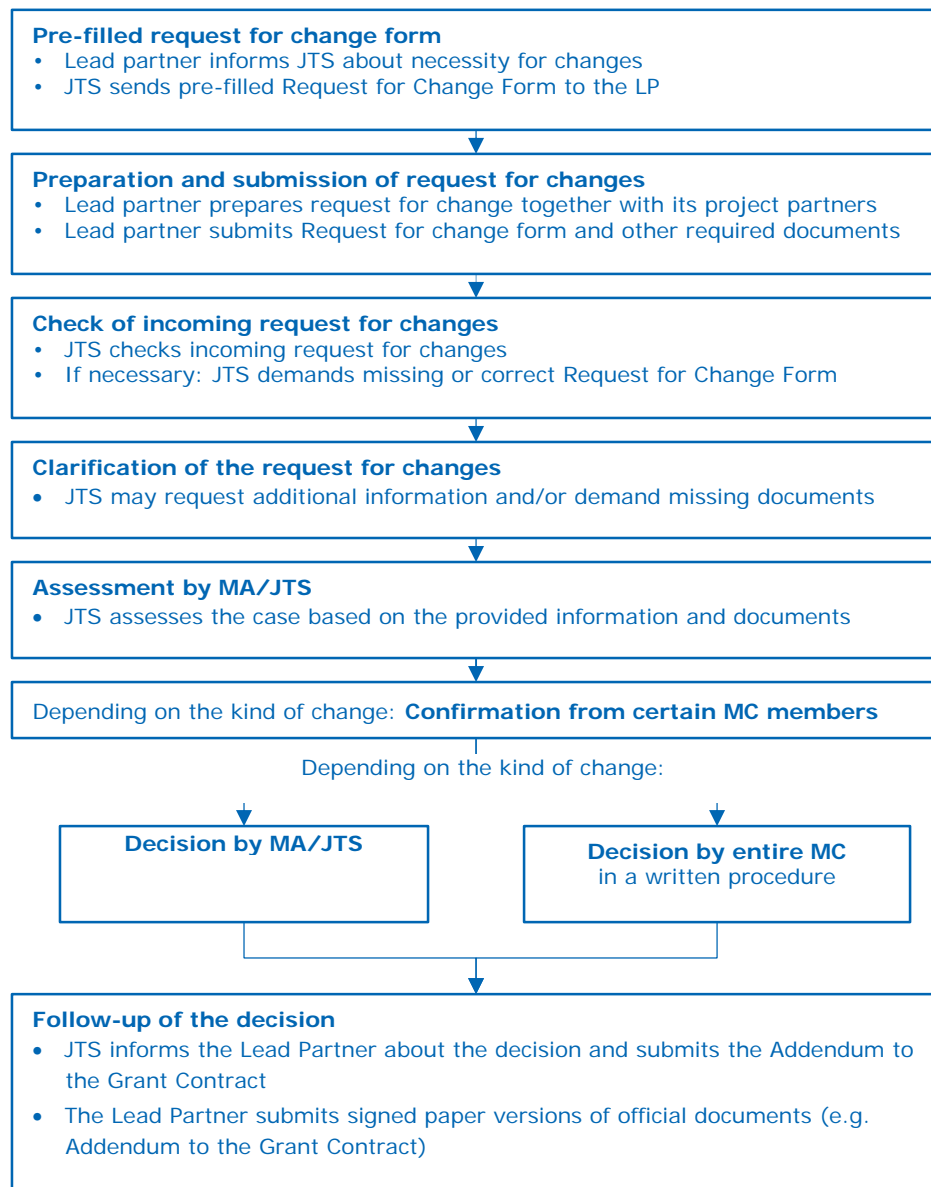
In general, three categories of changes in the project can be distinguished: change in the work plan, change in the partnership and change in the project budget. Obviously, these three are in most of the cases interrelated (e.g. dropping out of the partner may result in a change of the project budget and adjustment of the work plan). Please observe the table in the following chapter for a more detailed categorisation of changes and related procedures.

10.6.1. General change procedure

All changes in the project must be communicated to the Joint Technical Secretariat. The Programme managing bodies, namely the Monitoring Committee (MC) and the Managing Authority (MA) / Joint Technical Secretariat (JTS), must approve all changes before their implementation. Apart from the changes allowed under the budget flexibility rule (see chapter 0

Budget lines) and changes of contact details the Lead Partner (LP) shall submit an official request regarding all other changes beforehand to the JTS. On demand the Joint Technical Secretariat will provide the Lead Partner with a Request for change form that is pre-filled with all relevant project data. An empty template for the Request for change form is available on eu.baltic.net.

The following flowchart shows the procedures connected to the handling of request for changes:



10.6.2. Categorisation of changes and related procedures

| Type of change | | Decision making body | Procedure |
|---|---|---|---|
| Pure budget reallocation | | | |
| NOTE: Only one pure budget reallocation above the flexibility limit (options b) and c) below) is allowed per project lifetime, even if a project involves three funds - ERDF, Norwegian and ENPI. | | | |
| a | ... between the BLs and WPs <u>within</u> limits of the budget flexibility rule | MA/JTS | See chapter 5.2 'Horizontal rules applicable to all budget lines', page 50. |
| b | ... between the BLs and WPs <u>above</u> the limits of the flexibility rule | MA/JTS | Upon prior request from the LP. The MA/JTS carries out an assessment based on which it approves or rejects the request for change. NOTE: A budget reallocation between budget lines and work packages of different funds is not possible (e.g. between ERDF and Norwegian funds). |
| c | ... between Project Partners | MA/JTS after written confirmation from the respective MC members from those countries where the Project Partners are located. | Upon prior request from the LP. The MA/JTS carries out an assessment, sends it to the respective MC members asking for written confirmation of the new budgets within ten working days. Only after receipt of the written confirmation the JTS approves the change. NOTE: A budget reallocation between partners that are co-financed from different funds is not possible (e.g. between ERDF partners and Norwegian partners). |
| Partner drop out (i.e. discontinuation of a Project Partner's (PP) financial contribution to the project) | | | |
| a | New PP(s) take(s) over the tasks and budget | MC in a written procedure after written confirmation on the technical eligibility of the new organisation by the MC member of the Project Partner's country | Upon prior request from the LP and after receipt of an official letter of the partner dropping out. The MA/JTS carries out an assessment, based on which it makes recommendations to the MC. After receipt of the written confirmation of the technical eligibility of the new organisation, the MA/JTS launches a written procedure through which the MC decides on approval of the change. The written procedure lasts at least three weeks. |
| b | Existing PP(s) take(s) over the tasks and budget | MA/JTS after written confirmation from the respective MC members from countries where the 'taking over' partners are located | Upon prior request from the LP and after receipt of an official letter of the partner dropping out. The MA/JTS carries out an assessment and sends it to the respective MC members asking for the written confirmation of the new budgets within ten working days. Only after receipt of the written confirmation from the respective MC member the JTS approves the change. |
| c | No substitutes – changes in the project plan and budget | 1) MC in a written procedure if the change considerably affects delivery of the project results 2) MA/JTS if the change does not considerably affect the project and delivery of its results | 1) Upon request from the LP and after receipt of an official letter of the partner dropping out. The MA/JTS carries out an assessment, based on which it makes recommendations to the MC. The MA/JTS launches a written procedure through which the MC decides on approval of the change. The written procedure lasts at least three weeks. 2) Upon request from the LP and after receipt of an official letter of the partner dropping out. The MA/JTS carries out an assessment and makes a decision if needed in consultation with the respective MC member(s). |

| Type of change | Decision making body | Procedure |
|--|--|--|
| Other changes | | |
| Any change in the project work plan that has an impact on achievement of the project results | <p>1) MC in a written procedure if the change considerably affects delivery of the project results</p> <p>2) MA/JTS if the change does not considerably affect the project and delivery of its results</p> | <p>1) Upon request from the LP. The MA/JTS carries out an assessment, based on which it makes recommendations to the MC. The MA/JTS launches a written procedure through which the MC decides on approval of the change. The written procedure lasts at least three weeks.</p> <p>2) Upon request from the LP. The MA/JTS carries out an assessment and makes a decision if needed in consultation with the respective MC member(s).</p> |
| Change of the partner's name, legal status, change of hosting organisation etc. | MA/JTS after written confirmation from the MC members from the country of the Project Partner | Upon request from the LP and after receipt of an official letter from the partner, and, if applicable, the legal successor/new hosting organisation. The MA/JTS sends a notification to the respective MC member and asks for written confirmation of the new name/legal status/hosting organisation, etc. After receiving the written confirmation from the respective MC member the JTS approves the change. |
| Prolongation of the project duration ⁶⁴ | MA/JTS | <p>Upon request from the LP submitted at the latest two months before the end of the implementation phase. The MA/JTS carries out an assessment and makes a decision.</p> <p>NOTE: The project duration may not exceed 42 months (incl. project closure phase). It must end no later than 30.06.2014.</p> |

