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# **INTERREG ITALY-CROATIA PROGRAMME 2021-2027**

# **Programme Implementation Manual**

(Version 2.0 – July 2023)

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**Italy – Croatia****INTRODUCTION**

The Interreg VI A Italy–Croatia Programme provides funding for cross-border cooperation in order to support regional development and economic, social and territorial cohesion.

This Programme Implementation Manual (PIM) is written for project applicants and partners. It sets out the key information needed both when applying for funding and while implementing the projects. This document is divided into sections and annexes, all of them complementary and organised according to the "project life cycle".

In the table of contents, reader can see all the parts of the complete Programme Implementation Manual.

The elements established in the Programme Manual are binding and constitute the rules of the Programme. These elements are based on the applicable European regulations and approved by the Monitoring Committee.



## 1. PROGRAMME BASIC FEATURES

### 1.1. Programme overview

The Interreg Italy–Croatia Programme is funded by the European Regional Development Fund (ERDF) under the European Territorial Cooperation goal of EU Cohesion Policy 2021-2027.

The Programme area's greatest potential and core driver of development is represented by the Adriatic Sea: indeed, the strengths deriving from the maritime dimension are numerous, from the strategic position and good performance of ports in the area, to the impressive richness of biodiversity and the strong attractiveness of the region for coastal tourism flows. Thus, it is essential to exploit these opportunities by focusing the cooperation efforts on blue economy domains, in consistency with the EU **Blue Economy strategy**.

The Programme's vision of ***"Focusing on innovation and sustainability in the blue economy, capitalising previous cooperation experiences, creating synergies with EUSAIR"*** will be attained through the Programme's five Priorities and seven Specific Objectives.<sup>1</sup>

Moreover, the Programme has identified two cross-cutting issues: **digitalisation** and **circular economy**, to sustain the green and digital transition of Europe in 2021-2027:

- **Digitalisation** as a cross-cutting issue could create added value in relation to most of the challenges identified for SOs, such as:
  - intensifying the smart specialisation governance processes and the innovation capacities of SMEs;
  - increasing the human resources qualifications focusing on skills oriented to the new market's needs;

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<sup>1</sup> The Interreg Programme Italy–Croatia 2021–2027 is available at: <https://www.italy-croatia.eu/web/it-hr-interreg-2021-2027>



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- improving the knowledge base for policies concerning climate change, biodiversity, fight against pollution and the related application tools;
  - increasing the capacities for intermodality of ports and the overall integration of transport networks;
  - contributing to the integration of touristic strategies and to the offer diversification;
  - modernising valorisation policies for cultural heritage.
- **Circular economy** as a horizontal issue can create added value in relation to challenges identified for SOs, such as:
    - research and technological transfer processes;
    - SMEs innovation capacities in competitive domains;
    - climate change adaptation strategies;
    - sustainability of ports and transport solutions.

Table 1. Programme priorities and specific objectives

| Priority |   | SO  | Specific objective(s)   |
|----------|---|-----|---|
| 1        | Sustainable growth in the blue economy          | 1.1 | Developing and enhancing research and innovation capacities and the uptake of advanced technologies   |
|          |   | 1.2 | Developing skills for smart specialisation, industrial transition and entrepreneurship  |
| 2        | Green and resilient shared environment          | 2.1 | Promoting climate change adaptation and disaster risk prevention, resilience taking into account eco-system based approaches  |
|          |   | 2.2 | Enhancing protection and preservation of nature, biodiversity and green infrastructure, including in urban areas, and reducing all forms of pollution                                   |
| 3        | Sustainable maritime and multimodal transport   | 3.1 | Developing and enhancing sustainable, climate resilient, intelligent and intermodal national, regional and local mobility, including improved access to TEN-T and cross-border mobility |
| 4        | Culture and tourism for sustainable development | 4.1 | Enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation   |
| 5        | Integrated governance for stronger cooperation  | 5.1 | Other actions to support better cooperation governance  |



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### 1.2. Programme area

The Programme territory spreads around the Adriatic Sea, which constitutes a joint economic and environmental resource and a natural link able to foster cooperation. The **maritime cross-border area** between Italy and Croatia, representing the Interreg Italy–Croatia Programme area, covers the following NUTS III regions:

Table 2. Programme area (IT provinces and HR counties)

|         |   |
|---------|---|
| Italy   | Teramo, Pescara, Chieti (Abruzzo Region),<br>Brindisi, Lecce, Foggia, Bari, Barletta-Andria-Trani (Apulia Region),<br>Ferrara, Ravenna, Forlì-Cesena, Rimini (Emilia-Romagna Region), Pordenone, Udine, Gorizia, Trieste (Friuli Venezia Giulia Region),<br>Pesaro e Urbino, Ancona, Macerata, Ascoli Piceno, Fermo (Marche Region), Campobasso (Molise Region),<br>Venezia, Padova, Rovigo (Veneto Region) |
| Croatia | Primorsko-goranska,<br>Ličko-senjska,<br>Zadarska,<br>Šibensko-kninska,<br>Splitsko-dalmatinska,<br>Istarska,<br>Dubrovačko-neretvanska (Adriatic Croatia region),<br>Karlovačka (Pannonian Croatia region).  |

Image 1. Programme area



All projects must demonstrate clearly that they have an impact on the Programme area





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### 1.3. Programme budget and co-financing

The Programme overall budget is 216.232.834,00 EUR (ERDF and national co-financing). Total ERDF budget is 172.986.266,00 EUR and EU co-financing rate is 80%. ERDF financial appropriations per priority are presented in table below.

Table 3. Programme budget per priority

| PRIORITY     |   | ERDF AMOUNT (EUR)     |
|--------------|---|-----------------------|
| 1            | Sustainable growth in the blue economy          | 25.283.781,00         |
| 2            | Green and resilient shared environment          | 67.263.871,00         |
| 3            | Sustainable maritime and multimodal transport   | 35.910.442,00         |
| 4            | Culture and tourism for sustainable development | 33.284.064,00         |
| 5            | Integrated governance for stronger cooperation  | 11.244.108,00         |
| <b>TOTAL</b> |   | <b>172.986.266,00</b> |

The indicative allocations of funds to Calls for Proposals are defined in the respective *Call Announcement* and available at the Programme website. The ERDF co-financing rate is 80% for all types of projects, beneficiaries and regions. Beneficiaries have to ensure the needed co-financing of their activities. For Italian project partners co-financing is covered by FdR (“Fondo Di Rotazione”).<sup>2</sup>

### 1.4. Programme management structures

The Programme structures consist of different bodies that, in compliance with the EU Structural Funds Regulations, are in charge of managing, coordinating, supervising and controlling the implementation of the Programme.

Table 4. Programme management

| PROGRAMME BODY            | ROLE  |
|---------------------------|---|
| Monitoring Committee (MC) | The MC steers the Programme, verifies its sound implementation and it approves the projects for funding.<br>It is composed of representatives of Italy and Croatia. |

<sup>2</sup> Ex Law n. 183/1987 and CIPESS Decree n. 78/2021.



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|  |   |
|--|---|
| Managing Authority (MA)                          | The MA is responsible for the management and implementation of the Programme in accordance with the principle of sound financial management and in line with the applicable EU regulations.<br>The MA also carries out the accounting function. The MA submits applications for payment to the European Commission and pays out ERDF co-financing to Lead partners (LP).  |
| Audit Authority (AA) and Group of Auditors (GoA) | The AA carries out system audits and audits on the projects in order to provide independent assurance to the EC that the Programme management and control system functions effectively and that expenditure submitted to the EC is legal and regular.<br>The AA is assisted by the GoA, comprising of representatives of bodies responsible for audits in each Programme Member State – Italy and Croatia.  |
| Joint Secretariat (JS)                           | The JS is established by the MA and it assists the MA and the MC in carrying out their respective functions.<br>The JS also undertakes the day-to-day implementation of the Programme and provides guidance and support to project applicants and beneficiaries.  |
| National Authority (NA)                          | In cooperation with the JS, NAs provide information to potential applicants, advise and assist beneficiaries, communicate Programme achievements and support Programme management. NAs may also organise National Committees.   |
| National Controllers                             | Each Member State has a control system to verify that co-financed activities and costs are implemented in line with applicable laws as well as Programme rules and requirements.<br><u>Italy</u> : Decentralised control system – individual professionals are appointed as controllers. Italian public administration can appoint controllers internally.<br><u>Croatia</u> : Centralised control system - controls are performed by Ministry of Regional Development and EU Funds |

Contact details and further information on all Programme bodies are available at the Programme website

<https://www.italy-croatia.eu/web/italy-croatia>.

### 1.5. Use of Jems

The Interreg Italy–Croatia Programme 2021–2027 for implementation and monitoring purposes will use the Joint Electronic Monitoring System (Jems). Jems is a customized version of the common monitoring



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system developed by the Interact Programme<sup>3</sup>, which is used by a large community of Interreg Programmes.

Jems is an online system conceived to cover the full project and Programme life-cycle in one monitoring tool that allows to reduce the need for additional paper processes to a minimum. Furthermore, the concept of “one single entry point” of data is followed, avoiding multiple manual entry of the same data through automatic transfer of data to different sections in the system. Users can fill in online forms (e.g. application, reporting, modification) and upload/download files.

The link to the Interreg IT-HR Jems is available at the Programme website. It can be accessed via standard web browsers like Google Chrome, Microsoft Edge or Mozilla Firefox (recent versions). For working in Jems, it is recommended to use a PC or notebook rather than mobile devices.

Upon registration in Jems, users have access to the system as applicant users. Once a project is approved and contracted, the lead partner (LP) user will be assigned to the project, and it in turn assigns the partner users to the project partners (PP). Specific access rights as needed by e.g. Programme bodies, controllers, external experts or auditors will be given by the system administrator through assignment of the respective role.

A helpdesk for technical support specifically dedicated to functioning of Jems can be reached via email [jems.italy-croatia@regione.veneto.it](mailto:jems.italy-croatia@regione.veneto.it)

### 1.6. Types of projects – Standard, Small-scale projects, OSI

Types of projects supported by the Programme are:

- A. Standard projects
- B. Small-scale projects
- C. OSI - Operations of Strategic Importance

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<sup>3</sup> For more information on the Interact Jems please visit the page <https://jems.interact-eu.net>



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Each Call for Proposals will clearly indicate the type of projects that are supported. Calls may include all types of projects or may be limited to one or two types.

The timetable of the Calls for Proposals is available on Programme website and regularly updated: <https://www.italy-croatia.eu/web/italy-croatia/plan-of-calls-for-proposals>.

### **Standard projects**

Complex cooperation projects typically originating from the acknowledgement of a need or a potential and consequently testing a potential cross-border solution. They implement actions such as the realisation of new solutions, the testing of new services, the development of strategies, joint action plans and pilots, the sharing of expertise, the organisation of joint training actions, and the setting-up of new governance structures. They should be developed based on an innovative project concept, although the capitalisation of previous projects and results is also strongly encouraged.

### **Small-scale projects**

New forms of cooperation in the Programme area, resulting from the will of reaching new target groups and allowing newcomers to contribute to the improvement of the social, economic and territorial cohesion of the cross-border region. Compared to Standard projects, they are shorter, supporting smaller partnerships with limited-scope interventions, mainly implemented by smaller organisations, addressing specific thematic issues and very concrete needs in the area. These projects shall aim at improving legal and administrative cross-border collaboration, strengthen the communication channels, and increase the capacities of institutions and stakeholders (including public authorities), for example through the implementation of awareness-raising campaigns, implementation of training and educational activities, school exchanges, youth involvement, competition of ideas, other specific actions aiming at improving and facilitating the cooperation of the organisations on the other side of the maritime border.

### **OSI - Operations of Strategic Importance**

This new kind of projects can help the achievement of Programme objectives by targeted calls for proposals devoted to specific domains and, consequently, categories of beneficiaries or strategic challenges and potentials investigated by EUSAIR flagship initiatives.



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These projects provide significant contribution to the achievements of the objectives of the Programme and are subject to particular monitoring and communication measures.

### 1.7. Programme intervention logic and cooperation criteria

As anticipated, the Programme strategy is defined in **five Priorities** and **seven specific objectives**:

Image 2. Programme priorities and specific objectives



The Programme intervention logic also defines **output and result indicators** which measure the products of funded actions and the expected changes (outcomes) for beneficiaries, respectively.

#### **⚠️ POINT OF ATTENTION**

**Programme intervention logic** is available on the Programme website. We strongly encourage project partners to consult that document when develop the project, but also when they produce and document the outputs and results.

#### **Link between the PROGRAMME and PROJECT intervention logic**

The project intervention logic must reflect the Programme intervention logic and it shall:



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- comply with one of the five Priorities selected by the Programme;
- pursue one of the Specific Objectives (SOs);
- follow a result-oriented approach;
- be built on current territorial challenges;
- clearly define the objectives, planned activities, outputs, results and related indicators;
- lead to an envisaged change.

### **⚠ POINT OF ATTENTION**

The coherence of the project intervention logic with the targeted specific objective of the Programme is a precondition for a project to be approved and funded.

### **Cooperation**

Cooperation is the heart of each project. In order to be eligible for funding from Interreg IT-HR Programme, projects must contribute to the first two of the following four cooperation criteria as well as to the third one and/or the fourth one:<sup>4</sup>

1. **Joint development** – i.e. partners have to be involved in an integrated way in developing ideas, priorities and actions in the project development process.
2. **Joint implementation**– i.e. project activities must be carried out by partners in a cooperative way that ensures clear content-based links and be coordinated by the lead partner.
3. **Joint financing** – i.e. the joint project budget shall be organised in line with activities carried out by each project partner. The LP is responsible for the administration and reporting towards the Programme bodies as well as the distribution of the funds to the partners.
4. **Joint staffing** – i.e. the project should not duplicate functions within the partnership. In particular, project management functions should be appointed only once at project level.

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<sup>4</sup> According to the art. 23(4) of Regulation (EU) No 1059/2021



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### Capitalisation

Capitalisation can be defined as a building process aimed at consolidating the capital built by Interreg projects and Programmes, with the objectives of:

- improving the transfer of knowledge;
- obtaining additional outputs, building on existing knowledge and experience;
- promoting the re-use and/or transfer of knowledge and outputs to boost performance and delivery;
- raising awareness and improving the communication of outputs in specific fields of regional policy.

Thus, the final goal of capitalisation is to make sure that **outputs are not only transferred, but also re-used by other specific actors**, in order to lead to a gradual improvement in policies.

### 1.8. Synergies and complementarities with EU policies

In general, the activities of the project should bring additional value or be supplementary to those already implemented or planned within other EU instruments and initiatives or national schemes. It also means that each partnership should carefully consider what is the best funding instrument for their idea. In several cases the Italy–Croatia Programme will not be the most suitable option, but would be better instead a national, regional or another international funding source.

In order to improve the efficiency of their projects, Beneficiaries should seek complementarities and synergies with other Interreg Programmes in the area (both cross-border and transnational, e.g. IPA Adriatic-Ionian 2021-2027), regional and national Programmes (co-financed by ERDF, ESF+, EMFAF and CF), the respective Recovery and Resilience National Plans (NRRP), as well as with macro-regional strategies relevant for the area (particularly EUSAIR).

Any synergies with other funding Programmes and instruments are also encouraged, including Connecting Europe Facility, LIFE, EU Civil Protection Mechanism, ERASMUS+ and HORIZON EUROPE. With reference to the latter, the key strategic orientations and expected impacts identified in the Horizon Europe



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Strategic Plan, especially concerning the mission "Restore our Ocean and Waters" should be taken into account as a constant reference, with the common aim of protecting and restoring ecosystems and biodiversity, achieve zero pollution and reduce greenhouse gas emissions within the EU's oceans and waters.

Apart from the general recommendations mentioned above, the following table shows synergies and complementarities encouraged specifically per each of the Specific objectives:

Table 5. Synergies with other Programmes, initiatives, policies

| Specific objective  | Synergy with EUSAIR FLAGSHIP  | Other synergies<br>(including complementarities and synergies with national and regional 2021-2027 Programmes and other Interreg Programmes operating in the same area)  |
|---|---|--|
| 1.1 Developing and enhancing research and innovation capacities and the uptake of advanced technologies | PILLAR 1 - BLUE GROWTH<br>- Fostering quadruple helix ties in the fields of marine technologies and blue bio-technologies for advancing innovation, business development and business adaptation in blue bio-economy. | <ul style="list-style-type: none"> <li>- Horizon Europe</li> <li>- Synergies with measures envisaged in respective National Recovery and Resilience Plans aimed at strengthening research capacities and promoting technology transfer processes in the field of Blue Economy contribution to the European Research Area (ERA) and the relative strategic objectives outlined in the Communication "A new ERA for Research and Innovation"</li> <li>- European Maritime, Fisheries and Aquaculture Fund</li> <li>- Interreg Programme "IPA ADRION"</li> <li>- Interreg Programme "EURO-MED"</li> <li>- Interreg Programme "Alpine space"</li> <li>- Interreg Programme "Central Europe"</li> <li>- Interreg Programme "Greece-Italy"</li> <li>- Interreg Programme "Croatia – Bosnia and Herzegovina– Montenegro"</li> <li>- ERDF/CF OP Competitiveness and Cohesion (Croatia)</li> <li>- ERDF/CF/Just Transition Fund Integrated Territorial Programme (Croatia)</li> <li>- RP Friuli-Venezia Giulia ERDF (Italy)</li> <li>- RP Veneto ERDF (Italy)</li> <li>- RP Emilia-Romagna ERDF (Italy)</li> <li>- RP Marche ERDF (Italy)</li> <li>- RP Molise ERDF-ESF+ (Italy)</li> <li>- RP Puglia ERDF ESF+ (Italy)</li> <li>- RP Abruzzo ERDF (Italy)</li> </ul> |





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|   |   |   |
|---|---|---|
| <p>1.2 Developing skills for smart specialisation, industrial transition and entrepreneurship</p>                                       | <p>PILLAR 1 - BLUE GROWTH<br/>- Fostering quadruple helix ties in the fields of marine technologies and blue bio-technologies for advancing innovation, business development and business adaptation in blue bio-economy<br/>PILLAR 1 - BLUE GROWTH<br/>- Bolstering capacity building and efficient coordination of planning and local development activities for improving marine and maritime governance and blue growth services (with specific regard to actions concerning maritime professional skills).</p> | <ul style="list-style-type: none"> <li>- Horizon Europe</li> <li>- ERASMUS+</li> <li>- Synergies with other measures envisaged in respective National Recovery and Resilience Plans aimed at increasing the collaboration practices of SMEs and supporting the reinforcement of skills, in particular in the field of the Blue Economy</li> <li>- European Maritime, Fisheries and Aquaculture Fund</li> <li>- Interreg Programme “IPA ADRION”</li> <li>- Interreg Programme “Italy-Slovenia”</li> <li>- ERDF/CF OP Competitiveness and Cohesion (Croatia)</li> <li>- ERDF/CF/Just Transition Fund Integrated Territorial Programme (Croatia)</li> <li>- RP Friuli-Venezia Giulia ERDF (Italy)</li> <li>- RP Veneto ERDF (Italy)</li> <li>- RP Emilia-Romagna ERDF (Italy)</li> <li>- RP Molise ERDF-ESF+ (Italy)</li> <li>- RP Puglia ERDF ESF+ (Italy)</li> <li>- RP Abruzzo ERDF (Italy)</li> </ul>  |
| <p>2.1 Promoting climate change adaptation and disaster risk prevention, resilience taking into account eco-system based approaches</p> | <p>PILLAR 3 - ENVIRONMENTAL QUALITY - Development and implementation of Adriatic-Ionian Sub/regional Oil spill contingency plan (with specific regard to actions concerning oil spill risk)<br/>PILLAR 3 - ENVIRONMENTAL QUALITY - Protection and enhancement of natural terrestrial habitats and ecosystems<br/>PILLAR 3 - ENVIRONMENTAL QUALITY - Promotion of sustainable growth of the Adriatic-Ionian region by implementing ICZM and MSP as well as to contribute CRF on ICZM of Barcelona convention</p>     | <ul style="list-style-type: none"> <li>- Horizon Europe</li> <li>- The Union Civil Protection Mechanism</li> <li>- Other measures envisaged in respective National Recovery and Resilience Plans aimed at improving, in their specific context, the knowledge base for climate change monitoring and adaptation and/or the effectiveness of all the phases of the civil protection process</li> <li>- European Maritime, Fisheries and Aquaculture Fund</li> <li>- Interreg Programme “IPA ADRION”</li> <li>- Interreg Programme “EURO-MED”</li> <li>- Interreg Programme “Central Europe”</li> <li>- Interreg Programme “Alpine space”</li> <li>- Interreg Programme “Greece-Italy”</li> <li>- Interreg Programme “Croatia - Bosnia and Herzegovina–Montenegro”</li> <li>- Interreg Programme “IPA South Adriatic”</li> <li>- Interreg Programme “Italy-Slovenia”</li> <li>- Interreg Programme “Slovenia-Croatia”</li> <li>- ERDF/CF OP Competitiveness and Cohesion (Croatia)</li> <li>- RP Friuli-Venezia Giulia ERDF (Italy)</li> <li>- RP Veneto ERDF (Italy)</li> <li>- RP Emilia-Romagna ERDF (Italy)</li> <li>- RP Marche ERDF (Italy)</li> <li>- RP Molise ERDF-ESF+ (Italy)</li> </ul> |



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|   |   |   |
|---|---|---|
|   | and the appropriate monitoring and management of marine protected area.   | <ul style="list-style-type: none"> <li>- RP Puglia ERDF ESF+ (Italy)</li> <li>- RP Abruzzo ERDF (Italy)</li> </ul>  |
| 2.2 Enhancing protection and preservation of nature, biodiversity and green infrastructure, including in urban areas, and reducing all forms of pollution                                   | <p>PILLAR 3 - ENVIRONMENTAL QUALITY - Development and implementation of Adriatic-Ionian Sub/regional Oil spill contingency plan</p> <p>PILLAR 3 - ENVIRONMENTAL QUALITY - Protection and enhancement of natural terrestrial habitats and ecosystems</p> <p>PILLAR 3 - ENVIRONMENTAL QUALITY - Promotion of sustainable growth of the Adriatic-Ionian region by implementing ICZM and MSP as well as to contribute CRF on ICZM of Barcelona convention and the appropriate monitoring and management of marine protected area.</p> | <ul style="list-style-type: none"> <li>- Horizon Europe</li> <li>- LIFE Programme</li> <li>- Other measures envisaged in respective National Recovery and Resilience Plans aimed at improving the knowledge base and the monitoring systems for defining policies of protection of biodiversity and of fight to pollution, especially related to water.</li> <li>- European Maritime, Fisheries and Aquaculture Fund</li> <li>- Interreg Programme “IPA ADRION”</li> <li>- Interreg Programme “EURO-MED”</li> <li>- Interreg Programme “Alpine space”</li> <li>- Interreg Programme “Greece-Italy”</li> <li>- Interreg Programme “IPA South Adriatic”</li> <li>- Interreg Programme “Italy-Slovenia”</li> <li>- Interreg Programme “Slovenia-Croatia”</li> <li>- ERDF/CF OP Competitiveness and Cohesion (Croatia)</li> <li>- RP Friuli-Venezia Giulia ERDF (Italy)</li> <li>- RP Veneto ERDF (Italy)</li> <li>- RP Emilia-Romagna ERDF (Italy)</li> <li>- RP Marche ERDF (Italy)</li> <li>- RP Molise ERDF-ESF+ (Italy)</li> <li>- RP Puglia ERDF ESF+ (Italy)</li> <li>- RP Abruzzo ERDF (Italy)</li> </ul> |
| 3.1 Developing and enhancing sustainable, climate resilient, intelligent and intermodal national, regional and local mobility, including improved access to TEN-T and cross-border mobility | <p>PILLAR 2 - CONNECTING THE REGION - The Adriatic-Ionian Multi-Modal Corridors (with specific regard to green/smart port hubs concept)</p>   | <ul style="list-style-type: none"> <li>- Connecting Europe Facility (CEF) instrument</li> <li>- Other measures envisaged in respective National Recovery and Resilience Plans aiming at improving ports’ inter-modality capacities to make them greener, more ICT based and secure and more integrated with the hinterland’s needs</li> <li>- European Maritime, Fisheries and Aquaculture Fund</li> <li>- Interreg Programme “IPA ADRION”</li> <li>- Interreg Programme “IPA South Adriatic”</li> <li>- ERDF/CF OP Competitiveness and Cohesion (Croatia)</li> <li>- RP Molise ERDF-ESF+ (Italy)</li> <li>- RP Puglia ERDF ESF+ (Italy)</li> </ul>   |



## Italy – Croatia

|  |  |   |
|--|--|---|
| <p>4.1 Enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation</p> | <p>PILLAR 4 - SUSTAINABLE TOURISM - AIR Cultural Routes<br/>PILLAR 4 - SUSTAINABLE TOURISM - CulTourAir<br/>PILLAR 4 - SUSTAINABLE TOURISM - DES_AIR<br/>PILLAR 4 - SUSTAINABLE TOURISM - Green Mapping for the Adriatic-Ionian Region</p> | <ul style="list-style-type: none"> <li>- ERASMUS+</li> <li>- Other measures envisaged in respective National Recovery and Resilience Plans aiming at improving and modernising the policies for the valorisation of cultural heritage, delocalising tourist flows and promoting new and innovative integrated offers of coastal tourism.</li> <li>- European Maritime, Fisheries and Aquaculture Fund</li> <li>- Interreg Programme “Greece-Italy”</li> <li>- Interreg Programme “Croatia –Bosnia and Herzegovina– Montenegro”</li> <li>- Interreg Programme “IPA South Adriatic”</li> <li>- Interreg Programme “Italy-Slovenia”</li> <li>- Interreg Programme “Slovenia-Croatia”</li> <li>- ERDF/CF OP Competitiveness and Cohesion (Croatia)</li> <li>- RP Friuli-Venezia Giulia ERDF (Italy)</li> <li>- RP Veneto ERDF (Italy)</li> <li>- RP Puglia ERDF ESF+ (Italy)</li> </ul> |
| <p>5.1 Other actions to support better cooperation governance</p>  |  | <ul style="list-style-type: none"> <li>- ERASMUS+ aimed at improving the knowledge base about the legal and administrative CBC obstacles, enhancing institutional and strategic capacities of public authorities and stakeholders, and reinforcing the capacities in order to better improve the multi-level governance dimension.</li> <li>- European Maritime, Fisheries and Aquaculture Fund</li> <li>- Interreg Programme “EURO-MED”</li> <li>- Interreg Programme “Centrale Europe”</li> </ul>   |

### 1.9. Horizontal and cross-cutting principles

#### **UN Sustainable Development Goals (SDGs)**

The UN Sustainable Development Goals are one of the main overarching strategies upon which the Interreg VI-A Italy–Croatia 2021–2027 Programme rests on. Considering the Programme’s priorities, the contribution to the following targeted SDGs will be monitored during its implementation:

- Goal 12: Ensure sustainable consumption and production patterns;
- Goal 13: Take urgent action to fight climate change and its impacts;
- Goal 14: Conserve and sustainably use the oceans, seas and marine resources.



## Italy – Croatia

### **Horizontal Principles**

These principles shall be integrated at the project level: during project planning and project implementation. The respect of horizontal principles is included in the assessment criteria. The Programme will comply with the following horizontal principles:<sup>5</sup>

- respecting fundamental rights and complying with the EU Charter of Fundamental Rights;
- ensuring the promotion of gender equality;
- preventing all kinds of discrimination and taking all appropriate steps to guarantee accessibility for people with disabilities;
- promoting sustainable development, in line with UN Development Goals, the Paris Agreement and the “do no significant harm” principle.

### **Approach to Public Procurement**

Public procurement refers to the process by which public authorities, such as government departments or local authorities, purchase work, goods or services from companies. Beneficiaries will be encouraged to adopt a strategic use of PP to better reach the Programme objectives, including the use of more quality-related and innovative criteria and the consideration of environmental and social aspects.

### **New European Bauhaus Initiative**

It aims to transpose the EU Green Deal into tangible and positive experiences built around the concepts of sustainability, aesthetics and inclusion. In order to contribute to this initiative, the Programme will foster synergies between PO2 and PO4 and complementarities with funds dedicated to the New European Bauhaus.<sup>6</sup>

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<sup>5</sup> Set in Article 9 of the CPR and in art.8, 10 and 11 of TFEU

<sup>6</sup> For more information please consult: [https://new-european-bauhaus.europa.eu/index\\_en](https://new-european-bauhaus.europa.eu/index_en)



## Italy – Croatia

### Young Generations

The Programme will encourage the involvement of young people both in funded projects and in cross-border events. In this regard, youth has been envisaged as a specific target group in Priority 1, Priority 2, Priority 4 and ISO1.

#### 1.10. Greening principles

The Italy–Croatia Programme strives to adopt eco-friendly practices for all its daily activities, especially concerning events and meetings.<sup>7</sup> The information that follows is provided as reference and suggestions for projects willing to concretely put into practice the principles above.

#### **Project publications and dissemination products**

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

#### **Organization of green and inclusive events**

##### Before the event

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

##### Setting up and running the event

- **Electronic means** (e.g. e-mail, website) should be used rather than printed materials for pre-meeting and follow-up communications;

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<sup>7</sup> In line with Article 9 of Regulation (EU) No 1060/2021.



## Italy – Croatia

- Participants are encouraged to use **sustainable ways of travelling**: for short trips favour train to coach/plane and if train is not an option, favour car/coach to plane; Participants are encouraged to share the drive with other participants.
- Information on the greening efforts made at the event is provided electronically before and after the meeting whenever possible;
- Participants' **bags/packs** should be avoided or produced locally using recycled material, and be reusable;
- In case participant's packs cannot be avoided, only strictly necessary material should be included and **copying/printing** should be available upon request at the location of the event;
- The start and end of the meeting are possibly adjusted to the schedules of public transportation means;
- The **caterer** is preferably informed on the exact number of participants and is able to re-evaluate the quantities needed to avoid waste;
- The use of decorative elements such as flowers, banners etc. is minimized;
- A dedicated area can be provided for participants to **return material** that can be re-used (such as badges);
- **Accessibility** for all participants is taken into consideration and the venue adapted for people with reduced mobility;
- A system that allows all guests to access the **catering service** could be put in place: long queues for food are avoided, enough chairs for people to sit down are available, people with disabilities or special needs are provided with the necessary facilities.