TABLE 10.6.a. Overview of the procedures concerning project changes in the BSR Programme 2007-2013

In case of approval of a change of the above-mentioned types an Addendum to the Grant Contract will be issued to the Lead Partner. All changes in the project set-up that affect the content of the Partnership Agreement shall result in an Addendum to the Partnership Agreement (incl. annexes).⁶⁵

At each Monitoring Committee meeting the Managing Authority/ Joint Technical Secretariat provides information on all changes that have been processed and approved since the previous MC meeting.

In case the project identifies a need for any other change that is not listed above, the LP must submit the request to the MA/JTS. The request will be processed in close consultation with the Monitoring Committee.

10.6.3. Restrictions (UPDATED!)

In general projects are allowed to make changes in the project budget, partnership, duration or work plan. But some **restrictions** exist:

⁶⁴ See also chapter 3.2 Project duration.

⁶⁵ Please read chapter 2.5 Partnership Agreements for detailed information.

- ▶ At maximum one pure budget reallocation above the flexibility limit (between work packages, budget lines and/or Project Partners) during the project implementation is allowed (options b) and c) above).
- ▶ It is impossible to exceed the granted ERDF/Norwegian/ENPI co-financing.
- ▶ It is impossible to go below the minimum rate for the partner contribution (10%-~~50~~70%) neither on project nor on Project Partner level. However, ENPI partners can have lower contributions if the minimum rate is correct on project level.
- ▶ It is impossible to reallocate money from one fund to another (e.g. from ERDF to ENPI).
- ▶ It is impossible to reallocate money from one project to another.
- ▶ It is impossible to include additional Project Partner if it is not related to the substitution of a partner dropping out.
- ▶ Generally, it is impossible to make changes in the spending plan. Changes in periods following the date of the request are only possible if:
 - the ERDF/Norwegian/ENPI budget increases/decreases, or
 - a project prolongation results in an additional reporting period.

11. Audit and control

11.1. Terminology

In the programming period of 2007 - 2013, the terms “audit” and “control” (and thus auditor and controller) are not interchangeable since they have two different meanings.

The term **control** refers to the check performed by the first level controller (FLC) in compliance with Art.16 of Regulation (EC) No 1080/2006 (ERDF Regulation) and chapter 10.2 of the Operational Programme. The duty of the first level controllers is to **validate** the legality and regularity of expenditure declared by ERDF and Norwegian partners and to **verify** the legality and regularity of expenditure declared by ENPI partners.

The term **audit** (or second level auditing (SLA)) refers to the checks performed in compliance with Art. 62, (1 a, b) of Council Regulation (EC) No 1083/2006 (General Regulation) and Art. 37(2) of Commission Regulation (EC) No 951/2007. The duty of the second level auditors is to carry out the audits on projects on the basis of an appropriate sample to verify the expenditure declared.

The term **controlled beneficiary** refers to the terminology used by Art. 16 (1) of Regulation (EC) No 1080/2006. The term beneficiary addresses the Lead Partner and all Project Partners.

11.2. The first level control system

Member States participating in the Programme as well as Norway have set up their systems for the first level controls⁶⁶. A detailed description of the national systems is available on the website of the Programme (eu.baltic.net).

There are three different first level control systems applied by Norway and the EU Member States that participate in the BSR Programme 2007 – 2013:

- ▶ Centralised system
- ▶ Decentralised system
- ▶ Mixed system

In addition, a special first level control system is applied for verification of ENPI expenditure in Belarus and the EU Member States.

In order to ensure the quality of the work done by the first level controllers, general guidelines on validation of expenditure will be issued and published on the Programme's website. In accordance with the chapter 10.1 of the Operational Programme the day-to-day business of the controllers will be supported by the Joint Technical Secretariat.

11.2.1. Centralised system

In centralised systems a central body is appointed by the Member States or Norway to carry out the first level controls in accordance with Art. 16 of Regulation (EC) No 1080/2006. This body can be designated at a federal, national, or both federal and national level.

First level controllers are civil servants working within the designated organisation or might also be external controllers appointed for this specific mission by the Member State.

First level controllers possess the qualifications required by the respective participating countries and in the performance of their duties are obliged to fulfil the requirements for the first level controls laid down in the Structural Funds regulatory framework and in the national legal framework.

The participating countries keep a list of the first level controllers designated. The list is available for public consultation and is regularly submitted to the Joint Technical Secretariat⁶⁷ and the Audit Authority (AA). Only controllers in the list can certify the expenditure and sign the certificate for the validation of the expenditure required in each progress report.

The following countries participating in the Programme have decided to implement a centralised control system: Estonia, Latvia, Poland (Marshal

⁶⁶ Art. 16 of Regulation 1080/2006

⁶⁷ In compliance with the provisions of chapter 10.1 of the Operational Programme ("Information shall continuously be updated in case of any changes"). Please note that acc. to the programme, Member States and Norway shall send information on the designated controllers to the JTS only.

offices, Voivodes, ministries and central offices may also use internal independent first level controllers) and Sweden.

11.2.2. Decentralised system

In decentralised systems, the controlled beneficiary is free to appoint its controller. The controller must in all cases:

- ▶ be independent from the controlled beneficiary;
- ▶ hold the qualifications set by the Member State or Norway;
- ▶ fulfil the requirements for the first level controls laid down in the Structural Funds regulatory framework and in the national legal framework.

In this system it is the Member State or Norway that designates the first level controllers in accordance with Art. 16 of Regulation (EC) No 1080/2006. It is the Member State or Norway that monitors the performance of the first level controllers in its territory and thus checks that the first level controllers are acting in compliance with the Structural Funds regulatory framework and in the national legal framework for the validation of the expenditure and activities of the controlled beneficiary. The Member States and the JTS established general measures to ensure the quality of the work done by the first level controllers.

The following countries participating in the Programme have decided to implement a decentralised control system: Denmark, Germany, Finland and Lithuania.

11.2.3. Mixed system

In a mixed system the controlled beneficiary is free to appoint its controller from pre-defined list of approved controllers.

The controller on the list must in all cases:

- ▶ be independent from the controlled beneficiary;
- ▶ hold the qualifications set by the Member State;
- ▶ fulfil the requirements for the first level controls laid down in the Structural Funds regulatory framework and in the national legal framework.

In this system the Member State holds a list of the approved controllers and establishes a list of the first level controllers designated in accordance with Art. 16 of Regulation (EC) No 1080/2006. The list is available for public consultation and is regularly submitted to the Joint Technical Secretariat⁶⁸ and the Audit Authority. Only the listed controllers can validate the

⁶⁸ In compliance with the provisions of chapter 10.1 of the Operational Programme ("Information shall continuously be updated in case of any changes"). Please note that acc. to the programme, MS and Norway shall send information on the designated controllers to the JTS only.

expenditure and sign the certificate for the validation of the expenditure and activities of the controlled beneficiary.

The following Member States participating in the Programme have decided to implement a mixed control system and provide a list of designated controllers: Norway.

11.2.4. First level control system for ENPI expenditure (UPDATED!)

The first level controller shall be contracted by the Lead Partner or in exceptional cases by the Project Partner. The selection has to be confirmed by the Managing Authority.