### Food and drinks, catering

The organizers of the event take into account the following:

- Locally grown and produced food and drinks are used and menus reflect the seasonal products of the region;
- The use of organically produced food and drinks is preferred;
- The use of reusable dishes, cutlery, glassware and linens is preferred;



## Italy – Croatia

- If disposable items are essential, it is preferable that they have a high content of recycled or are plant based;
- Materials are recyclable and that appropriate recycling systems are in place;
- At least one vegetarian option is offered;
- Tap water is used and served in jugs instead of in single-use bottles;
- The surplus of edible food should not be wasted but possibly donated.

### Local transport

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

### Venue and accommodation

Priority is given to locations available on the premises of one of the project participants in order to reduce the need for staff to travel. If possible, all waste produced at the venue is sorted for recycling and sufficient, well-marked bins are provided in both participants and staff areas. It is possible to regulate the temperature within the building. Use of natural light is preferred and the use of stage lights is kept to the strict necessary. The hotels are located near public transportation and as close as possible to the conference facilities (preferably within walking distance or reachable by public transport).



## 2. LEGAL FRAMEWORK

The regulatory framework for the management of Interreg VI A Italy–Croatia Programme is based on the Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and repealing Regulation (EU, Euratom) No 966/2012. Furthermore, all general rules concerning the structural and investment funds are also applicable unless differently specified. The following legal norms and documents apply (non-exhaustive list):

- Regulation (EU) 2021/1060 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (Common Provisions Regulation - CPR);
- Regulation (EU) 2021/1058 on the European Regional Development Fund and on the Cohesion Fund (ERDF Regulation);
- Regulation (EU) 2021/1059 on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments (Interreg Regulation);
- Implementing acts and delegated acts adopted in accordance with the aforementioned regulations;
- Other regulations and directives applicable to the implementation of projects co-funded by the ERDF;

All above regulations are available in their latest version in the EUR-Lex database of European Union Law:

<https://eur-lex.europa.eu/homepage.html>.

In case of amendment of the above-mentioned legal norms and documents, the latest version applies.





## Italy – Croatia

### 2.1. Public procurement rules

#### General principles

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

1. EU rules as set by the applicable directives on the matter;
2. National rules;<sup>8</sup>
3. Internal rules of the partner organization;
4. Programme rules (see specification below).

A matter of principle, the strictest rules must always be applied.

Each contract should be awarded on the basis of objective criteria that ensure compliance with the principles of transparency, non-discrimination and equal treatment and which guarantee that tenders are assessed under the conditions of effective competition.

Here are some of the most common errors and weakness experienced in public procurement procedures that project participants are asked to avoid:

- use of the wrong procurement procedure: since the applicable procedure changes according to the future contract value, when calculating the value of a contract, the maximum total amount that may be paid during the entire contract period (incl. potential renewal periods) needs to be estimated;
- imprecise definition of the subject-matter of the contract to be awarded;
- short deadlines for the submission of tenders;

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<sup>8</sup> National rules include laws on public procurement, related delegated or implementing acts or any other generally applicable legally binding rules and decisions.



## Italy – Croatia

- artificially splitting the estimated contract value in order to reach the value range for direct awards;
- unlawful application of exemption rules;
- direct award procedure for urgent matters caused by insufficient planning by a project partner or any other circumstances attributable to the project partner;
- direct award for having already satisfactory worked with a certain external provider in the past;
- discriminatory selection criteria;
- restrictive technical specifications.

Failure to comply with the procurement rules set out at EU, national, internal or Programme levels will have financial consequences. The Programme follows the *“Guidelines for determining financial corrections to be made to expenditure financed by the Union under shared management, for non-compliance with the rules on public procurement”*<sup>9</sup> by applying correction rates based on the type and significance of the non-compliance.

To avoid any loss of funds, and in case of control, project partners must therefore be able to prove that the award of contracts complies with aforementioned principles and, when applicable, public procurement rules.

Project partners cannot contract one another in the framework of the same project. This is due to the fact that the roles of project partner and service provider are different and not compatible. This applies to the entire partnership.

### **Programme rules on procurement**

In order to guarantee a harmonized standard in contracting procedures in both Italy and Croatia and to accomplish sound financial management principle, the Programme requires from beneficiaries to give evidence of adequate market researches for contracts with a value between EUR 10.000,00 (excl. VAT) and the threshold set by the applicable EU and national rules.

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<sup>9</sup> Annex to the Commission Decision C(2019) 3452 final  
[https://ec.europa.eu/transparency/documents-register/detail?ref=C\(2019\)3452&lang=en](https://ec.europa.eu/transparency/documents-register/detail?ref=C(2019)3452&lang=en)



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This means that in such cases, **unless stricter national rules apply**, beneficiaries must perform and document the execution of adequate market researches (e.g., through collecting bids, using centralized e-procurement services, price list from Internet). This is meant to provide sound knowledge and sufficient information on the relevant market allowing for sound comparison of offers in terms of price and/or quality and a profound assessment of the adequacy of the price.

When doing market research, the Programme strongly encourages beneficiaries to carry out “Bid at three” procedure (while other models are not excluded).

### **/!\ POINT OF ATTENTION**

Even for contracts having a value below EUR 10.000,00 (excl. VAT) or below a national threshold (if stricter than the Programme rule), the adequacy of costs must always be ensured. Upon request, beneficiary must provide evidence on procurement.

### **Scope of application of public procurement rules**

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

- Public authorities and other institutions falling under the scope of application of the procurement laws<sup>10</sup> (including international organizations) must comply with the applicable rules on public procurement;
- Entities not falling under the scope of application of the public procurement laws (e.g., private companies, NGOs or other associations of private bodies) are not required to follow public procurement procedures unless there are national or internal rules, which oblige them to do so. However, these organizations must comply with the basic principles on which the procurement rules are based and must provide evidence of an adequate market research for estimated contract values above EUR 10.000,00 (excl. VAT), as described above, and of the result of assessment of offers and justification of contract award.

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<sup>10</sup> Namely, “contracting authorities” within the meaning of Directive 2004/18/EC or “contracting entities” within the meaning of Directive 2004/17/EC as further amended.



## Italy – Croatia

### Selection of the awarding procedure

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

#### **/!\ POINT OF ATTENTION**

Since procurement law is a complex matter, project participants are strongly recommended to seek procurement experts' advice and/or national public procurement authority early enough before launching an award procedure.

### Alternatives to regular procurement procedures

**1. In-house subcontracting:** requirements from the latest EU Directive on public procurement<sup>11</sup> imply that:

- The contracting authority exercises over the contracted in-house body a control which is similar to that which it exercises over its own departments;
- More than 80 % of the activities of the controlled body are carried out for the controlling contracting authority;
- There is no direct private capital participation in the controlled body.<sup>12</sup>

When all three of the above conditions for an in-house contracting are given, the in-house body can be contracted by the beneficiary through a direct award. Costs of the contracted in-house body must always be charged on a real-costs basis or using Simplified Cost Options (SCOs) in the same way as the project partner. In-house costs, if planned as real costs, should be planned and reported under budget line

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<sup>11</sup> Directive 2014/24/EU of the European Parliament and of the Council of 26.02.2014, art. 12 which also establishes the methodology for calculating the percentage of activities referred to in point 2

<sup>12</sup> With the exception of non- controlling and non-blocking forms of private capital participation required by national legislative provisions, in conformity with the Treaties, which do not exert a decisive influence on the controlled body.



## Italy – Croatia

“External expertise and services”. The above provisions concerning in-house contracting apply also to international organizations receiving funds within Italy–Croatia Programme projects.

2. **Contracts for the cooperation between public bodies** provided that the provisions of Directive 2014/24/EU Art. 12 (4) are respected.

### 2.2. State Aid

Public support granted by Interreg VI A Italy–Croatia Programme must comply with State aid rules.

#### What is State aid?

According to Article 107 of the Treaty on the Functioning of the European Union, in order to be considered State Aid, a funded activity must fulfil all of the following five criteria:

1. The aid is provided by the Member State or through **State resources** (transfer of public resources, including EU, National, regional or local public funds): in case of Interreg VI A Italy–Croatia Programme this criterion always occurs;
2. The aid measure gives an advantage to an **undertaking** which is carrying out an **economic activity** in the context of the project. The term “undertaking” is to be interpreted in accordance with EU law: the definition set up by the European Court of Justice defines the term "undertaking" in a wide sense as any entity **which exercises an activity of an economic nature and which offers goods and services on the market, regardless the legal form and the way of financing of this entity**. Thus, **not only private companies are subject to State Aid rules but also public authorities and bodies governed by public law as far as they carry out an economic activity on the market**.

The question whether a market exists for certain services may depend on the way those services are organised in the Member State concerned and may thus vary from one Member State to another.



## Italy – Croatia

### Non-economic activity:

Non-economic activities are understood as activities that can only be carried out by the state, such as the provision of public goods for which there is no market (e.g., Public education, army, police). This is a fluid term, and interpretation is subject to frequent modification. In this respect, please also consult §17 and 18 of the EC notice on the notion of State aid, which provides details on the fact that some activities do not constitute State aid following their classification as part of the prerogatives of official authority<sup>13</sup>.

3. The aid gives an **economic advantage** by participating in the project, which an undertaking would not have obtained under normal market conditions.

### Indirect state aid:

An economic advantage can be transferred to third parties outside the project partnership (so called indirect State aid): e.g., project partner offers training for free to companies in its regions.

4. The economic advantage is **selective** favouring certain undertakings or the production of certain goods. Selectivity of the aid is also satisfied, for example, if it is granted only to undertakings belonging to a specific geographical area. In case of INTERREG VI A Italy–Croatia Programme focusing on a specific cross-border area or specific economic sectors, this criterion potentially occurs. Consequently, this criterion must be checked considering the real impact of the project outputs and results at territorial level and in the same way, if the measures are selective as well as they do not address all the undertakings, but they only focus on some specific sectors.
5. The aid **distorts** or threatens to distort **competition** and trade within the European Union: as the Interreg VI A Italy–Croatia Programme is a ETC Programme this criterion potentially occurs as the aid measures could be intended not to be local, but cross-border.

If one single criterion is not fulfilled, the assistance granted is not subject to the EU rules on State Aid.

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<sup>13</sup> Commission Notice on the notion of State aid as referred to in Article 107(1) of the Treaty on the Functioning of the European Union (2016/C 262/01)



## Italy – Croatia

It is to be noted that the Interreg VI A Italy–Croatia Programme does not support undertakings in difficulty, unless authorised under *de minimis* aid or temporary aid rules established to address exceptional circumstances.<sup>14</sup>

### Interreg VI A Italy–Croatia Programme and State aid

During the project assessment, the JS, supported by external experts if needed, shall verify State aid compliance of the submitted applications through a dedicated assessment focused on the five criteria listed above, with particular attention to the assessment of the status of “undertaking” of the partners and of the existence of an economic advantage for the undertaking.

The analysis of State aid, may lead to the identification of a high or low risk of State Aid compliance associated with each project proposal and consequently to the following scenarios:

- the project activities are **not State Aid relevant** and the Application Form does not foresee the risk of State Aid compliance: in this case no state aid conditions are set in the Subsidy Contract;
- the project does contain a **risk of State Aid** compliance which **can be removed**: in this case, Interreg VI A IT-HR Programme might ask the project partners to exclude certain activities from the project proposal or to take measures in order to eliminate the state aid cause (e.g., wide dissemination also to competitors of certain project outputs or adapting activities of the project). Specific obligation is included in the Subsidy Contract;
- **direct State aid** granted to one or more partners: in this case the entire budget allocated to the concerned partner is regarded as State aid granted under the General Block Exemption Regulation (GBER)<sup>15</sup> or, in exceptional cases, under *de minimis*<sup>16</sup> Regulation;
- **indirect state aid** granted to third parties outside the project partnership: in this case, a contractual condition setting a threshold to the aid granted to third parties is set in the Subsidy Contract.

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<sup>14</sup> Art. 2 point 18 Regulation EU N. 651/2014 (updated version)

<sup>15</sup> Regulation EU N. 651/2014 as further amended.

<sup>16</sup> Regulation EU N. 1407/2013 as further amended.



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### Direct Aid Granted under GBER

The General Block Exemption Regulation (GBER) allows to implement a wide range of public support measures without prior notification to the EC, as long as all criteria given in the regulation are fulfilled. It includes a block exemption for aid granted in the context of Interreg projects (GBER Article 20). As other Programmes, also Interreg VI A Italy–Croatia Programme will make use of this opportunity to grant direct State aid. Article 20 GBER allows up to 80% of public funding of costs arising for companies, when taking part in an Interreg project as partner. The costs mentioned in this article correspond to the cost categories foreseen by the Programme. The aid granted by the Programme amounts to the whole ERDF budget of the concerned partner (s), up to a ceiling of 2 million EUR of total public contribution per partner and per project.

See examples below:

| PP TOTAL BUDGET | ERDF contribution (80%) granted<br>under art. 20 GBER | Co-financing 20%<br>provided by the PP |
|-----------------|---|--|
| EUR 500.000,00  | EUR 400.000,00  | EUR 100.000,00                         |
| EUR 300.000,00  | EUR 240.000,00  | EUR 60.000,00                          |

### **/!\ POINT OF ATTENTION**

It is very important to highlight that partners receiving the ERDF from the Programme under the GBER regime cannot receive any additional public co-financing to their budgets (e.g., Italian PPs cannot receive the Italian public co-financing - i.e. “Fondo di Rotazione”).

Article 20 A GBER allows to grant aid to an undertaking per project up to EUR 20.000,00.

### Direct Aid Granted under *De Minimis*

For partners receiving public co-financing to their budget, the Programme can also grant ERDF financing *as de minimis aid*, as set out in Commission Regulation UE 1407/2013. According to this Regulation the total amount of aid granted **per Member State** to a **single undertaking** within the selected project co-





## Italy – Croatia

funded by the Interreg VI A Italy–Croatia Programme cannot exceed EUR 200.000,00 (EUR 100.000,00 for companies in the road transport sector) over a period of three fiscal years.

Please note that “**single undertaking**” in *de minimis* Regulation means that if a project partner is part of a group, the entire group is therefore considered as one single undertaking and the *de minimis* threshold applies to the entire group.

The notion of single undertaking includes all enterprises having at least one of the following relationships with each other:

- a) One enterprise has a majority of the shareholders’ or members’ voting rights in another enterprise;
- b) One enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;
- c) One enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association;
- d) One enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders’ or members’ voting rights in that enterprise.

Enterprises having any of the relationships referred to in the above points through one or more other enterprises shall also be considered to be a single undertaking.

The *de minimis* aid given by the Programme is granted by the Member State Italy (as the country where the MA is situated) and it amounts to the whole ERDF budget of the concerned partner, as identified in the application form. In case the Programme sees State aid relevance at the level of the concerned partner, it will be asked in the application form to choose if the ERDF funds shall be granted as GBER-aid or *de minimis* aid (the Programme strongly recommend GBER as it entails less administrative burden for the project).



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Public aid considered by the Programme for the above mentioned *de minimis* threshold comprises all aid granted *as de minimis aid* **only** by **Italian national, regional or local entities**, regardless of whether the resources are provided from domestic sources or are partly financed by the European Union.

As a consequence, partners carrying out State aid relevant activities in **the project might have a reduction of the ERDF** granted by the Programme in order to ensure the respect of the applicable *de minimis* threshold. Please note that Italian partners (also Private ones) receiving by the MA the Italian national co-financing (i.e. Fondo di Rotazione) may result as well in a reduction of total aid granted (ERDF+ Italian National co-financing) in order to respect the applicable *de minimis* threshold.

### Example 1:

A private company located in Italy has applied for funding in an Interreg Italy–Croatia project. The total budget of this company in the project is EUR 200.000,00 out of which the ERDF support amounts to EUR 160.000,00 (80 % ERDF financing).