The first level controller shall be **an approved auditor who is a member of ~~employed by~~** an internationally recognised supervisory body for statutory auditing. This body should be a member of the International Federation of Accountants (IFAC). If the organisation is not a member of the IFAC, the first level controller shall commit himself to undertake the verification of ENPI expenditure in accordance with applicable IFAC standards and ethics.

The first level controller must in all cases:

- ▶ be independent from the controlled beneficiary;
- ▶ be qualified in applying the rules of the regulatory framework of ENPI.

The first level controller shall be entitled to perform the controls and on-the-spot checks in all locations of the beneficiaries receiving ENPI co-financing, and where activities of the particular project take place. In accordance with Art. 39 of Commission Regulation (EC) No 951/2007 verification of ENPI funds spent by controlled beneficiaries located in one of the eligible areas of the Member States participating in the Programme may also be performed by the controllers designated by the Member States in accordance with Article 16(1) of the ERDF Regulation. Nevertheless, Programme provisions set for verification of ENPI expenditure have to be respected.

11.3. Designation of the first level controller (UPDATED!)

The progress report is only admissible if it was verified/validated by a designated first level controller.

In the centralised first level control system the Member States have already designated the first level controllers and submitted the description with the detailed specification to the Joint Technical Secretariat (JTS) / Managing Authority (MA) of the Baltic Sea Region Programme 2007-2013. Thus no further designation of the first level controller in the centralised system is needed.

In the decentralised or mixed first level control systems the individual designation of a first level controller by the responsible body in the given Member State or Norway is needed. Lead Partners (LPs) and Project

Partners (PPs) from those countries have to propose their controllers to the respective designation body before the first expenditure is validated and the progress report submitted to the JTS.

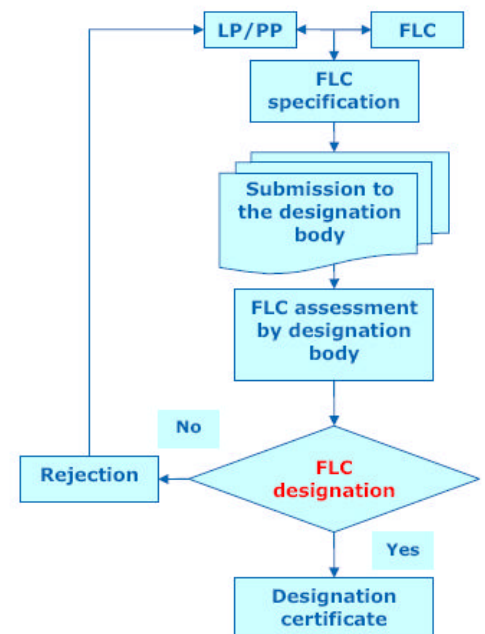
Lead Partners or Project Partners receiving ENPI co-financing have to submit their proposals for the controller to the MA/JTS:

**Baltic Sea Programme
Joint Technical Secretariat
Investitionsbank Schleswig-Holstein
Grubenstraße 20
18055 Rostock
Germany**

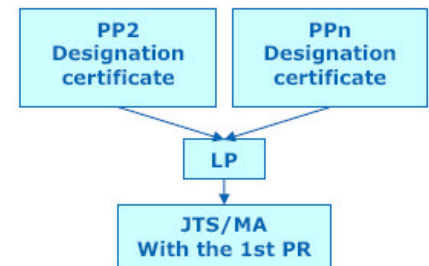
Any FLC who was accepted by the designation body or, in case of ENPI, the MA/JTS will get an official designation certificate.

In the decentralised and mixed systems as well as for the LPs and PPs receiving ENPI funds the designation process of controllers is organised as follows:

1. Each LP/PP and its first level controller fill in and sign the first level controller(s) specification for the designation of the first level controllers (the form is available on eu.baltic.net).
2. Each LP/PP submits the first level controller(s) specification to the designation body of the Member State or Norway. LPs/PPs receiving ENPI funds have to submit the first level controller(s) specification to the JTS. For the contact address of the designation body please see the Programme website (eu.baltic.net).
3. The relevant designation body or MA/JTS (ENPI) checks the information provided by the Project Partner and his first level controller in the designation checklist and evaluates whether the proposed FLC is sufficiently independent and qualified to carry out the FLC of the LP/PP and the project in the Baltic Sea Region Programme 2007-2013. During the assessing process of the proposed controller the designation body / MA/JTS (ENPI) may ask for further clarification/documentation proving the required qualification.



4. The designation body / MA/JTS (ENPI) sends the decision (approval, rejection) on the FLC in the form of an designation certificate (see the Programme website for an example) to the respective LP/PP.
5. In case of approval, the PPs submit the designation certificates to the LP of the project. In case the designation body / MA/JTS rejects the proposed FLC the respective LP/PP has to select a new FLC and start the designation procedure again from point 1.
6. For each progress report the LP has to check that the first level controller's confirmation (part of the progress report **and partner report** template) is submitted by each PP reporting its expenditure and that it is signed by the Project Partner's FLC who is officially authorised by the designation certificate or in case of centralised systems by the respective designated FLC.
7. In addition the LP is requested to attach to the first progress report that will be submitted to the Joint Technical Secretariat:
 - Copy of the first level controller confirmation of each Project Partner's progress report
 - Copy of the designation certificate of all Project Partners from countries with a decentralised or mixed first level control system.
8. In case the FLC changes, the whole designation procedure from the point 1 has to be followed for all controllers that are not certified by the designation body.



The certificate issued by the designation body for the particular first level controller is valid for the whole programming period. It has to stay with the FLC, who has to present it to any interested institution. However, the designation procedure cannot be initiated by a first level controller, but only by a Project Partner of an approved project of the Baltic Sea Region Programme.

For more details and applicable templates, please refer to the designation body of the respective Member State or Norway. Project Partners with ENPI funds have to use the standard templates available on eu.baltic.net.

11.4. Qualifications and independence of the first level controllers

The first level controller validates both **expenditure and activities**.

This implies that he/she should be competent in different fields related to finance and project management⁶⁹, in particular:

- ▶ in international and national accounting standards and accountancy in general;
- ▶ in applying the regulatory framework of the Structural Funds and ENPI, of the national legislation and of Programme rules;
- ▶ in project management in order to be able to compare the realised activities presented in the progress report with those planned in the latest version of the Project Data Form⁷⁰;
- ▶ appropriate knowledge of English language in order to understand Programme documents and requirements.

The first level controllers must be absolutely **independent** from the organisation. Independency must be ensured in the terms of reference indicated by the European Commission⁷¹.

The first level controller has to maintain close contact with the Joint Technical Secretariat and ask for assistance whenever there are doubts linked to the above points.

Special requirements on qualification of the first level controllers are published at the Programme website (eu.baltic.net).

11.5. Validation/verification of the expenditure and activities by the first level controllers

Irrespective of which control system is applicable, it is the duty of the first level controller to validate the expenditure declared by each beneficiary participating in the project and its activities prior to submitting the payment request (which is part of the progress report) to the JTS.

The validation/verification by the first level controller follows a two-step approach:

⁶⁹ The profile of the first level controller reveals an increased complexity if compared with the profile requested for the past programming period.

⁷⁰ Please note! In case of deviations or unclarity the FLC should consult the JTS.

⁷¹ European Commission recommendation on statutory auditors' independence in the EU: a set of fundamental principles according to 2002/590/EC; International standard on quality control N°1 (IFAC); Code of ethics of the INTOSAI, Auditing standards Chapter II-2.2. Standards with Ethical significance.

1. validation/verification of expenditure and activities declared by the project and Lead Partner in individual progress reports (validation at partner level);
2. validation of the entire expenditure and activities declared by the project in the respective project progress report (validation at project level).

The detailed procedure for the validation of the expenditure is provided in the next chapters.

Each project progress report to be submitted by the Lead Partner is made up of two parts: the activity part and the financial part (see also chapter 10.4.1). **Both parts** have to be validated in its contents by the first level controller of the Lead Partner.

11.5.1. Validation/verification at partner level (UPDATED!)

In each country the first level controller of Project Partners and the Lead Partner must validate/verify all expenditure and activities.

First level controllers of ERDF and Norwegian partners must be chosen according to the provision set by the Member States and Norway where the Project Partner/Lead Partner is located and must perform their controls on the basis of the first level controlling system established in the Member States and Norway.

First level controllers of ENPI partners must be chosen according to the provisions of chapters 11.2 and 11.3. of this Programme Manual. They shall verify ENPI expenditure in accordance with applicable standards and ethics of the International Federation of Accountants (IFAC), in particular:

- ▶ in accordance with the International Standard on Related Services ('ISRS') 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the IFAC;
- ▶ in compliance with the Code of Ethics for Professional Accountants issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for engagements, the Programme requires that the first level controller also complies with the independence requirements of the Code of Ethics for Professional Accountants.

All first level controllers at the Project Partner level are required to:

- ▶ validate the expenditure incurred by the controlled Project Partner;
- ▶ validate the contents of both the activity and financial component of the Project Partner report;
- ▶ ~~check that the Partnership Agreement and, if applicable, an Addendum to the Partnership Agreement has been signed and all minimum requirements are met;~~

- ▶ draft a report/checklist on the control performed;⁷²
- ▶ sign the first level control confirmation;
- ▶ submit the confirmation to the Lead Partner together with the progress report and a detailed list of all the expenditure incurred at Project Partner level (cost itemisation list in English)⁷³.

In addition the first level controller of the Lead Partner has to check that the Partnership Agreement and, if applicable, an Addendum to the Partnership Agreement has been signed and all minimum requirements are met.

The confirmations of the first level controllers of the Project Partners ~~do not~~ have to be submitted to the Joint Technical Secretariat **together with the first progress report of the project**. The first level controller of the Lead Partner should document methodology and outcome of the controls in an internal control report.

Projects should take into consideration possible cost of the first level controls when planning the project budget.

Costs of the Lead Partners or Project Partners deriving from the verification of ERDF/Norwegian/ENPI expenditure as stipulated above may be reported as part of the projects' eligible ERDF/Norwegian/ENPI expenditure.

Costs deriving from the validation of ENPI expenditure carried out by first level controllers from EU Member States may be reported as part of the projects' eligible ENPI expenditure only if any risk of double payment is excluded.

It depends on the country, if Project Partners or the Lead Partner have to pay their first level controller (FLC) for validation/verification of their costs. The following table summarises this issue:

| | BY | DE | DK | EE | FI | LT | LV | NO | PL | SE |
|---------------------------------------|-----|-----|-----|----|-----|-----|----|-----|----|----|
| Project Partner has to pay FLC | Yes | Yes | Yes | No | Yes | Yes | No | Yes | No | No |

However, Project Partners should check with their responsible national authorities, if further requirements apply. For example, the costs of the internal independent controls in Poland are not eligible and cannot be reported in the framework of the BSR Programme project.

⁷² Templates are provided on the programme website eu.baltic.net

⁷³ **These documents are part of the Partner progress report.** A template is available **in the management toolkit** on the programme website eu.baltic.net.

11.5.2. Validation at project level (UPDATED!)

In addition to the validation/verification of expenditure and activities incurred by the Lead Partner the first level controller of the LP has to validate the progress report of the entire project.

When the Lead Partner receives the declaration of validation/verification of the expenditure provided by the first level controllers of the Project Partners (incl. control report/checklist referred to in the previous chapter), the Lead Partner submits these documents to its first level controller. He/she will then compile all validated/verified expenditure and activities in the progress report of the project.

The Lead Partner has to submit to the Joint Technical Secretariat:

- ▶ the overall project progress report;
- ▶ the declaration of the LP first level controller on the validation of the entire expenditure and activities at project level (included in the progress report template);
- ▶ for in depth checks, for the first report and/or for the final report the JTS might request any other documents ~~the JTS might request for in depth checks, or the first and final report~~ (see chapter 10.4.5).⁷⁴

11.5.3. Standard tools for validation/verification (UPDATED!)

The Member States in cooperation with the Joint Technical Secretariat have developed tools for the validation/verification of the expenditure by the first level controllers. The JTS might request these tools for validation/verification:

- ▶ check list for the first level control;
- ▶ report of the first level control;
- ▶ list of documents to be provided by the first level controller which are recalled in the declaration of the validation/verification of the expenditure and activities;
- ▶ text for the declaration of the validation/verification of the expenditure and activities (included in the partner and project progress report templates);

Templates for these documents can be downloaded from the Programme website.

These documents cannot be modified in their standard parts.

⁷⁴ This paragraph was changed following the MC written procedure, closed on 25.01.2010

11.6. Audit Authority and Group of Auditors

In the programming period 2007-2013 new auditing bodies have been introduced in the management and control system of the Structural Fund programmes: the Audit Authority (AA) and the Group of Auditors (GoA).

Ministry of Science, Economic Affairs and Transport of the State of Schleswig-Holstein has been nominated as Audit Authority of the Baltic Sea Region Programme.

In compliance with Art. 62 of Council Regulation (EC) No 1083/2006, the Audit Authority is responsible for:

- ▶ ensuring the effective functioning of the management and control system in the Programme, by performing audits on the MA, CA, JTS and on the first level controllers;
- ▶ ensuring that audits are carried out on the operations on the basis of a sample, in order to verify the expenditure that has been declared.

In these tasks, the Audit Authority is supported by the Group of Auditors, a group comprising a representative of each Member State participating in the Programme and Norway and carrying out the duties of the second level auditing⁷⁵. The auditors must be independent from the first level control system implemented in compliance with Art. 16 of Regulation (EC) No 1080/2006⁷⁶.

Regarding the ENPI funding, a representative of Belarus as well as an external auditor contracted by the Managing Authority carrying out duties of the second level auditing for ENPI expenditure under the responsibility of the Audit Authority, act as observers in the Group of Auditors. The auditors shall be independent of the first level control systems.

11.7. Second level auditing

The provisions of Art. 62 of Council Regulation (EC) No 1083/2006 and Art. 37(2) of Commission Regulation (EC) No 951/2007 imply that projects might undergo a second level auditing in case they are selected in a sample.

In case a project is sampled, it will be checked both at Lead Partner and Project Partner level by the national competent auditors (second level auditors) that are members of the Group of Auditors, and in case of ENPI funding, by an external auditor.

The national auditor of the country where the Lead Partner is located (lead auditor) will be in charge of leading the audit and organising the schedule of the audits at Project Partner level: each national auditor will be responsible for auditing the partners located in his/her territory, unless agreed differently by the Group of Auditors.

⁷⁵ Art. 14 (2) Regulation 1080/2006

⁷⁶ Art. 14 (2) Regulation 1080/2006

The audit starts when the lead auditor launches the audit and informs the Lead Partner about the aim and schedule of the checks. The national auditors involved will get in contact with the Project Partners and schedule audits accordingly. The audit implies both desk checks and on-the-spot checks.

It is the duty of the Lead Partner and of all the Project Partners involved in the sampled project to facilitate the audit activities and to provide requested documentation and accesses to locations and premises.

The auditors check:

- ▶ Compliance of the implementation with the approved project;
- ▶ Compliance with rules of the regulatory framework of the Structural Funds, of the national legislation and of Programme rules;
- ▶ Soundness of the management and control system implemented at project level;
- ▶ Soundness of the first level controls performed.

After finalising the desk checks and on-the-spot checks each audited Project Partner will receive a report from its national auditor and will have a limited period of time to debate the auditors' findings. This procedure is named "the contradictory procedure". Its length might vary in time according to the rules set by the Group of Auditors.

Comments from the audited Project Partner will be reported in the auditors' reports. Once all the contradictory procedures have been closed, the lead auditor will compile the *lead auditor report* and inform the Audit Authority, the Group of Auditors and the Joint Technical Secretariat/ Managing Authority about the outcomes and suggest follow-up actions, if needed.

JTS/MA will address the Monitoring Committee (MC) of the Programme for the approval of necessary follow-up actions. The follow-up actions approved by the MC will be implemented by the JTS/MA.