1.1 The company has received from Italian national, regional or local entities a grant of EUR 50.000,00 under the *de minimis* rule in the same year in which it applied for funding by the Interreg Italy–Croatia Programme.

According to the *de minimis* limitation of up to EUR 200.000,00 of public contribution in three fiscal years, the ERDF granted by the Interreg Italy–Croatia Programme to this company shall respect such *de minimis* threshold. The public contribution that can be granted to this company at the date of signing the subsidy contract amounts to: *de minimis* threshold (EUR 200.000,00) – public contribution already received (EUR 50.000,00) = EUR 150.000,00.

Accordingly, the ERDF contribution granted by the Programme amounts to EUR 150.000,00 instead of EUR 160.000,00.

Total budget of this Company = EUR 150.000,00 (ERDF contribution) + EUR 50.000,00 co-financing provided by the company;



## Italy – Croatia

1.2 The company did not receive from Italian national, regional or local entities grants in the same year in which it applied for funding by the Interreg Italy–Croatia Programme and neither in the previous two ones.

The public contribution that can be granted by the Programme to this company at the date of signing the subsidy contract amounts to: EUR 160.000,00 (ERDF contribution) + EUR 40.000,00 (Italian public co-financing - i.e. “Fondo di Rotazione”).

Total budget of this Company = EUR 160.000,00 (ERDF contribution) + EUR 40.000,00 (Italian public co-financing);

### Example 2:

A private company located in Croatia has applied for funding in an Interreg Italy–Croatia project. The total budget of this company in the project is EUR 200.000,00 out of which the ERDF support amounts to EUR 160.000,00 (80 % ERDF financing).

The company received under de minimis rule a grant of EUR 50.000,00 by Croatian entities but nothing from Italian national, regional or local entities.

The ERDF granted by the Interreg Italy–Croatia Programme to this company, shall remain EUR 160.000,00 since the ceiling to the accumulation of de minimis aid applies “per Member State”.

Total budget of this Company = EUR 160.000,00 (ERDF contribution) + EUR 40.000,00 co-financing provided by the company (the Italian national co-financing only applies to Italian companies).

### **Indirect Aid Granted to third parties**

Project activities might result in advantages granted to undertakings outside the project partnership that they would not have received under normal market conditions. This might be the case, for example, of free of charge services, training, or consultancy to companies, including vouchers (a voucher scheme



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might be considered as a state aid relevant intervention and state aid provisions might apply in relation to the recipients participating in the voucher schemes). In such cases, the aid is granted to third parties who are the final beneficiaries of the project activities. This aid will be granted under GBER article 20 A<sup>17</sup>. Aid granted under GBER article 20 A to an undertaking as final beneficiary of project activities **cannot exceed EUR 20.000,00**. The amount of aid granted to each final beneficiary is to be determined by the concerned partners prior to the implementation of project activities that are affected by indirect aid, and it shall be approved by the MA/JS.

### 2.3. Complaints and litigation

Complaints cover any dispute between potential and selected beneficiaries with regard to the proposed or selected operation and any disputes with third parties on the implementation of the Programme or of the funded project.

The complaint procedures set-up by the Programme are differentiated in relation to the matter concerned:

- a) Complaints against decisions of the MC on project selection;
- b) Complaints concerning Programme decisions on project implementation;
- c) Any other complaints outside the responsibility of the MA/JS.

#### **A) Complaints against decisions of the MC on project selection**

*Please refer to the Project Selection Procedure of the relevant Call for Proposals.*

#### **B) Complaints during Project Implementation**

##### **Complaints on MA/JS implementation of the Subsidy Contract**

The LP, on behalf of the partnership, may file complaints against acts, omissions and/or decisions of the Programme during project implementation that are based on the subsidy contract concluded between

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<sup>17</sup> Article 20a of Regulation (EU) No 651/2014, introduced by the amending Regulation (EU) No 2021/1237.



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the MA and the LP. The MA, with support of the JS, will examine the complaint on basis of the information provided by the LP. If the issue cannot be solved between MA and LP, the LP can address the competent court in Venice considering the rules as laid down in the subsidy contract and the relevant provisions of the applicable Italian law.

### **Complaints related to Audit and Control Bodies**

Complaints against acts, omissions and/or decisions of control and audit bodies (national controllers, Programme auditors or any other national or EU institution), have to be submitted to the responsible EU authority or administrative body at Member State level according to the applicable procedures set up at national and EU-levels.

### **C) Any other complaints outside the responsibility of the MA/JS**

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

## 2.4. GDPR, General Data Protection Regulation<sup>18</sup>

The Interreg Italy–Croatia 2021–2027 Programme bodies, such as the Joint Secretariat and Managing Authority, Controllers bodies and Audit Authority, all carry out tasks that are defined in EU legislation. The Programme only processes<sup>19</sup> information that is strictly required and needed for the Programme to function and reach its goals. Such information must by law be kept until the Programme period has been finally closed.

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<sup>18</sup> REGULATION (EU) 2016/679 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).

<sup>19</sup> Art 4. c. 2 ‘processing’ means any operation or set of operations which is performed on personal data or on sets of personal data, whether or not by automated means, such as collection, recording, organisation, structuring, storage, adaptation or alteration, retrieval, consultation, use, disclosure by transmission, dissemination or otherwise making available, alignment or combination, restriction, erasure or destruction.



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If any other personal data is collected during project application or implementation, the Programme bodies will always make sure that the information will be handled professionally and taking account of requirements for data protection of personal data in accordance with Regulation (EU) 2016/679 of the European Parliament and of the Council.

### 2.5. Anti-fraud policies

The Programme Member States and the MA are committed to protect the EU and public funds entrusted against fraud and corruption according to its administrative capacity.

The term fraud is commonly used to describe a wide range of misconducts including theft, corruption, embezzlement, bribery, forgery, misrepresentation, collusion, money laundering and concealment of material facts. It often involves the use of deception to make a personal gain for oneself, a connected person or a third party, or a loss for another – intention is the key element that distinguishes fraud from irregularity, which is an act that does not comply with rules but may be the result of genuine errors committed by beneficiaries claiming funds.

Fraud does not just have a potential financial impact, but can also cause damage to the reputation of the Programme bodies.

Corruption is the abuse of power for private gain. Conflict of interests exists where the impartial and objective exercise of the official functions of a person are compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with e.g., an applicant for or a recipient of EU funds.

Within the Programme, overall responsibility for managing the risk of fraud and corruption has been delegated to the Managing Authority who has the responsibility for:

- undertaking a regular review, with the help of a risk assessment team, of the fraud risk;
- establishing an effective anti-fraud policy and fraud response plan;
- ensuring fraud awareness of staff and training;



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- ensuring that the Managing Authority refers promptly investigations to competent investigation bodies when they occur.

The Managing Authority has put in place proportionate anti-fraud measures based on a thorough fraud risk assessment. The Managing Authority carries out a vigorous and prompt review into all cases of suspected and actual fraud which have occurred with a view to improve the internal management and control system where necessary. All cases of suspected fraud will be reported further to the police, to the European Anti-Fraud Office and to the Ministries and regions participating in the Programme.

The responsibility for an anti-fraud culture lies with all those involved in the EU Programmes and projects. We therefore encourage all partners, contractors, employees, or the general public to assist in preventing fraud from taking place, putting into place proportionate measures to detect it and making it transparent.

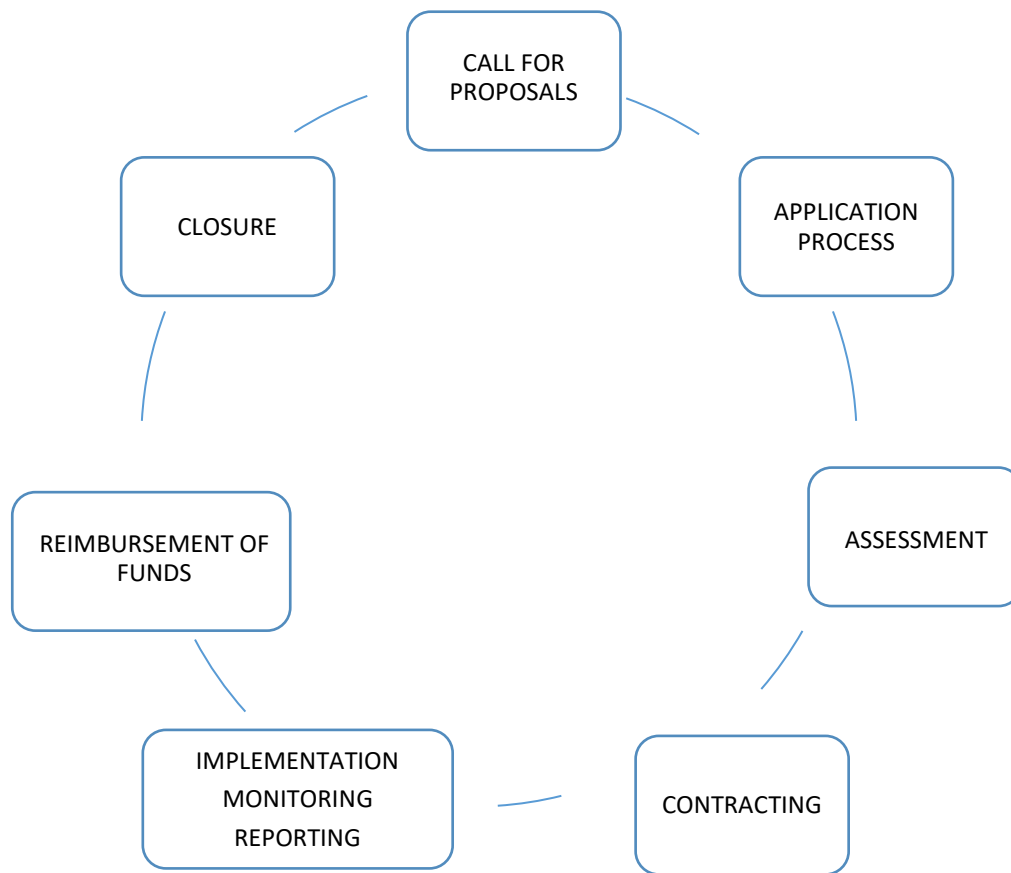


### 3. PROJECT GENERATION AND START

#### 3.1 Project’s lifecycle

The projects funded by the Programme follow a specific cycle which can be summarised as follows:

Image 3. Project’s lifecycle



#### Call for Proposals

The Programme is implemented through open Calls. Each Call for Proposals will clearly indicate the type of projects that are supported and rules to apply. When necessary, the Programme may implement restricted or targeted Calls for proposals clearly addressing specific applicants, priorities or specific objectives.





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### **Application process**

The application phase concerns the generation of new projects and their submission to the Programme. In the application form all essential information about the project must be clearly presented as it is the basis for the quality assessment and subsequently the project selection by the MC.

Project proposals can only be created and submitted through Jems. The project proposal can only be submitted by the user that created the project proposal, who should be the Lead applicant. Project proposals have to be submitted before the deadline stated in the Call.

### **Assessment**

After the submission of project proposals, the assessment and selection procedures take place and include the following steps:

1. Administrative compliance and eligibility checks - is aimed at verifying the administrative and eligibility compliance with the requirements set in the Call for proposals.
2. Quality assessment - is aimed at evaluating the quality of admitted and eligible proposals.
3. State Aid assessment (*only for projects recommended for funding*).

The MC is in charge of the final decision on selecting the operations and may decide to set some conditions for funding. The decision of MC will be communicated to applicants with the publication of the ranking list on Programme website.

### **Contracting**

Once a project has been selected for funding and has fulfilled the conditions laid down by the MC, a Subsidy Contract between the Programme's MA and the project's Lead Partner (LP) is concluded. The subsidy contract establishes the rights and responsibilities of the Lead Partner and the MA.

### **Implementation**

Implementation period is clearly stipulated in Subsidy contract. Reporting periods are also clearly stated in SC. Project implementation rules provided by the Programme must be carefully observed and implemented.



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### **Monitoring and reporting**

The Programme promotes and implements an interactive dialogue and a continuous flow of information with projects in order to closely follow the progress of project implementation. Reporting activities and costs is an essential task of project management in which the whole partnership is highly involved. It allows the Programme to monitor project progress and, in particular, to verify the compliance of project implementation with the approved application form as well as with the rules governing the EU Structural Funds and the Interreg IT-HR Programme. Project reporting and monitoring are the basis for the reimbursement of ERDF co-financing to the project.

Reporting and monitoring take place at partner and project levels. The joint reporting at project level follows a reporting timeframe stated in Subsidy Contract.

In addition to the project report, the Programme uses other sources of information to monitor progress in implementation on a continuous basis. Among them, the Programme uses:

- the project's website;
- exchange information with the lead partner and partners (e.g., online meetings or phone conferences);
- mid-term review meetings.

The **mid-term review** meeting between the Joint Secretariat and the Lead Partner takes place at half way during project activities. It offers an opportunity for the Programme to obtain a more detailed picture of the project's performance beyond the information provided in the project reports and to the projects to discuss any issue or delay and to seek Programme's support to overcome difficulties in implementation.

### **Reimbursement of funds**

The Interreg IT-HR Programme follows the **reimbursement model** of costs incurred and paid by the beneficiaries. This means that each beneficiary must fully pre-finance its project expenditure. Beneficiaries should bear in mind that the absence of advance payments from the Programme, and the time gap between incurring the expenditure and having it reimbursed, may lead to cash-flow challenges.



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As stipulated in the subsidy contract, the disbursement of funds to the LP/Italian PP is subject to the condition that the EC makes the necessary funds available. Should no funds be available, the LP will be duly notified by the MA/JS.

After receipt of funds from the MA, the LP is obliged to transfer in time and in full the share of ERDF which corresponds to each PP. No amount shall be deducted or hold by LP.

### Closure

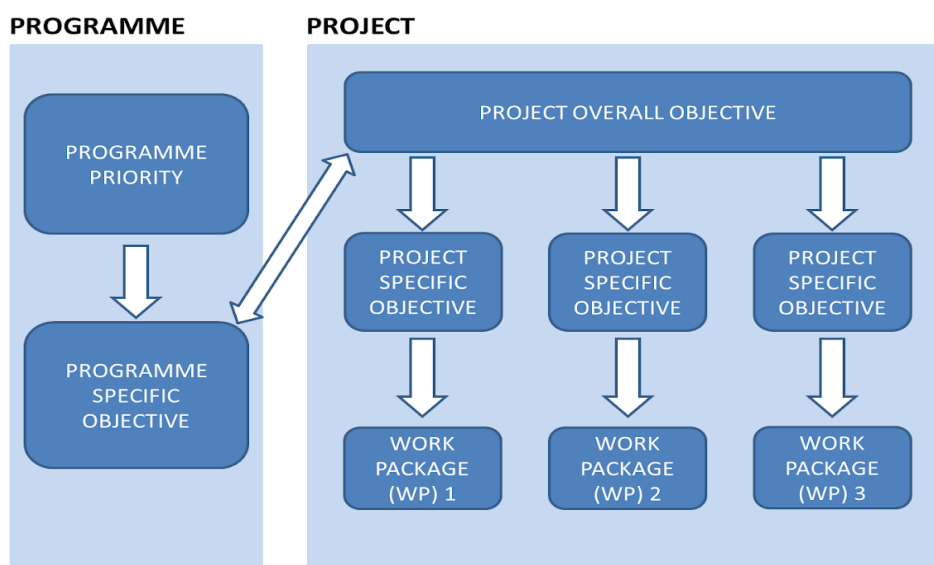
Closure is the final phase of a project’s lifecycle, when ex-post monitoring period starts. Archive of project documents (related to activities and finance) is set-up in closure phase in order to assure retention of documents for period of 5 years from the 31 December of the year in which the last payment by MA is made to the LP, according to art. 82 CPR.