The Joint Technical Secretariat/ Managing Authority will relate directly to the Lead Partner in the follow-up process and also channel the proper data to the Certifying Authority. The Lead Partner remains at all stages the counterpart of the JTS/MA in case of any recovery of funds.

Costs incurred during the second level auditing by the Lead Partner and Project Partners might be reported to the JTS and considered eligible for funding, within the thresholds set by the budget of the project and if complying with the eligibility rules set in this Programme Manual chapter 0

Budget lines.

11.8. Other controls

Other checks might also be performed on the project by other auditing bodies of the European Union and other auditing bodies of the participating

EU Member States or Norway or other national public auditing bodies. The Joint Technical Secretariat, the Managing Authority, the Certifying Authority and the Audit Authority are also entitled to perform checks at project level to ensure that a sound management and control system has been implemented, should it be needed.

12. Payment of grants

In general, the reimbursement principle is applied. This means that the Programme co-financing will be paid only after the project's request for payment has been approved by the Joint Technical Secretariat. However, ENPI partners are entitled to receive an advance payment after the Grant Contract has been signed.

The following chapters outline the main principles and requirements related to the payment procedure of the ERDF, Norwegian and ENPI co-financing.

12.1. General rules for payment of ERDF, ENPI and Norwegian co-financing

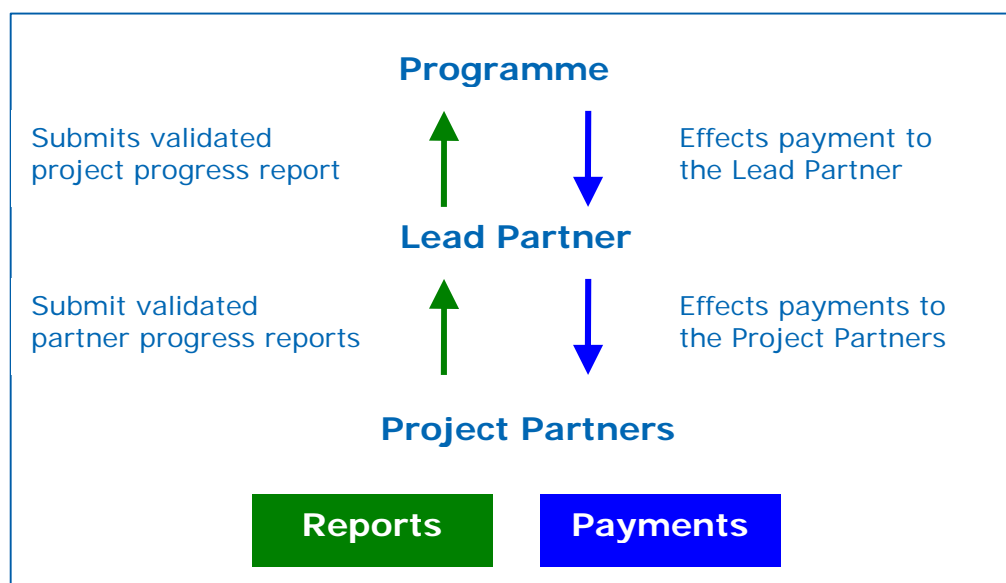
As described in chapter 10.3.4 Setting up a project accounting system, the LP has to submit a progress report to the Joint Technical Secretariat (JTS) which gives an account of the spending on the three sources of financing for the reporting period.

After the JTS has checked the progress report and the Lead Partner clarified the Secretariat's questions satisfactorily, the JTS informs the Certifying Authority that the payment request is approved and that payments can be affected in accordance with the Grant Contract.

The requested ERDF, Norwegian and ENPI co-financing in EUR will be directly transferred to the account/accounts indicated by the Lead Partner.

The Lead Partner is informed about the payment by means of a payment notification letter, which is e-mailed in advance. According to the previous experience, the payment arrives on the project account in one to two weeks. The Lead Partner is then responsible for internal allocation or further disbursement of grants to the Project Partners.

The Lead Partner should ensure that ERDF, Norwegian or ENPI co-financing to all eligible costs, which have been paid by the Project Partners, is forwarded to them as quickly as possible. No amount shall be deducted or withheld and no specific charge or other charge with equivalent effect shall be levied that would reduce these amounts for the Project Partners. Only in the case a special cost sharing system is applied (see chapter 5.5 Sharing of project costs) the Lead Partner can deduct the cost shares from each partner's payment claim according to the cost sharing agreement.



The Joint Technical Secretariat and the Certifying Authority will ensure checking and payment of the progress report in a reasonable time. However, the Lead Partner and the Project Partners should be aware that there may be a couple of months between the finalisation of a reporting period and the arrival of funds on the Lead Partner's account. This fact should be considered in the project's liquidity planning.

12.2. Specific rules for payment of ENPI co-financing

After signature of the Grant Contract the advance payment of the ENPI co-financing will be paid to the Lead Partner. It is strongly recommended that the Lead Partner applies the advance payment scheme to all activities of the ENPI partners. The Lead Partner should ensure transfer of advance payments to the respective Project Partners in reasonable time, if not specified otherwise in the Partnership Agreement.

The Lead Partner receives an advance payment after submission of both the signed Grant Contract and the signed request for advance payment form. The advance payment amounts to:

- 40% of the total ENPI co-financing as indicated in the approved Project Data Form for projects whose implementation phase lasts less than or equal to 24 months,
- 25% of the total ENPI co-financing as indicated in the approved Project Data Form for projects whose implementation phase lasts more than 24 months.

The request for advance payment has to be sent 30 days after signature of the Grant Contract, at the latest. However ENPI co-financing can only be transferred to the project if the Belarusian Project Partners passed the national Belarusian approval procedure.

The timeframe for reporting of actual costs and further interim payments are harmonised with the scheme applied to ERDF and Norwegian co-financing. Therefore expenditure of Project Partners which may receive ENPI co-financing have to be verified by an approved first level controller and included in the progress reports.

The first interim payment is made after the Joint Technical Secretariat (JTS) has received and approved the first progress report. With this interim payment the ENPI co-financing to the real audited and eligible costs is refunded.

All further interim payments are done likewise until the total advance and interim payments amount to 80% of the planned ENPI co-financing.

After the third report the JTS evaluates the spending situation of the project. In case of significant under-spending and if the JTS has serious doubts that the project will not spend the total ENPI co-financing, the JTS is entitled to lower the limit of 80% mentioned in the paragraph above.

After receipt and approval of the final report, the final balance will be calculated.

In case the total advance and interim payments made to the project exceed the ENPI co-financing to the total eligible costs of the ENPI partners, a recovery order will be issued to the Lead Partner. The Lead Partner has to ensure that repayment is done within one month following the date of the recovery order. The due date will be stated explicitly in the order.

Interest accrued

Any interest or equivalent benefits earned on the advance payment to the Lead Partner must be indicated in the progress reports and is deducted from further interim and final payments.

12.3. Specific rules for payment of ERDF and Norwegian co-financing

No advance payments

No advance payment of ERDF and Norwegian national co-financing is made.

The Lead Partner may only request payments by providing proof of progress as described in the action plan (set of work packages and milestones), which is part of the approved Project Data Form.

Withhold of ERDF co-financing

The final payment amounting to 5% of the ERDF allocation to the Programme will only be transferred to the Programme after the final certified statement of expenditure actually paid, the Final Programme

Implementation Report, and the closure declaration of the Audit Authority were approved by the Commission⁷⁷.

As a result, part of the project's approved ERDF budget might be transferred to the Lead Partner only after the Programme received the payment of final balance.

If the European Commission withholds the final 5% of the ERDF allocation to the Programme, the Joint Technical Secretariat will inform all projects concerned immediately.

13. Procedure for de-commitment of funds for projects with substantial delay

If the European Commission de-commits Programme funds as a result of the "n+3/ n+2 rule" (see chapter 5.3. De-commitment of ERDF co-financing (n+3/n+2-rule)) and if the de-commitment cannot be covered by remaining funds left of closed projects, the ERDF co-financing of on-going projects must be reduced. In order to avoid future de-commitment of Programme funds, the Monitoring Committee might also decide to cut the unused funds of significantly delayed projects and to allocate them to new projects.