## 3.2 Project generation

### How to set the project objectives

Each **project** must define its **overall objective** not only with the aim of tackling current territorial challenges, but also following the need to be **compliant with the Programme specific objective**.

Image 4. Programme and project’s objectives



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Definitions of different level objectives:

- **Programme specific objective:** what the Programme wants to change for its inhabitants in this thematic area;
- **Project overall objective:** defines what the project aims to achieve for the benefit of the involved regions and its target group(s) and points to the planned project results (and territorial change).

After being set, the project overall objective is then divided into several project specific objectives, each one strictly linked to a Work Package.

- **Project specific objective:** defines an immediate goal that a project can realistically achieve within the project lifetime through its planned activities and related outputs and deliverables. It must clearly contribute to the overall project objective and should be specific and measurable. At the end of the project, it should be verifiable whether the specific objective has been reached.

### POINT OF ATTENTION

Project specific objectives must be:

- precise and relevant for the Programme;
- ambitious, but feasible within the duration of the project.

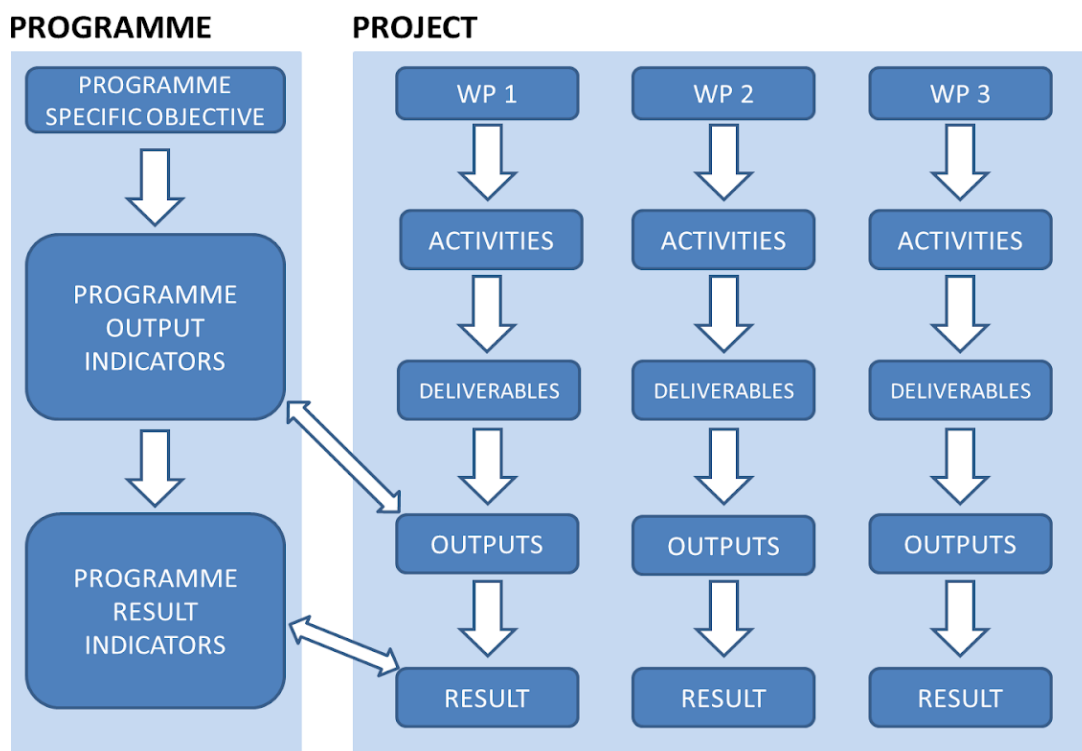


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### How to build a project Work plan

A project **Work plan** is structured into **Work Packages (WP)** and **activities**, while its final aim is to produce **deliverables** and **outputs** to achieve concrete results that reach the set objectives.

Image 5. Programme and project's links



Definitions of Work plan elements:

- **Work Package (WP):** a group of related project activities necessary to produce project deliverables and main outputs;
- **Activity:** a specific task performed for which resources are used; the proposed activities shall have a logical sequence and be planned for the direct benefit of the area concerned by the authorities involved in the project. Each Work package is divided into activities, each activity can lead to one or several deliverables;



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- **Deliverable:** a tangible or intangible object developed as a side-product of the project that contributes to the achievement of a project output. More than one deliverable can be necessary to produce one output;
- **Output:** the actual product resulting from the implementation of project activities. It is captured by an output indicator and directly contributes to the achievement of project result(s) and project-specific objectives.
- **Result:** describes the advantage of carrying out the project and characterising the change compared to the initial situation. Results are derived from the outputs achieved by the project. It must be coherent with project objectives and contribute to the Programme results.

For each activity, applicants must specify who will benefit from the project outputs:

- **Target Group:** is a group of stakeholders that is targeted by the project and will benefit from the project results. They should preferably be actively involved in the project implementation and the development of its outputs.

Given the typology of actions foreseen and the results expected, the Programme has identified the following target groups for each SO:

Table 6. Target groups

| SO  | Jems Target Groups  |
|-----|---|
| 1.1 | <ul style="list-style-type: none"> <li>● Local public authority;</li> <li>● Regional public authority;</li> <li>● National public authority;</li> <li>● Sectoral agency;</li> <li>● Higher education and research organisations</li> <li>● Education/training centre and school</li> <li>● Enterprise, except SME</li> <li>● SME</li> <li>● Business support organisation;</li> <li>● Interest groups including NGOs;</li> <li>● General public.</li> </ul> |
| 1.2 | <ul style="list-style-type: none"> <li>● Local public authority;</li> <li>● Regional public authority;</li> </ul>   |



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|     |  |
|-----|--|
|     | <ul style="list-style-type: none"> <li>● National public authority;</li> <li>● Sectoral agency;</li> <li>● Higher education and research organisations</li> <li>● Education/training centre and school;</li> <li>● Enterprise, except SME;</li> <li>● SME;</li> <li>● Business support organisation;</li> <li>● Interest groups including NGOs;</li> <li>● General public.</li> </ul>  |
| 2.1 | <ul style="list-style-type: none"> <li>● Local public authority;</li> <li>● Regional public authority;</li> <li>● National public authority;</li> <li>● Sectoral agency (including Civil protection bodies and emergency services);</li> <li>● Higher education and research organisations;</li> <li>● Enterprise, except SME;</li> <li>● SME;</li> <li>● Interest groups including NGOs;</li> <li>● General public (particularly youth).</li> </ul> |
| 2.2 | <ul style="list-style-type: none"> <li>● Local public authority;</li> <li>● Regional public authority;</li> <li>● National public authority;</li> <li>● Sectoral agency;</li> <li>● Higher education and research organisations;</li> <li>● Enterprise, except SME;</li> <li>● SME;</li> <li>● Business support organisation;</li> <li>● Interest groups including NGOs;</li> <li>● General public (particularly youth).</li> </ul>                  |
| 3.1 | <ul style="list-style-type: none"> <li>● Local public authority;</li> <li>● Regional public authority;</li> <li>● National public authority;</li> <li>● Sectoral agency;</li> <li>● Infrastructure and (public) service provider;</li> <li>● Enterprise, except SME;</li> <li>● SME;</li> <li>● Interest groups including NGOs;</li> <li>● General public.</li> </ul>  |
| 4.1 | <ul style="list-style-type: none"> <li>● Local public authority;</li> </ul>  |



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|            |   |
|------------|---|
|            | <ul style="list-style-type: none"> <li>● Regional public authority;</li> <li>● National public authority;</li> <li>● Sectoral agency;</li> <li>● Enterprise, except SME;</li> <li>● SME;</li> <li>● Education/training centre and school;</li> <li>● Business support organisation;</li> <li>● Interest groups including NGOs (including DMOs, tourist boards and local action groups)</li> <li>● General public (particularly youth).</li> </ul> |
| <p>5.1</p> | <ul style="list-style-type: none"> <li>● Local public authority;</li> <li>● Regional public authority;</li> <li>● National public authority;</li> <li>● Sectoral agency;</li> <li>● Higher education and research organisations;</li> <li>● Enterprise, except SME;</li> <li>● SME;</li> <li>● Interest groups including NGOs (including local action groups and similar);</li> <li>● General public (particularly youth).</li> </ul>             |

**⚠ POINT OF ATTENTION**

During the 2021-2027 programming period, management and communication do not exist as separate WPs anymore. **Only Thematic WPs have been envisaged**, thus, communication and management must be integrated into all thematic WPs, as cross-cutting activities.

**Contribution to Programme Indicators**

The Programme has selected two sets of indicators which aim at measuring the outputs and results achieved by the projects:

- **Output indicator (RCO)** measures the specific deliverables of the project;
- **Result indicator (RCR)** measures the effects of the supported project, with a particular reference to the direct addressees, population targeted or users.





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The Programme has identified the most suitable indicators for each Programme Specific Objective. An information-sheet containing a description of each indicator is available in the **Programme Intervention Logic** document to guide the applicants in the drafting of the Application Form and to better explain what they are expected to achieve.

Each project is required to contribute to both output and result indicators through the implementation of the activities that compose its Work plan. The contribution to the Programme indicators and their alignment with the Programme objectives is taken into account when assessing the quality of projects.

### **⚠ POINT OF ATTENTION**

When developing projects, applicants are expected to research and take into account existing outputs and results developed by previous projects funded by Interreg Italy–Croatia as well as other Interreg Programmes and EU financing instruments. This will help to increase the efficiency of the Programme co-financing because it ensures that project ideas are innovative and not double-funded. In addition, it improves the effectiveness and impact of cooperation.

### **Investment(s)**

The investment concept is linked to implementation-oriented activities that lead to the development of outputs relevant for the project.

An investment could enclose ***Innovative solutions***, such as procedures, instruments or tools (including physical objects, methods, concepts, or services, etc.) and the ***realization of infrastructural interventions***, which are implemented at a small scale and are necessary for the successful implementation of the project.

The investment must clearly contribute to the project overall and specific objectives: it must have a demonstration, model or pilot character and show a clear cross-border implementation dimension and effect that the partnership evaluates together. The investment should be well integrated into the work plan and show a clear benefit for the target groups addressed. It should ideally pave the way to large-scale investments, thus increasing the impact of the project. Projects should demonstrate that necessary authorisations for pilot investments (e.g. building permits) are available or can be obtained in a reasonable time to avoid hampering the overall project implementation.



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Main investment features are as follows:

- 1) A clear link to the development of outputs relevant for the project (core outputs) - Output indicators under each Specific Objective and Programme Intervention Logic;
- 2) The physical character;
- 3) Durability.

***In the project budget, according to its contents, the Investment can include items that belong to the cost categories “Infrastructure and works” for e.g., a new construction of a building or the adaptation of existing infrastructure, “Equipment” (such as for instance the purchase of fixed assets/equipment necessary for infrastructure) and “External expertise and services”.***

### **! POINT OF ATTENTION**

**1.** *All costs related to meeting standards and obligations related to the nature of the investment (e.g., feasibility studies, revenue generation, environmental impact assessments, climate protection, building permits) must be included in the category of external expertise and service costs, unless they are part of an infrastructure contract.*

**2.** *Productive investments can only be supported for SMEs, with notable exceptions as foreseen in Article 5(2) of the ERDF regulation. Pilot investments have to comply with relevant legislation and environmental policies, as well as with the durability and ownership requirements. Furthermore, infrastructure investments with an expected lifespan of at least 5 years have to ensure their climate proofing. In addition to EC guidance, specific rules may be set out by the country in which the infrastructure investment will be realised. Projects are also encouraged to integrate the principle of barrier-free accessibility at all levels, with a special focus on physical investments.*

**3.** *The LP/PP that will have investment within the project should demonstrate financial capacity and mechanisms to cover operation and maintenance costs in view of financial sustainability.*

**4.** *The assessment of expected impacts of investment on climate change will be implemented by the Programme together with the building permits but only for investments in infrastructures with a total cost of 1 million Euro or more.*

### **How to plan the budget**

All projects are financed through a system of budget-based grants, by reimbursing the ERDF's component of the eligible costs of a project. A project's total cost is estimated beforehand, based on a detailed calculation of all costs that are eligible for ERDF funding and necessary for implementation of the project's



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Work plan. Eligible partners shall secure stable and sufficient sources of finance to ensure both the project implementation and the continuity of the organisation's activities throughout the project's lifespan.

The budget of the project must be drafted “per partner”, according to each partner's Work plan. Each partner must also choose a cost option among the ones foreseen by the Programme, while fully accomplishing the principles of the adequacy of costs and sound financial management. As set out in the Financial Regulation 2018/1046, the key principles governing the use of EU funds are:

- **The principle of economy:** it requires that the resources used by the beneficiary in 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:** it concerns the best relationship between the resources employed, the activities undertaken and achievement of objectives;
- **The principle of effectiveness:** it concerns the extent to which the objectives pursued are achieved through the activities undertaken.

The EU grants should not have the purpose or effect of producing a profit for the beneficiaries (profit is defined as a surplus of receipts over eligible costs incurred by the beneficiaries).

### 3.3 Conditions clearing and contracting

The contracting process starts with the letter of notification of approval or “approval under conditions” which is delivered to the LP. In pre-contracting phase eventual conditions set by MC must be carefully observed and fulfilled by LP prior to contract signature. This process is performed individually between each LP and the JS. At this stage, the JS asks for any information and documentation needed to prepare the Subsidy Contract.

#### **The Subsidy Contract**

If the project is selected for funding and fulfils the conditions for approval set by the MC, on the basis of the LP principle, a Subsidy Contract between the MA and the LP is concluded. The subsidy contract constitutes the legal framework for the implementation of the project.



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The Subsidy Contract confirms the final ERDF commitment to the project, it determines the rights and responsibilities of the LP and the MA, the conditions for support and all the necessary implementing arrangements. The final application form is an integral part of the Subsidy Contract. **A model of the Subsidy Contract is available on the website of the Italy–Croatia CBC Programme.**

The LP has one month for accepting the subsidy contract offer sent by the MA/JS. To accept it, the LP shall send back to the MA/JS two original print-outs of the subsidy contract that are dated and signed by the legal representative of the LP institution. Alternatively, the subsidy contract can also be signed and returned digitally with a qualified electronic signature that is compliant with the eIDAS Regulation (Regulation (EU) No. 910/2014). The MA will then send back to the LP a countersigned copy of the subsidy contract.

**Note:** Programme strongly recommends using digital signature whenever possible.

If the LP does not accept the subsidy contract offer within the above-mentioned period, the offer loses validity unless an extension is granted by the MA.

### **The Partnership Agreement**

The Partnership Agreement (PA) is a document formalizing the organization of the partnership and defining the responsibilities of each partner for the implementation of the project in accordance with the final application form. The PA is concluded between the LP and all the partners involved in the project. The PA clearly states the so called “LP Principle” for the operational management and coordination of the project. The PA allows the LP to extend the liabilities of the Subsidy Contract to the level of each partner and comprises provisions that, inter alia, guarantee the rights and obligations of each PP, the sound financial management of funds allocated to the project, the arrangements for recovering amounts unduly paid, etc. A model of Partnership Agreement with minimum compulsory contents is provided by the Programme and made available to beneficiaries. Additional elements may be included in order to tailor the agreement to the needs of a partnership. Additional provisions included in the document must in any



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case be in line with the Programme objectives and the legal framework mentioned in the subsidy contract and partnership agreement model.