The following paragraphs shortly describe when and how the funds of significantly delayed projects will be reduced.

13.1. Legal basis and operational area

The Grant Contract obliges approved projects to follow a pre-defined spending schedule which has been set out in the Project Data Form. It further stipulates that the Programme bodies of the Baltic Sea Region Programme have the right to deduct project funds that were not spent in time.

The experience of the BSR INTERREG III B NP shows that project spending is delayed during the first months and that an under-spending rate of 10% can be accepted from the perspective of sound financial management.

Therefore, only projects whose implementation phase is half-finished and which present an under-spending rate of more than 10% shall be subject to de-commitment of project funds. If Programme de-commitment cannot be covered by cutting the projects selected in accordance with the above conditions, the JTS might lower the 10% threshold to include more projects. This might also happen if the impact of the cuts on individual projects should be minimised.

Projects should be aware that in case of an over-spending rate above 10%, the Programme may temporarily not have enough funds to fully reimburse project expenditures. This might happen because the Programme plans with

⁷⁷ Articles 79(1) and 89(1) of Regulation 1083/2006

the project spending targets and can only secure liquidity for those spending targets that are given in the Project Data Form.

13.2. Calculation of de-commitment

The reference period for the calculation of the project funds to be withheld starts with the project's first reporting period and ends with the most recent reporting period of the year, which is affected by the de-commitment.

1. For the reference period, the difference between the project's target (sum of planned payment requests (ERDF only)) and actual performance (sum of eligible payment requests and payments (ERDF only)) - both cumulated until the end of the latest reporting period - is calculated (in % and EUR).

| | |
|--|--------------------|
| Example: | |
| Cumulated target (ERDF, periods 1 to 3): | 500,000 EUR |
| Cumulated payments (ERDF, periods 1 to 3): | 300,000 EUR |
| Under-spending (ERDF): | 200,000 EUR or 40% |

2. The amount in excess of the 10% threshold (referred to in chapter 13.1. Legal basis and operational area) is the maximum amount to be de-committed from the project's ERDF funding:

| |
|---|
| Example: |
| 40% - 10% = 30% |
| 30% of 500,000 EUR = 150,000 EUR maximum ERDF reduction |

13.3. Decision on de-commitment

After official information is provided from the Commission about the amount to be de-committed from Programme funds of year n or after official request from the Monitoring Committee to reduce the ERDF and Norwegian co-financing for significantly delayed projects, the JTS calculates the amount to be de-committed from project funds and assesses the cases for which this de-commitment procedure may be suspended if the following conditions are fulfilled simultaneously:

1. In case of delays in centralised first level controls:
 - The Lead Partner has presented to the Joint Technical Secretariat (JTS) evidence that all partners have submitted their documents to the centralised first level controllers in due time.
 - For the reporting periods not affected by delays in first level control, the project does not fulfil the conditions set out in chapter 13.1. Legal basis and operational area; and

- The JTS has examined the case and supports suspension of the procedure.

The procedure is suspended until the Lead Partner submits an audited progress report to JTS. If the project does not fulfil the second condition above the de-commitment procedure applies to all reporting periods not affected by delays in centralised first level control.

2. In case the **project is subject to second level auditing** according to Art. 62 of Council Regulation (EC) No 1083/2006 or because of irregularities:

- Activities were stopped during the second level auditing by the responsible Programme authorities; and
- For the reporting periods not affected by the stop of activities, the conditions set out in chapter 13.1. Legal basis and operational area are not fulfilled; and
- The JTS has examined the case and supports suspension of the procedure.

The procedure is suspended until the second level audits have been finalised and the Lead Partner has submitted an audited progress report to JTS. If the project does not fulfil condition b), the de-commitment procedure applies to all reporting periods not affected by the stop of activities.

Following the JTS assessment, the Monitoring Committee decides on approval of all budget reductions and exemptions from this de-commitment procedure.

13.4. Implementation of the de-commitment of project's ERDF funds

After the Monitoring Committee's decision, the project must lower the ERDF co-financing of the past reporting periods, starting with the first period. After reduction, the budget allocated to each reporting period must not be lower than the amount of ERDF actually paid in that reporting period.

Example:

De-commitment: ERDF co-financing reduced by 150,000 EUR

| | Original budget allocation (ERDF) | Real payments (ERDF) | New budget allocation (ERDF) | Difference |
|----------|-----------------------------------|----------------------|------------------------------|----------------|
| Period 1 | 100,000 EUR | 50,000 EUR | 50,000 EUR | (-50,000 EUR) |
| Period 2 | 200,000 EUR | 100,000 EUR | 100,000 EUR | (-100,000 EUR) |
| Period 3 | 200,000 EUR | 150,000 EUR | 200,000 EUR | (+/- 0 EUR) |
| Period 4 | 100,000 EUR | 0 EUR | 100,000 EUR | (+/- 0 EUR) |
| Period 5 | 100,000 EUR | 0 EUR | 100,000 EUR | (+/- 0 EUR) |
| Period 6 | 100,000 EUR | 0 EUR | 100,000 EUR | (+/- 0 EUR) |
| TOTAL | 800,000 EUR | 300,000 EUR | 650,000 EUR | (-150,000 EUR) |

TABLE 13.4.a. example de-commitment calculation

14. Irregular use of the granted funds and follow up actions

In case the first level controllers or the second level auditors find a case where there has been an irregular use of granted funds, this might imply follow-up actions such as: withdrawal or reduction of the subsidy, recovery of granted funds.

In these cases, the procedures listed in Articles 27 - 36 of the Commission Regulation (EC) No 1828/2006 will be applied regarding the ERDF and Norwegian funds.

The procedures listed in Article 27 of the Commission Regulation (EC) No 951/2007 will be applied regarding the ENPI funds.

Recovery of the ERDF and Norwegian funding will be done in accordance with provisions laid down in chapters 10.3, 10.4 and 10.5 of the Operational Programme.

As defined in chapter 10.4 of the Operational Programme, the Programme Manual shall contain detailed procedures on irregularities which will be included at a later stage. This includes so-called project problem cases with insufficient quality of outputs.

15. Closing of the project

Closure date

The Grant contract between the Managing Authority and the Lead Partner lays down the duration of the project (i.e. the contracting phase, the implementation phase and the closure phase). The duration of projects funded by the Baltic Sea Region Programme must end no later than 30.06.2014.

Durability and ownership of the project outputs

The ownership of any outputs and results produced during the project implementation must remain with the Lead Partner or Project Partners for at least five years after the project end date.

Any substantial modification of the project within five years after the project closure date must be avoided⁷⁸. More in detail, the project must not undergo any substantial change:

- affecting its nature or its implementation conditions or giving to a firm or a public body an undue advantage; and

⁷⁸ Council Regulation (EC) No 1083/2006 Article 57 (1)

- ▶ resulting either from a change in the nature of ownership of an item of infrastructure or the cessation of a productive activity.

The Partnership Agreement must clearly state the ownership of outputs. Conditions set by this and other documents must be kept for five years after the project closure date. Should any of the above conditions not be met by any of the Project Partners, the Joint Technical Secretariat must be informed without delay. This might imply a recovery of funds unduly paid⁷⁹.

For revenues earned within five years after the project closure please refer to chapter 5.2.8 Treatment of cash in-flows (incl. revenues).

Availability of documents and accounting records

All accounting and supporting documents (e.g. Grant Contract, Project Data Form, service contracts, public procurement documentation, rental agreements / contracts, important communication with Project Partners/ Joint Technical Secretariat / Managing Authority / Certifying Authority etc.), documents related to the expenditure, controls and audits, and documents required to ensure an adequate audit trail have to be identified and must be accessible.

These documents must be grouped together, archived and kept in the Lead Partner premises until 31.12.2025. The accounting and supporting documents related to the Project Partners must be kept at the Project Partners' premises for an equal period of time. The documents can be kept either in the form of originals or in versions to be in conformity with the original on commonly accepted data carriers⁸⁰. The procedure for the certification of the conformity of these documents held on data carriers with the original documents must be in line with the provisions set by the national authorities and shall ensure that the versions held comply with the national legal requirements and can be relied on for audit and control purposes.