The agreement must be concluded and signed by the partners as soon as possible and before the signature of the subsidy contract. A copy of the signed agreement must be provided to the MA/JS and annexed to the Subsidy Contract. The MA and JS will check the partnership agreement in order to verify that it has been signed and that it meets the minimum requirements set by the Programme. Any subsequent change of PA must be communicated to the MA/JS.

### 3.4 Lead Partner principle and project start

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

#### **Lead Partner Principle**

In compliance with the “LP principle”, each project partnership shall appoint one organisation acting as LP. **The LP takes full financial and legal responsibility for the implementation of the entire project.**

The **Lead Partner (LP)**:<sup>20</sup>

*(a)lays down the arrangements with the other partners in an agreement comprising provisions that, inter alia, guarantee the sound financial management of the respective Union funds allocated to the Interreg operation, including the arrangements for recovering amounts unduly paid;*

*(b)assumes responsibility for ensuring implementation of the entire Interreg operation; and*

*(c)ensures that expenditure presented by all partners has been paid in implementing the Interreg operation and corresponds to the activities agreed between all the partners, and is in accordance with the document provided by the managing authority pursuant to Article 22(6).*

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<sup>20</sup> In line with Interreg regulation art.26



**! POINT OF ATTENTION**

The partnership is strongly advised to agree on an internal reporting procedure and to set internal deadlines in the Partnership Agreement to ensure that the documents reach the Joint Secretariat on time. The Lead Partner should ensure timely submission of the reports and for that purpose it is suggested to conduct trainings for the project partners. The partners should also carefully consider and agree on how the results and outcomes of the project really are joint property of all project participants (LP and PPs), and how each project participant grants a simple, non-exclusive right of use of any produced work to all other project participants.

**PROJECT START – tasks:**

Tasks associated to project start phase, including project management and coordination:

- Setting up Project Steering Committee:

Each project must set the necessary procedures for decision-making and coordination between the partners. For this reason, projects are requested to set up a **Project Steering Committee**, an internal body of the project, composed of representatives of all project partners.

The tasks of the Project Steering Committee include as a minimum:

- Monitoring and validating the project contents: verifying that the project implementation is in line with activities and outputs defined in the approved Application Form, and validating the quality of main project outputs and the progress towards achieving set objectives;
- Monitoring of project finances: monitoring the project budget and project spending;
- Review of the management performance and of the quality of progress reports towards the Programme bodies;
- Decisions on required project modifications (e.g. content, partnership, budget, duration) to be requested for approval to the Programme bodies;
- Working groups, task forces and advisory groups may be established to coordinate the day-to-day running of activities, to fulfil specific tasks, etc.
- Adequate representation of involved partners must be observed in establishing decision-making and coordination mechanisms.



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The setup of the project Steering Committee and the organisation of the first meeting must be ensured as early as possible. At the beginning of the project, the project also establishes the Steering Committee rules of procedures whilst describing in detail the management structure that guarantees the proper implementation of the project and marks the launch of project activities.

- **Organisation of project management:**

- Projects need to establish a clear management concept including a decision-making structure able to steer and monitor project progress and, in case of unforeseen situations or risks, to adjust project implementation and find adequate mitigation measures;
- Project needs to set up the **Project management unit (PMU)** consisting of:
  - ✓ Project Manager: is experienced so as to ensure the thematic coordination of the project activities and work packages; is able to act as a driving force of the project and to mobilise the partnership in order to achieve the objectives set in the application; is experienced in management of EU funded projects; speaks and reads fluently English to ensure communication within the partnership and with the Programme authorities.
  - ✓ Financial Manager: is experienced so as to ensure the management of the project budget, including budget modifications, financial reporting and submission of payment claims to the Programme. FM must ensure that project partners have received the Interreg funds and verification of the correct transfer of Interreg funds to the partners; is responsible to closely and regularly monitor the financial performance of the project partners; works in close contact with the project coordinator and the partners in order to enable the efficient overall financial management of the project; ensures that the project does not contribute to the Programme de-commitment risk; is familiar with accounting/bookkeeping, as well as with handling international transactions; is aware of the EU and national legislation regarding financial management and controls, public procurement and, where appropriate, State aid.
  - ✓ Communication Manager: should be able to coordinate the communication flow and communication content production from all the partners, to collect, process and elaborate



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complex concepts and data (also scientific) into visually appealing message easy to convey via different project communication channels to various types of users.

- Projects should tackle quality management, in order to ensure consistency and coherence of the information and content of a deliverable, in tight connection with the activity that it corresponds to. Specifically, for the outputs: a) how the output contributes to the Programme actions and/or targets, b) how the output can be used and by whom (target group), what is the benefit for the target groups and the target area, c) how the sustainability of the output can be ensured;
- Projects should put in place evaluation plan that is related to deciding how the project will be monitored and assessed to determine the project's success and effectiveness. An effective evaluation plan should show how the project will be monitored and how its objectives will be met;
- Projects should put in place a risk management plan to address aspects such as possible modifications to the project plan, to the achievement of outputs and results, partners dropping out, delays in delivery, etc.). Following risks may be taken into account when setting up risk management plan (*non-exhaustive list*):
  - ✓ Strategic - related to the rationale, quality and timely delivery of the project objective, result or outputs, including to the work plan implementation and to procurement – linked to the involvement of external experts or consultants in project implementation;
  - ✓ Pilot project, innovation and investment related risks – linked to timely availability of necessary documents, the development or implementation of innovative technology or solutions or to the investment delivery stages, ownership or durability issues in case of infrastructure or productive investments;
  - ✓ Communication – potentially ineffective project communication strategy with internal or external effects, poor visibility on the Italy–Croatia Programme territory making roll-out or upscaling of outputs difficult, non-compliance by partners or sub-contractors with Programme publicity rules;





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- ✓ Finance – linked to the receipt of match-funding required for the project, accuracy of budgeting or financial milestone-setting for ERDF subsidy contracts, state aid rule application, individual partner cash flows, etc.
- Kick-off meeting:
  - Purpose: organised within a reasonable deadline after the approval of the SC, in order to ensure that all partners are ready to start the implementation work and are clear about what steps to take next
  - Scope: a) all partners should be present, b) represents an overview of the project contents and gives the new staff of the project, who did not take part in the preparatory meetings, the opportunity to introduce themselves
  - Participation of Programme relevant bodies is to be considered in the light of both strategic role and decisions to be made.
- Mid-term review meeting:
  - The projects have to organise the mid-term review at half way during implementation with the participation of the JS.
  - The mid-term review meeting complements information collected through continuous reporting and monitoring and helps reaching a common view on the state of play of project implementation between the partnership and the MA/JS. The review also allows to assess the effective capacity of the project to achieve its objectives and targets as defined in the approved application form, also in light of possible external factors. In project reviews the LP should ensure a close engagement of all project partners in order to discuss the planning of upcoming activities as well as to identify any deviations and modifications.



## 4. COMMUNICATION

### 4.1 Introduction on project and Programme communication

Project communication contributes to the Programme approach for the communication and visibility that in the 2021-2027 period is the integral part of the approved Programme<sup>21</sup>. In particular, project communication has to aim at making the stakeholder in the Programme area aware of the project results and achievements and has become one of the key elements to ensure durability and transferability of outputs and results. Interreg Programmes have demonstrated that the achievement of good results may go far beyond the indicators established in the Programmes and imply impacts which are meaningful for citizens' life but difficult to measure, such as building trust across borders. The success of project communication depends on establishing and developing continuous relations with the key target groups and general public throughout and even beyond the project lifetime. The success of Programme communication depends on good project results and good cooperation between the project partners and the Programme Authorities. Therefore, it is necessary that the projects ensure constant and regular contact with MA/JS. The MA/JS will provide communication trainings, templates and technical tools to projects as support for project communication. In return, the MA/JS expects the projects to deliver content for communication activities at the Programme level, e.g. content for the Programme website, recommendations for interviews to partners, high quality photos with public copyright license, information about upcoming key events or contributions to events, or online and print publications.

#### **APPLICATION PHASE: COMMUNICATION IN PROJECTS**

Targeted communication will help projects to achieve aims and ensure transparency in the use of the EU funds. Communication activities are an important and integral part of project implementation, and thus require detailed planning as well as adequate allocation of resources. Communication is a transversal project task and implies the engagement of all project partners. The quality of project communication results comes from a committed work of all partners and not only the Lead Partner or the partner

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<sup>21</sup> Interreg Italy–Croatia Programme (chapter 5).



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responsible for communication activities. Furthermore, a good internal communication management within the partnership is a key for the successful external communication of the project. Thus, it is required that each project partner appoints one person responsible for communication. The Lead Partner must make sure that at the project level is appointed the project Communication Manager responsible for planning and coordination of communication measures for the whole project.

### **⚠ POINT OF ATTENTION:**

The Programme strongly suggests that the appointed communication manager is experienced in the community facilitation, digital tools and channels, content preparation, event organization and has a good level both of written and spoken English language.

### **IMPLEMENTATION PHASE: PROJECT COMMUNICATION APPROACH**

The Application Form in this Programming period doesn't foresee a dedicated work package (WP) for communication. Nevertheless, the communication activities must be foreseen and budgeted.

The budget is ineligible for the following activities:

- creation of a project logo;
- the development, hosting and maintenance of a project website/platform or app for communication and dissemination of the project activities.

The Programme will provide for each of the approved project the project communication kit (including at least the logo in different versions, templates for poster and billboard/permanent plaque where relevant) and the project website (CMS).

All partners need to foresee the necessary human resources internally or externally to develop and deliver the communication activities, as well as any other costs arising from implementation of the communication activities (i.e. managing and feeding the project website with relevant content, social digital channels, internal communication tools, acquisition of the licences for the content production such as i.e. photos for the website, infographics in pro version, data tools for the website embedding, printing the material, services for events organization, advertising services acquisition, gadgets, etc.). Financial and



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human resources must be allocated to ensure the project participation in external events (other than the Programme events and seminars/trainings) when justified and useful for the project scope. Each project should allocate resources for its own communication activities and in order to establish a regular work relationship with the Programme. The partnership should assign communication responsibilities to a single Partner, whereas a contact person should be designated to act as liaison with the Programme. When developing the budget for communication, partners should respect the value for money principle. This means that all activities proposed need to be in direct link with one of the communication objectives and the specific target groups. Communication related costs should be reasonable and fully in line with the objectives and deliverables. Projects are invited not to underestimate the communication costs.

### 4.2 Project branding, information and visibility rules

All projects need to observe a series of compulsory publicity and communication rules laid down in the EU Regulations<sup>22</sup> and this Programme Implementation Manual.

Specific national rules may apply but these must not, under any circumstances, prevail or appear to be in contradiction with the provisions indicated in the above mentioned documents.

The project partners are obliged to communicate and to inform the stakeholders and direct/indirect beneficiaries of the operation financed about the support received from the European Union. EU and project branding illustrative elements (that will contain the Programme elements) have to be clearly and visibly displayed “on documents and communication material relating to the implementation of the Interreg operation attended for the general public and participants” (art. 50 of CPR).

Obligations stand for (non-exhaustive list):

- printed publications: reports, promotional handouts;
- audio-visual: videos, audio podcasts, channels;
- digital or electronic materials (websites, web tools, videos, infographics, etc.);
- events (e.g. on presentations, agendas, bags and other material/gadgets);

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<sup>22</sup> [Regulation \(EU\) 2021/1060](#) of the European Union and of the Council of 24 June 2021, articles 47 and 50  
[Regulation \(EU\) 2021/1059](#) of the European Parliament and of the Council of 24 June 2021, Article 36



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- Stationery and office materials;
- Equipment (computers, photo cameras, TV screens etc.).

### EU ILLUSTRATIVE ELEMENTS

Projects financed by the Programme must use the following illustrative elements on all documents and materials as indicated in EU Regulations:<sup>23</sup>

- The European Union emblem<sup>24</sup>
- The statement ‘Funded by the European Union’ or ‘Co-funded by the European Union’ written in full and placed next to the emblem.
- The term “Interreg” used next to the emblem of the Union Project logo

Interact Programme, in collaboration with the European Commission, designed a logo template for all Interreg Programmes and projects in strict compliance with the aforementioned EU regulations. The project logo therefore includes the following elements:

- The European Union emblem;
- The statement “Co-funded by the European Union”;
- The Interreg logo;
- The Programme name (“Italy–Croatia”);
- The project acronym.

In order to ensure that project partners comply with the EU communication and visibility rules, and to prevent risk of ineligibility of costs, a tailor-made communication kit will be delivered to each approved project containing the project logo in JPG and EPS files in different versions. In addition, the Programme will design a brand book explaining the rules of logo use and correct application. All Interreg Italy–Croatia projects must use the logo provided by the Programme and use it in accordance with the brand book.

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<sup>23</sup> Article 47 of the Regulation (EU) 2021/1060 and Article 36 of the Regulation (EU) 2021/1059

<sup>24</sup> In accordance with Annex IX of the Regulation (EU) 2021/1060



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Beneficiaries are advised to carefully follow branding rules in order to minimise the risk of ineligible costs related to non-compliance to Programme branding rules.

However, as with logos above, specific websites can still be introduced by projects as an output of the project for specific services and products (label or brand) that are connected to thematic activities and expected to sustain the activities beyond the project duration that deserve a specific dedicated platform different than the project website. These productions should be properly motivated with indications on how the sustainability is planned during and after the project end, explaining the reasons why the activity cannot be implemented by the means of the project website. Please be aware that specific branded awareness campaigns and events web pages, online tools for specific visualisations of data and other types of content may be developed and have to be displayed on the project website by the means of links and iframe embedding.

### PROJECT ACRONYM

The project is identified on the Monitoring System Jems by the means of an acronym. It is strongly recommended that this acronym does not exceed 12 characters since an excessively long acronym will complicate the project logo production. The definition of project acronym should follow a few guidelines:

- Be short and easy to remember;
- The acronyms of previous projects shouldn't be repeated in order to prevent any confusion or mistakes with past projects;
- Be intuitive, meaning that it must correctly identify the project mission and vision;
- Be easy to pronounce and likely to attract the attention. For this reason, technical information should be avoided, including Programme specific terminology, reference at Italy–Croatia Programme (already included in the logo) or to Adriatic Sea for example.

### POSTER

Each partner of an Interreg operation must place a poster of a minimum A3 size or equivalent electronic display with information about the project including the financial support from the Union and the project



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logo at a location clearly visible to the public, such as an entrance area of a building. In order to help project partners to comply with this obligation, the Programme will provide a Poster template available for download on the Programme website. All project LPs should collect from all the project partners a photographic evidence of this poster display and send it together with the first activity report.

### **BILLBOARDS AND PLAQUES**

In the case of physical investment or the purchase of equipment, the display of durable plaques or billboards clearly visible to the public, presenting the project logo is mandatory for each partner claiming investment/equipment costs. The plaque or billboard must be placed as soon as the physical implementation of the operation starts, is purchased, or the equipment installed. The Programme shall provide the template for the aforementioned items.