In case of retaining the documents electronically, internationally accepted security standards must be met⁸¹.

Representatives of the Managing Authority, Joint Technical Secretariat, Certifying Authority, Audit Authority, Group of Auditors, intermediate bodies, auditing bodies of the Member States, authorised officials of the Community and their authorised representatives, European Commission and the European Court of Auditors⁸² are entitled to examine the project, all relevant documentation and accounts of the project also after its closure.

⁷⁹ Council Regulation (EC) No 1083/2006, Articles 98 to 102.

⁸⁰ As defined in Commission Regulation (EC) No 1828/2006 Article 19(4).

⁸¹ Commission Regulation (EC) No 1828/2006 Article 19(6).

⁸² Commission Regulation (EC) No 1828/2006 Article 19(2).

Annex 1: List of abbreviations used in the Programme

| | |
|------|--|
| AA | Audit Authority |
| AF | Application Form |
| BL | Budget line |
| CA | Certifying Authority |
| EIA | Environmental impact assessment |
| ENPI | European Neighbourhood and Partnership Instrument |
| ERDF | European Regional Development Fund |
| FAQ | Frequently asked questions |
| FLC | First level controller |
| GoA | Group of auditors |
| IPC | Individual Project Consultations |
| IB | Investitionsbank Schleswig-Holstein |
| JTS | Joint Technical Secretariat |
| LA | Lead applicant |
| LP | Lead Partner |
| MA | Managing Authority |
| MC | Monitoring Committee |
| MS | Member States |
| NSC | National sub-committee |
| OP | Operational Programme |
| PD | Partner Declaration |
| PF | Project Data Form |
| PIF | Project Idea Form |
| PM | Programme Manual |
| PP | Project Partners |
| PPP | Public private partnership |
| PR | Progress report |
| PRAG | Practical Guide for contracting procedures of projects financed from the General Budget of the European Communities in the context of external actions |
| SLA | Second Level Auditing |
| WP | Work package |

Annex 2: Country codes

| | |
|----|--|
| AL | Albania |
| AT | Austria |
| AX | Åland Islands |
| BA | Bosnia and Herzegovina |
| BE | Belgium |
| BG | Bulgaria |
| BY | Belarus |
| CH | Switzerland |
| CY | Cyprus |
| CZ | Czech Republic |
| DE | Germany |
| DK | Denmark |
| EE | Estonia |
| ES | Spain |
| FI | Finland |
| FO | Faroe Islands |
| FR | France |
| GB | United Kingdom |
| GI | Gibraltar |
| GL | Greenland |
| GR | Greece |
| HR | Croatia |
| HU | Hungary |
| IE | Ireland |
| IS | Iceland |
| IT | Italy |
| LT | Lithuania |
| LU | Luxembourg |
| LV | Latvia |
| MD | Moldova |
| ME | Montenegro |
| MK | Macedonia, the former Yugoslav Republic of |
| MT | Malta |
| NL | Netherlands |
| NO | Norway |
| PL | Poland |
| PT | Portugal |
| RO | Romania |
| RS | Serbia |
| RU | Russian Federation |
| SE | Sweden |
| SI | Slovenia |
| SK | Slovakia |
| TR | Turkey |
| UA | Ukraine |

Annex 3: Examples of indicators at project level for each Priority

In order to illustrate the system of indicators as described in chapter 6.6 of the Operational Programme, examples of indicators at the project level are given in tables 1-4, separate for each priority. The projects are however encouraged to define and use their own indicators, better suited for their specific project's goals. Please remember that targets given in the tables below are just examples to illustrate quantification of indicators.

| SPECIFIC RESULTS | Example of a project result | Examples of a result indicator at the project level | Exemplary target <i>at the end of the project</i> |
|---|--|--|--|
| Strengthened international performance of innovation sources and improved links to SMEs | Strengthened network of R&D organisations and SMEs in the field of biomechanics in the project area | Number of SMEs in each of the project countries taking part of the network events | 5 |
| | Functioning transnational network of "Supplier Innovation Centres" established in the project area | Number of contacts between contracting companies and supplier SMEs established by Supplier Innovation Centres Number of contracts between contracting companies and supplier SMEs influenced by Supplier Innovation Centres | 30 5 |
| | Increased transnational research activity of SME employers in different fields of energy techniques in the project area | Number of entrepreneurs and SME employers taking part in transnational research and development projects carried out by the R&D organisations participating in the project Increased amount of transnational research or development projects in the participating R&D organisations designed in co-operation with SMEs | 20 50 % |
| Improved transnational transfer of technology and knowledge | Improved transnational transfer of technology and knowledge in different fields of production in the project area | Number of permanent internships for foreigners established in the organisations involved in the project during the project lifetime Amount of satisfied participants in trainings for knowledge transfer organised by Project Partners. <i>(A questionnaire is used in order to find out whether the participants were satisfied on the event.)</i> | 6 90% |
| Broadened public basis for generation and utilisation of innovation | Improved information for elderly people on how to use new innovations | Increased number of elderly people involved directly in project activities knowing how to use the new innovations explained by the project <i>(Knowledge is measured by a questionnaire that is answered first in the beginning of project activities (like training or seminar), and later some time after project activity took place)</i> | 30% |
| | Increased creativity in the public institutions in the project area in utilising new technical solutions for public relations and services | Number of new (new in the organisation) technical solutions taken into use in each of the involved organisations as a result of participation in the project activities | 1 |
| | Increased generation and utilisation of innovations by high school pupils in the project area | Number of new solutions/innovative ideas proposed/put forward by high school pupils as a result of participation in the project activities. | 15 |

TABLE 15.1.a. Examples of indicators at the project level for Priority 1 specific results

| SPECIFIC RESULTS | Example of a project result | Examples of a result indicator at the project level | Exemplary target at the end of the project |
|--|--|---|---|
| Accelerated increase of capacity and/or interoperability of different transport and ICT networks | Investments prepared for a better access to the port/intermodal node in the project area | Number of port access sites in the project area covered with preparatory investment plans | 2 |
| | Bigger number of Baltic Sea ports covered by the Motorway of the Sea schemes | Increase rate of the Baltic Sea ports covered by the Motorway of the Sea schemes in effect of project activities | 20% |
| | Better pre-requisites for investments diminishing ICT bottlenecks in the project area | Number of ICT bottlenecks in the project area covered with preparatory investment plans | 5 |
| | Better capacity of the intermodal nodes in the project area | Increase rate in the capacity of the targeted intermodal node(s) after project intervention (method used to measure the capacity before and after the project intervention should be explained by the project, e.g. number of units of different transport modes using the junction before and after, amount of cargo carried before and after, number of passengers using the node etc.) | 25% |
| | Better interoperability of the targeted intermodal node in the project area | Increase rate in the interoperability of the targeted intermodal node(s) after project intervention (method used to measure the interoperability before and after the project intervention should be explained by the project, e.g. number of transport modes in use in the node before and after). | 25% |
| Speeded up integration of areas with low accessibility | Improved access to the case study sites in the project area by means of the developed transport solution | Number of population within reach of the new transport tested in the project Size of the area made more accessible by means of the new transport tested in the project Area covered by the tested new transport in comparison to the total area of low accessibility regions covered by the project activities | 23,000 inh. 20,000 km ² 30% |
| | Improved access to the case study sites in the project area by means of the developed ICT solution | Number of population within reach of the new ICT solution tested in the project Size of the area made more accessible by means of the new ICT solution tested in the project Area covered by the tested ICT solution in comparison to the total area of low accessibility regions covered by the project activities | 23,000 inh. 20,000 km ² 30% |
| Influenced policies, strategies and regulations in the field of transport and ICT | Increased awareness among relevant policy-makers in the regions covered by the project activities | Rate of relevant policy-makers aware of needs for changes in policies, strategies and regulations as identified by the project Rate of relevant policy-makers expressing a will to take steps leading to specific changes in legislation in effect of the project | 75% 10% |
| | Influenced policy documents affecting transport development in the project area | Number of policy documents or regulations provided with proposals for concrete changes in effect of the project | 2 |
| Increased role of sustainable transport | Increased role of sustainable transport in transport plans and implementation routines the project area | Number of sites in the project area covered by transport plans including sustainable transport solutions Increase rate of plans containing sustainable transport solutions to the overall number of transport plans in the project area | 4 10% |