### **PROJECT WEBSITE**

The Programme provides and hosts a complete ready-to-use website to each approved project (please see the related chapter). Project websites must be updated on a regular basis and provide a short description of the project in English including its aim and results and highlighting the financial support from the Union. Concerning project website, only costs related to staff (for regular content updates) should be budgeted. In case the project develops a specific web tool, a link to the project website must be placed in a clearly visible place and the update of the latter must not be overlooked.

### **PARTNER INSTITUTIONAL WEBSITE**

All project partners must publish on their official institutional websites (“where such website exists”) and social media channels the project logo in a visible place, highlight the financial support from the Union with a short description of the project proportionate to the level of support, including its aims and results. A link to the project website in the Italy–Croatia CBC Programme platform should also be added.

### **EVENTS**

The project logo shall be used on agendas, list of participants, event-related publications, promotional materials and presentations. During the events, projects are encouraged to place the project poster or a project banner in a readily visible place (e.g. the front of the meeting room). All projects should foresee



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enough budget for the organization of at least two high-level dissemination events (i.e. mid-term event to showcase the achievements and the project progress in reaching the milestones, while the final event will be the moment to showcase the overall accomplishments during its life time) able to reach wide public in terms of the number of audience and in terms of the audience composition (ensuring the involvement of different types of territorial and European actors). All projects should foresee enough budget for ensuring the active participation in organizing the joint events with the Programme and with the EU organizations, as well as for the participation to the Programme seminars/workshops/infodays (at least for the LPs and the members of the PMU).

In addition, the Operations of Strategic Importance and operations whose total cost exceeds EUR 5.000.000,00 must organize a communication event involving the Commission and the Managing Authority in a timely manner.<sup>25</sup>

### PUBLICATIONS

All project publications, including brochures, newsletters, studies, articles and others must include the project logo. When this is not possible, for example, in scientific articles, conference proceedings or other publications, projects should explicitly mention the “contribution from the EU co-financing and the Interreg Italy–Croatia Programme”. In addition, projects are strongly recommended to publish in the appropriate section of the Project website the most essential results (or a summary of them) in the official language of the Programme – English - in addition to the other languages and in the format and language easy to understand and to disseminate.

### PROMOTIONAL ITEMS

Promotional items can be a good way to raise awareness about a project and enhance the recognition of the overall Interreg brand. However, they should be produced only if they meet strategic objectives and are linked to a promotion strategy. Please take notice of some parameters to take into account when producing goodies:

- is it relevant for the promotion of my project?

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<sup>25</sup> Interreg Regulation art.36 (4)





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- Is it easy to distribute?
- is it useful, creative and memorable enough?
- is it green? It is strongly recommended to adopt a "green approach" for the promotional gadgets and think about the environmental perspective (avoid plastic).

Again, the golden rule: all promotional gadgets should be branded with the project logo and the reference to the EU co-financing.

### **SOCIAL MEDIA**

Social media, if properly managed, may be very useful to reach a wide range of target audiences. This communication medium is however very diverse – channels have different rules, language and approach. All social media channels need regular feeds which can also be time consuming, as well as the community raising around the new social channel that has limited life-time. The Programme encourages its projects to develop an online presence through some of the social media channels whenever this fits with their communication objectives and is in line with the specificities of their target audiences.

Social media has the advantage of being a two way communication channel, meaning that projects can also get useful feedback from their target groups. The messages posted should therefore reflect the needs of the project and the timing of project delivery. Although social media is in theory free of cost, projects that aim to reach their target groups via these channels should foresee the necessary time and resources to prepare quality content for their social media channels able to inform, stimulate curiosity of their stakeholders, engage them in the project activities and teach them about new project developments and solutions. Thus the projects are encouraged to analyse and map the stakeholders' social media presence in order to choose the most relevant channel.

Please note: It is strongly recommended to produce relevant communication products such as short video-pills, infographics and other visual contents that can be shared on partner social media as well as on other digital channels of the project, the Programme and other relevant stakeholders.



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### 4.3 Project communication strategy

The projects funded by Interreg Italy–Croatia Programme contribute to the achievement of the Programme objectives and horizontal principles by answering their stakeholders' and target groups' needs as described in the Programme's intervention logic. Communication is present in all sections of the project work plan in the application form (AF) with the following logic:

- Where the communication supports the achievement of a specific objective of the project (i.e. by informing or engaging with the TAs), then activities are listed in the work packages. In each work package, applicants choose to include zero, one or more communication objectives. Every project must have at least one communication objective. Communication objectives aim at changes in a target audience's behaviour, knowledge or belief.
- Where communication supports the partnership coordination (i.e. for facilitating the communication flow, reaching a common understanding, knowledge raising etc.), then activities are described in the project management section.
- If communication supports the transfer of project results to target audiences by the whole partnership, then activities are described in the project.

The above-mentioned elements should be prepared as a plan in order to facilitate the organisation of the communication activities. This plan is the communication strategy of the project.

**The communication strategy should be drafted at the very beginning of the project implementation and approved by the project steering committee.** The strategy should be drafted as a short document that clearly states all the project partners' tasks in the implementation of communication activities, including a short description of all communication activities, the timeframe and budget allocation.

The communication strategy should support project management and thus be linked to the specific objectives of the project. Communication objectives shall be defined in accordance with one or more project's specific objectives, and they must be relevant in relation to the identified target groups. Approaches refer to the different types of interaction between communication players (all project partners) and the audience. The same approach might be relevant for several objectives, while one



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objective could also be reached through the implementation of several approaches. The concrete implementation of an approach is an activity. The activities are described in the application form and illustrated by deliverables.

### **! POINT OF ATTENTION**

#### **STANDARD PROJECTS AND OSI**

Should prepare and implement a project Communication Strategy.

#### **SMALL-SCALE PROJECTS**

Having small-size budget and restricted timeline the small-scale projects are requested to define and deliver the Editorial plan (guiding template is provided by Programme) instead of Communication Strategy.

### **Possible communication activities and deliverables**

The communication activities will be included into the different work packages as there is no work package dedicated to communication.

Table 7. Communication activities and deliverables

| Type of activity             | Example of deliverables   |
|------------------------------|---|
| <b>Event organization</b>    | Follow-up report<br>Training methodology<br>Satisfaction survey and report<br>Website and social media analytics<br>Presentation material<br>Video production (interviews, podcasts, video clips etc) |
| <b>Knowledge transfer</b>    | E-learning course<br>Training course material<br>Video course<br>Stakeholders and beneficiaries database (in Open Data format)  |
| <b>Information provision</b> | Newsletter<br>Communication campaign<br>Book<br>Brochure<br>Interactive digital infographics (on web/social media)  |
| <b>Networking</b>            | Agreement<br>Memorandum of Understanding  |



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|                                      |  |
|--------------------------------------|--|
|                                      | Protocol   |
| <b>Thematic community setting up</b> | Survey/ questionnaire/ collecting information tool<br>E-learning course<br>Training course material<br>Training report Training methodology<br>Thematic data collection and production of interactive report<br>Good practices collection and production of interactive report<br>Stakeholders and beneficiaries database (in Open Data format)<br>Management and facilitation of digital tool |

**Monitoring and evaluation of communication activities**

The communication system should be tested periodically to ensure that messages are received and understood and the receivers are satisfied with the method deployed. The monitoring and evaluation of communication actions can increase their effectiveness, awareness and knowledge raising.

Common indicators enable to improve the quality of the actions carried out, enhancing the comparability of data and thus laying the basis for future benchmarking. The Programme may decide to adopt common indicators for communication activities and ask the projects to provide their contribution.

Monitoring is a continuous and systematic process of data collection and helps to verify the achievement of intermediate objectives in order to improve communication actions during the project life-cycle. These activities also allow to increase the transparency of communication actions through a clear and consistent measurement of their impact and effectiveness.



## 5. FINANCIAL MANAGEMENT

### 5.1. General eligibility requirements

Expenditures have to fulfil all the following **general eligibility criteria**:

- Expenditures are related to the preparation and implementation of the project as approved by the Monitoring Committee, are essential for the achievement of the agreed project activities and would not be incurred if the project is not carried out;
- Expenditures are incurred and paid by the beneficiaries indicated in the AF during the eligibility period of the project;
- Expenditure must comply with the principle of sound financial management (economy, efficiency and effectiveness);
- Expenditure must comply with the principle of real costs, with the exception of the costs calculated as Simplified costs options (SCOs);
- Double-funding is excluded;
- Expenditures are supported by invoices or other documents with probative value directly attributable to a certain beneficiary (with the exception of the costs calculated as flat rates and lump sums);
- Expenditures are registered in the beneficiary's accounts through a separate accounting system or an adequate accounting code set in place specifically for the project (with the exception of costs calculated on the basis of flat rates or lump sums);
- Expenditures are not in contradiction with any specific eligibility criterion applicable to the respective cost category;
- Expenditure is in line with the eligibility rules and, where applicable, relevant procurement rules have been respected;
- An authorised Controller has validated the expenditure (applying risk-based management verifications).

### 5.2. Hierarchy of rules regarding the eligibility of expenditures

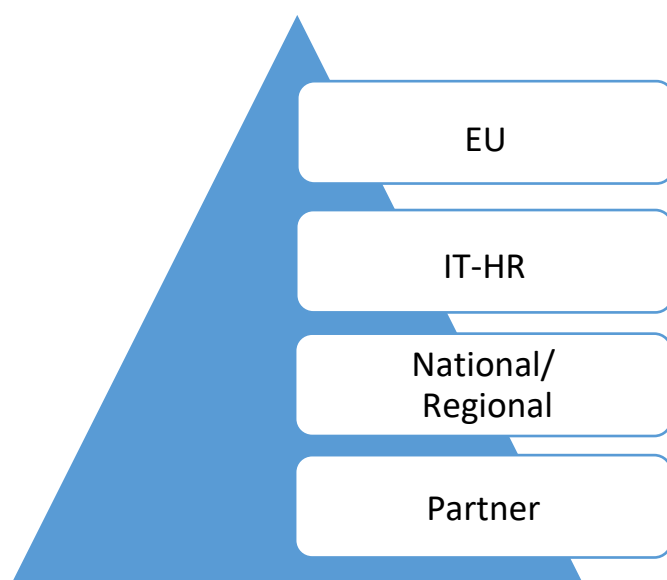
The hierarchy of rules applicable to Interreg Italy–Croatia projects in relation to the eligibility of expenditures is the following:



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- European level - EU regulations
- Programme level - specific rules decided for IT-HR Programme
- National/regional level rules applicable in each Member State
- Partner institutional level - internal rules applicable to each partner organisation

Image 6. Hierarchy of eligibility rules



This means that partners should first consider EU regulations when incurring expenditure. Where EU rules do not stipulate provisions, Programme rules apply. If neither the EU nor the Programme has a set rule, then national/regional legislation applies. Finally, the partner's internal rules should be followed, if specific issues have not been covered by the previous levels.

### 5.3. Time-wise eligibility of expenditure

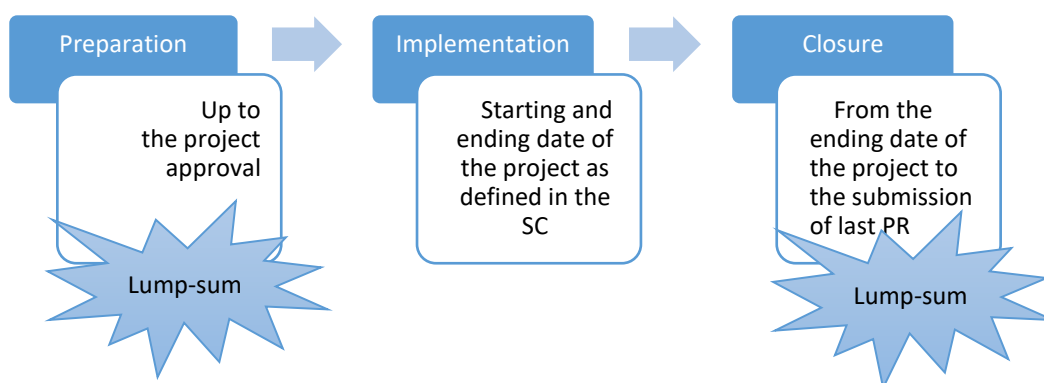
Expenditure is eligible if it has been incurred by the beneficiary and paid between the **1<sup>st</sup> of January 2021** and the **31<sup>st</sup> of December 2029**.

Expenditure shall incur in the eligible period in line with the phases of preparation, implementation and closure of the project:



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Image 7. Eligibility of expenditure in time

**Project preparation**

The Project preparation phase comprises all activities related to the elaboration and submission of the Application Form and it ends with the approval of the project including the contracting phase. Preparation costs are reimbursed through a lump sum.

**Project implementation**

Costs for the implementation of an approved project are eligible from its start date until its end date as stipulated in the Subsidy contract (SC).

**Project closure**

Closure costs of a project refer to activities related to the preparation and submission of the last progress report including the control of expenditure of the last reporting period.

The costs related to closure activities are reimbursed through a lump sum.

In addition to the closure lump-sum, partners are entitled to report during the closure process the following costs:



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- Project implementation costs (other than staff costs): for expenditures incurred for the last project period activities (activities that are concluded within project end date and regularly reported in the project final report), invoices shall be issued and paid within 60 days after the project end date at the latest;
- Project implementation staff costs (including social charges) which are incurred before the end date of the project and paid no later than 60 days after the project end date;
- Control costs related to the certification of the last progress report expenditures, i.e. in case of external controllers of Italian partners.

### 5.4. Non-eligible expenditure

The following costs are not eligible (not exhaustive list):

- Interest on debts;
- Purchase of land for an amount exceeding 10% of the total eligible expenditure for the project concerned. For derelict sites and for those formerly in industrial use which comprise buildings, that limit shall be increased to 15%;
- Fines, financial penalties and expenditure on legal disputes and litigation;
- Costs of gifts;
- Costs related to fluctuation of foreign exchange rate;
- In-kind contributions (including unpaid voluntary work);
- Splitting cost items among project partners (i.e. sharing of common costs);
- Discounts not considered when claiming the costs (only the discounted amount is to be regarded as eligible);
- Fees between beneficiaries of a same project for services, equipment, infrastructure and works carried out within the project;





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- VAT for projects where the total costs are at least EUR 5.000.000 (including VAT), where it is recoverable under the national legislation,
- for State Aid relevant partners under GBER schemes, regardless the value of the project, VAT where it is recoverable under the national legislation;
- Costs of management verifications if performed by an internal controller.

Furthermore, the Programme will not support activities excluded from the ERDF scope<sup>26</sup> such as the decommissioning or the construction of nuclear power stations.

### 5.5. Simplified Cost Options (SCOs)

The Programme makes extensive use of Simplified Cost Options (SCOs) and encourages beneficiaries to apply this option as much as possible in view of reducing administrative burden and possible source of errors. SCOs can take the form of Lump sum, flat rates or unit costs and imply approximations of costs that can, by definition, overcompensate or undercompensate the costs incurred by the supported operation. The aim is to shift the focus more on outputs rather than on inputs of the project, in particular from the management verifications' point of view and to introduce a significant simplification. In particular, by applying SCOs project partners should take into consideration that:

- They do not need to provide justification of expenditure and to document that the expenditure has been incurred, or that the lump sum, or flat rates correspond to reality;
- Flat rates are calculated on real cost expenditure (budgeted in the application form or reported in the progress report) in Jems;
- Corrections of reported real cost expenditure will result in a corresponding correction of the flat rate costs;
- The focus of controls is on the correct reporting of real costs and on verifying that no expenditure related to the flat rates or lump sum is included in any other budget line.