TABLE 15.1.b. Examples of indicators at the project level for Priority 2 specific results

| SPECIFIC RESULTS | Example of a project result | Example of a result indicator at the project level | Target at the end of the project |
|---|---|---|---|
| Improved institutional capacity and effectiveness in water management in the Baltic Sea | Better management of water resources in cities involved in the project through pilot introduction of more efficient waste water treatment methods | Area of Baltic Sea catchment covered by water district plans introducing more efficient methods or technologies for water treatment tested within the project lifetime Number of water management regions/districts covered by water district plans introducing more efficient methods or technologies for water treatment | 10% or 170,000km ² 5 |
| | Improved water management in areas characterised by water shortage or scattered population in the project area | Area of Baltic Sea catchment covered by improved water usage plans introducing new solution developed and tested within the project. Number of water management regions/districts covered by improved water usage plans introducing new solution | 10% or 170,000km ² 5 |
| Increased sustainable economic potential of marine resources | Better knowledge of potential conflicts of interest among sea space users from the project area | Rate of areas (out of the total BS area) covered by sensitivity maps developed within the project | 35% or 120,000km ² |
| | Increased knowledge about the economic potential of marine resources in the project area | Number of investigated potentials Sea bottom area investigated in order to explore its economic potential | 2 25% or 80,000km ² |
| Improved institutional capacity in dealing with hazards and risks at onshore and offshore areas | To enhance the oil spill response methods and practices in the responsible organisations in the area covered by the project by year 2010 | Number of permanent personnel (staff) directly involved in project activities that is able to use the new method and practice (number of permanent personnel (staff) directly involved in the exercise) | 90% of all from response teams |
| | Better preparedness of coastal regions involved in the project for combating the effects of climate change | Area of Baltic Sea catchment covered by jointly developed adaptation strategies aimed at minimising different impacts of the climate change that were developed/tested within the project | 10% or 170,000km ² |
| | Better preparedness of organisations responsible for response to marine disasters to combat the effects of ships' collisions in the area covered by the project | Sea area covered by contingency plans developed/tested within the project Number of organisations that have signed agreement on implementing the developed contingency plan | 35% of the whole BS area, or 120,000km ² 75% of all directly involved |
| Influenced policies, strategies, action plans and regulation in the field of management of Baltic Sea | Increased awareness among relevant policy-makers in the regions covered by the project activities | Rate of relevant policy-makers aware of needs for changes in policies, strategies and regulations as identified by the project Rate of relevant policy-makers expressing a will to take steps leading to specific changes in legislation | 75% 10% |
| | Influenced policy documents affecting off-shore areas management in the project area | Number of policy documents or regulations provided with proposals for concrete changes | 2 |

TABLE 15.1.c. Examples of indicators at the project level for Priority 3 specific result

| SPECIFIC RESULTS | Example of a project result | Examples of a result indicator at the project level | Exemplary target at the end of the project |
|--|---|---|--|
| Pooled resources of metropolitan regions, cities and rural areas to enhance the BSR competitiveness and cohesion | Improved supply of high quality ehealth services in the project area | Number of ehealth services improved in the project area Number of population covered by improved ehealth services | 3 35% of the total population in the project area |
| | Lessened/Reduced common urban-rural development problems in the project area | Number of common development problems that were lessened through the practical solutions developed by the project and tested in the project area <i>(The positive effect of the problem solving is measured by a questionnaire that is answered by the target group (the ones who actually suffer from the problem) in the beginning of project activities (like training or seminar), and later some time after project activity has taken place)</i> Number of urban-rural partnerships created in the project area to tackle common development problems | 2 3 |
| Improved preconditions for increase of BSR competitiveness in Europe and worldwide | Strengthened cooperation of cities and regions with forest industry in the project area | Number of actors representing forest industry actively involved in development of joint action programme in the project Number of types (segments) of forest industry taken into consideration in the joint action programme to be developed in the project | 75% out of all active in regions covered by the project all available in the project area |
| | Strengthened cooperation of cities and regions with energy sector in the project area | Number of energy producers and suppliers actively involved in development of joint action programme in the project Number of energy sources taken into consideration in the joint action programme to be developed in the project | 75% out of all active in regions covered by the project all available in the project area |
| | Increased potential of renewable energy in the BSR | Number of renewable energy sources investigated by the project Estimated amount of additional capacity of renewable energy production after the planned investments are implemented (in MWh) | At least 2 investigated in the project area |
| | Improved prerequisites for increased energy efficiency in the BSR | Number of residents of block-houses that took part in the awareness raising campaigns organised by the project Number of new funding programmes for improvement of energy savings in housing initiated by public administration | 80% of all residents in the project area At least one in the projects area |
| Increased BSR identity and/or its recognition outside the formal borders | Increased interest in BSR tourist products | Number of tour operators from outside BSR that are interested in informing about BSR tourist products in their areas of influence Increased rate of inquiries to the Project Partners from outside of BSR about the BSR tourism products (phone calls, emails, study visits etc.) | 30% of all contacted by project from 0 to 10 per month |
| Strengthened social conditions and impacts of regional and city development | Increased security in city centres in case study towns | Decreased number of persons feeling unsecured while being at the city centre late evening/at night | 30% less persons that feel unsecured |
| | Lessened problem of social exclusion in the project area | Rate of the target group covered by joint practical solutions tackling social exclusion problems in effect of the project | 50% of all suffered from social exclusion |

TABLE 15.1.d. Examples of indicators at the project level for Priority 4 specific results

Projects that concern environmental issues are recommended to use whenever feasible the environmental indicators proposed in the Strategic Environmental Assessment of the BSR Programme 2007-2013, Annex 3. These are listed below in the table.

These indicators investigate environmental impacts of the project, thus do not necessarily measure the actual project achievements.

Please note that these examples have to be adjusted to the concrete project. Please make sure that, if you decided to use this indicator, you are able to gather all necessary data.

| Environmental issues | Examples of possible indicators to assess the likely significant environmental impacts |
|--|--|
| Biodiversity, flora and fauna | Change in net loss of biodiversity (if possible break down in relevant species) Change in size and/or condition of valuable natural areas number of Natura 2000 sites affected by specific project activities (e.g. investment realised within the project lifetime; planned investment, if at least one option considered in the feasibility study foresee its location in such site; action programmes on activation of rural areas, to which Natura2000 site belongs; etc.) |
| Population and human health | Change in human exposure to hazardous substances |
| Soil | Condition and extend of abandoned brownfield sites |
| Water | Changes in emissions of hazardous substances to marine or fresh water environments Changes in the water quality in marine or fresh water environments Changes in the efficiency of water management service |
| Air and climatic factors | Observable positive changes in the air quality resulting from the project activities |
| Material assets | Damages to material assets from air pollution Possibilities to use land for social/commercial purposes after it has been cleaned up |
| Cultural heritage, including architectural and archaeological heritage | Number of listed buildings and archaeological sites at risk |
| Landscape | Impact on landscape from new infrastructure Area of landscapes affected by implementation of specific project activities out of the total area of landscape covered by the project. |
| Land take | area and quality of land unfit for use for other purposes |

| | |
|--|--|
| Environmental issues | Examples of possible indicators to assess the likely significant environmental impacts |
| Energy efficiency | use of energy per unit produced |
| Use of renewable and non-renewable resources | share of renewable energy sources in the energy supply |
| Adoption to climate change | Number of persons or buildings exposed to threats from extreme weather conditions |
| Transport demands | Increase in number of ton/km or parson/km |

TABLE 15.1.e. Examples of possible indicators to assess the likely significant environmental impacts

Source: Strategic Environmental Assessment of the BSR Programme 2007-2013, Annex 3