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<sup>26</sup> See article 7 of Regulation (EU) 2021/1058 – ERDF.



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The list of SCOs available to beneficiaries is as follows:

- ✓ Lump Sum for Preparation costs 17.000,00€ (ERDF + co-financing) per Standard project or 2.300,00€ (ERDF + co-financing) per Small-scale project;
- ✓ Lump Sum for Closure costs 2.000,00 € (ERDF + co-financing) per partner of a Standard or Small-scale project;
- ✓ 20% Flat for Staff costs (Flat rate of 20% of eligible direct costs other than staff costs);
- ✓ 15% Flat for Office and administration costs (Flat rate of 15% of eligible direct staff costs);
- ✓ 15% Flat for Travel and accommodation costs (Flat rate of 15% of eligible direct staff costs);
- ✓ 40% Flat for all costs excluding Staff (Flat rate of 40% of eligible direct staff costs).

Table 8. Lump sums overview

| Lump-sum          | Type of Project                  | Amount (EUR)  | Notes                                    |
|-------------------|----------------------------------|---------------|--|
| Preparation costs | Standard projects                | 17.000,00 EUR | (ERDF + co-financing) <u>per project</u> |
|                   | Small-scale projects             | 2.300,00 EUR  | (ERDF + co-financing) <u>per project</u> |
| Closure costs     | Standard or Small-scale projects | 2.000,00 EUR  | (ERDF + co-financing) <u>per partner</u> |

Specifications concerning SCOs and in particular Lump sums for Operation of Strategic Importance (OSI) will be available at a later stage.

The table below provides an overview of applicable combinations of different SCOs by each project.

Table 9. Overview of SCOs

| Cost categories                 | Option n.1   | Option n.2                     | Option n.3   |
|---------------------------------|--|--------------------------------|--|
| Staff costs                     | REAL costs (Part time with fixed percentage method or Full-time) | 20% Flat on other direct costs | REAL costs (Part time with fixed percentage method or Full-time) |
| Office and administrative costs | 40% Flat on Staff costs  | 15% Flat on Staff costs        | 15% Flat on Staff costs  |



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|                                       |  |                         |                         |
|---------------------------------------|--|-------------------------|-------------------------|
| Travel and accommodation costs        |  | 15% Flat on Staff costs | 15% Flat on Staff costs |
| External expertise and services costs |  | REAL costs              | REAL costs              |
| Equipment costs*                      |  | REAL costs              | REAL costs              |
| Infrastructure and works*             |  | REAL costs              | REAL costs              |

\* This cost category is not available for Small-scale projects.

### /!\ POINT OF ATTENTION

Flat 20% Staff should not include as direct costs (other than Staff) public contracts exceeding the following thresholds:

- a) EUR 5.186.000,00 for public works contracts;
- b) EUR 134.000,00 for public supply and service contracts awarded by central government authorities and design contests organised by such authorities;
- c) EUR 207.000,00 for public supply and service contracts awarded by sub-central contracting authorities and design contests organised by such authorities;
- d) EUR 750.000,00 for public service contracts for social and other specific services.

## 5.6. Specific cost category provisions

The Programme applies six different cost categories in line with the Interreg regulatory framework:

1. Staff costs
2. Office and administrative costs
3. Travel and accommodation costs
4. External expertise and services costs
5. Equipment costs
6. Costs for infrastructure and works



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### 5.6.1. Staff costs

Staff costs consist of gross employment costs of staff employed by the beneficiary implementing the project. Staff can either be already employed by the beneficiary or contracted specifically for the project.

Staff costs may be reimbursed in one of the following form:

1. as Real costs where the beneficiary must document that expenditure has been incurred and paid out (proven by the employment document and payslips);
2. as a Flat rate equal to 20% of direct costs other than staff costs (external expertise and services, equipment, infrastructure and works) with no need to document that the expenditure has been incurred and paid out.

Each beneficiary must choose one of the above reimbursement options already in the project preparation phase when drafting the Application form. The same reimbursement option will apply to all staff members of the beneficiary working in this project and it will be set for the entire project duration. During project implementation, it is not possible to change the chosen option.

#### REAL COST

#### Option n.1 and n.3 Staff costs reimbursed on a real basis:

Staff costs consist of gross employment costs of staff employed by the beneficiary implementing the project in one of the following ways:

1a) full time;

1b) part-time with a fixed percentage of time worked per month;

Staff costs shall be limited to the following:

(i) salary payments related to the activities which the entity would not carry out if the operation concerned was not undertaken, provided for in an employment document, either in the form of an employment or work contract or an appointment decision, or by law, and relating to responsibilities specified in the job description of the staff member concerned;



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(ii) any other costs directly linked to salary payments incurred and paid by the employer, such as employment taxes and social security including pensions as covered by Regulation (EC) No 883/2004 of the European Parliament and of the Council, on condition that they are:

- provided for in an employment document or by law;
- in accordance with the legislation referred to in the employment document and with standard practices in the country or the organisation where the individual staff member is actually working, or both; and
- not recoverable by the employer.

Payments to natural persons working for the beneficiary under a contract other than an employment or work contract may be assimilated to salary payments and such a contract shall be considered an employment document.

**! POINT OF ATTENTION**

Overtime is eligible, provided it is in line with the national legislation and the employment policy of the partner organisation, and it is actually paid to the staff member (it can be foreseen for full-time employees on the project).

Benefits linked to salary payments are eligible if they are in line with the employment policy of the partner organisation (e.g., lunch vouchers, bonus payments).

Holidays resulting from the employer's normal obligations are eligible (they form part of the gross employment cost).

Overheads and any other office and administration costs, daily allowances and any other travel and accommodation costs cannot be included under this cost category.

Unpaid voluntary work (i.e. contribution in kind) is not eligible.

Costs of staff are eligible if no other EU funds have contributed towards financing of the same expenditure item (i.e.: no double financing is permissible according to Article 63(9) CPR).



## Italy – Croatia

The following types of working/employment contracts are eligible under this cost category:<sup>27</sup>

### A) Italy

- Permanent staff (“Personale a tempo indeterminato”);
- Temporary staff (“Personale a tempo determinato”);
- Collaborators, term-contract workers;
- Scholarships, PhD Scholarship, Research allowances/grants.

The above-mentioned list may be subject to updates and revisions upon adoption of specifications at National level.

### B) Croatia

- Work/Employment Contract (both permanent and temporary) signed both by the legal representative of the employer and the employee;
- Appointment decision, including temporary appointments (for civil servants) issued by the legal representative of the employer’s institution which complies with the national legislation.

Other types of working/employment contracts such as “employees hired by a temporary work agency” (Lavoro da Agenzia interinale), in Italy, and/or Service/fee based contract (“Ugovor o djelu”), in Croatia, are not eligible under Staff cost category and may be eligible under External expertise and services.

#### 1a - Calculation of costs for staff working full-time on the project:

For individuals employed by the beneficiary to work full-time on the project, the total gross employment costs incurred by the employer are eligible.

The fact that the individual works full-time on the project has to be clearly stated in the employment document itself or, if not mentioned, in a specific assignment document issued for the project.

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<sup>27</sup> NOTE: This information should be revised once the NATIONAL RULES for verification are established.



## Italy – Croatia

1b - Calculation of costs for staff working part-time on the project with a fixed percentage of time worked per month:

For individuals employed by the beneficiary and assigned to work part of their time on the project, eligible costs shall be calculated as a fixed percentage of working time spent by an employee on the project per month.

This percentage is set out in the employment document or, if not mentioned already there, in a specific assignment document issued for the project which is reflecting the employee's related functions, responsibilities and tasks to be performed in the project and shall be individually fixed for each employee.

The fixed percentage of the gross employment cost is eligible. The percentage has to be established at the beginning of the project and should in principle remain the same for the whole project implementation. However, in case of changes of tasks/responsibilities/functions of the employee, this percentage can be revised and the employer will have to change the assignment document accordingly in order to reflect the incurred changes. It is strongly advised to keep fixed percentage unchanged within the same reporting period to allow smooth implementation and audit trail.

The reimbursement of staff costs shall be calculated by applying the percentage indicated in the employment document (/in the assignment document) to the monthly gross employment cost.

**EXAMPLE 1a - Staff working full time on the project**

Total monthly salary costs (gross salary and employer's social charges) =  
€3.000,00  
Percentage of time worked monthly on the project = 100%  
Eligible costs = €3.000,00 \* 100% =  
€3.000,00

**EXAMPLE 1b - Staff working on a fixed % on the project**

Total monthly salary costs (gross salary and employer's social charges) =  
€3.000,00  
Fixed percentage of time worked monthly on the project = 60%  
Eligible costs = €3.000,00 \* 60% = €1.800



## Italy – Croatia

**Supporting documents for the audit trail:**

- Employment document setting out the % of time worked on the project (Full-time or fixed percentage) and job description;
- Assignment document (only in case that the % of time spent on the project and job description is not already clearly indicated in the employment document);
- Payslips, and
- Other documents of equivalent probative value which allow proof of payment of gross employment costs (e.g. an extract from a reliable accounting system of the beneficiary, confirmation of tax authority, bank statement).

It is expected that basic information on the project such as project name, acronym, partner name and name of the employee are included in the employment document (or in the assignment document).

Option n.1 and n.3 (1a or 1b) does not require establishing a separate working time registration system (i.e.: timesheets are not requested).

20% FLAT

**Option n.2 - Staff costs reimbursed as a 20% Flat of direct costs other than direct staff costs**

The beneficiary may opt to get the reimbursement of staff costs as 20% Flat of the beneficiary's direct costs incurred in a financial reporting period, staff excluded. All eligible costs incurred by the beneficiary and validated by the national controller under the following cost categories are to be regarded as direct costs for the purpose of calculating the flat rate:

- External expertise and services costs;
- Equipment expenditure;\*
- Costs for infrastructure and works\*.

*\*Not applicable for Small-scale projects.*





## Italy – Croatia

Given that Office and administrative costs and travel and accommodation costs under Option n.2 will be reimbursed as flat rates of staff costs they do not form the basis for the calculation of the 20% flat (due to the need to avoid circular reference).

Direct costs that form the basis for the staff costs calculation must be incurred and paid by the partner institution as real costs and must not include any indirect costs. If direct costs used as calculation basis for determining staff costs are found to be ineligible, the determined costs for staff must be re-calculated and reduced accordingly.

### EXAMPLE 2 – 20% Flat of direct costs other than staff

Validated direct costs in the Reporting period:  
30.000,00€ under External expertise and services  
+ 10.000,00€ under Equipment  
+ 20.000,00€ under Infrastructure & works  
= 60.000,00€ of tot direct costs other than staff  
 $60.000,00€ * 20\% = 12.000,00€$  of Staff costs to be reported in the reporting period.

### Supporting documents for the audit trail:

- Only a Self-declaration certifying that employee(s) of the beneficiary institution has/have worked in the project. Self-declaration is provided only at the beginning (1<sup>st</sup> reporting period). Please note that self-declaration may be requested by programme bodies also in later stages of implementation.

Option n.2 does not require to document that the expenditure for staff costs has been incurred and paid or to determine the applicable rate. Therefore, no documentation on staff costs needs to be provided to the controller. The documentation of real costs will be requested for other cost categories used as a basis for the flat rate calculation.



## Italy – Croatia

## 5.6.2. Office and administrative costs

The Programme reimburses office and administrative costs through a flat rate of **15% of eligible direct staff costs** or **as part of the 40% flat on eligible direct staff costs**.

15% FLAT

Costs under this category include operating and administrative expenses of the day-to day operations incurred by the beneficiary and necessary for the implementation of the project and shall be limited to the following elements (exhaustive list):

- (a) office rent;
- (b) insurance and taxes related to the buildings where the staff is located and to the equipment of the office (such as fire or theft insurance);
- (c) utilities (such as electricity, heating, water);
- (d) office supplies;
- (e) accounting;
- (f) archives;
- (g) maintenance, cleaning and repairs;
- (h) security;
- (i) IT systems;
- (j) communication (such as telephone, fax, internet, postal services, business cards);
- (k) bank charges for opening and administering the account or accounts where the implementation of an operation requires a separate account to be opened; and
- (l) charges for transnational financial transactions.



## Italy – Croatia

The above list is exhaustive and all listed items are to be considered as covered by the flat rate and cannot be reported under any other cost category.

**EXAMPLE on 15% flat on direct staff costs**

Eligible reported Staff costs = 36.000, 00€  
Flat rate for Office & administrative costs = 15%  
Eligible reported Office & administrative costs =  
 $36.000,00 \text{ €} * 15\% = 5.400,00 \text{ €}$

## Part of 40% FLAT

In case the beneficiary selected the 40% flat rate for the calculation of eligible direct costs other than direct staff costs, office and administrative costs are included as part of the remaining eligible costs of an operation in the 40% flat rate. If the 40% flat rate is used, there will be only two cost categories in the project: 1) Staff costs and 2) The remaining eligible costs covering costs for office and administrative expenditure, travel and accommodation, external expertise and services, equipment, infrastructure and works.

**Supporting documents for the audit trail:**

Beneficiaries are not requested to document that expenditure for office and administrative costs have been incurred and paid nor to justify the applicable rate chosen. Therefore, no documentation on office and administrative costs needs to be provided to the controller.

In case direct staff costs used as a basis for determining office and administrative expenditure are found to be ineligible, the amount of office and administrative expenditure must be recalculated and reduced accordingly.



## Italy – Croatia

The documentation of real costs will be requested for other cost categories used as a basis for the flat rate calculation (Staff costs).

Verification against double-financing are requested (e.g., checking that other cost categories do not include costs covered under the 15% or 40% flat option).

### 5.6.3. Travel and accommodation costs

Travel and accommodation costs refer to the expenditure on travel and accommodation of the staff of the beneficiary for missions necessary for the project implementation.

The Programme reimburses travel and accommodation costs through a flat rate of **15% of eligible direct staff costs** or **as part of the 40% flat on eligible direct staff costs**.

15% FLAT

Travel and accommodation costs, regardless whether such costs are incurred and paid inside or outside the Programme area, shall be limited to the following cost elements:

- (a) travel costs (such as tickets, travel and car insurance, fuel, car mileage, toll, and parking fees);
- (b) the cost of meals;
- (c) accommodation costs;
- (d) visa costs; and
- (e) daily allowances (per diems).

Any cost element listed in points (a) to (d) covered by a daily allowance shall not be reimbursed in addition to the daily allowance (per diems).

The above list is exhaustive and all listed items are to be considered as covered by the flat rate and cannot be reported under any other cost category.



## Italy – Croatia

**EXAMPLE on 15% flat on direct staff costs**

Eligible reported Staff costs = 40.000, 00€  
Flat rate for Travel & accommodation costs =  
15%  
Eligible reported Travel & accommodation  
costs = 40.000,00 € \* 15% = 6.000,00 €

**Part of 40% FLAT**

In case the beneficiary selected the **40% flat rate** for the calculation of eligible direct costs other than direct staff costs, the 40% Flat also covers travel and accommodation costs. If the 40% flat rate is used, there will be only 2 cost categories in the project: 1) Staff costs and 2) The remaining eligible costs covering costs for office and administrative expenditure, travel and accommodation, external expertise and services, equipment, infrastructure and works.

**Supporting documents for the audit trail:**

Beneficiaries are not requested to document that expenditure for travel and accommodation costs have been incurred and paid nor to justify the applicable rate chosen. Therefore, no documentation on travel and accommodation costs needs to be provided to the controller.

The documentation of real costs will be requested for other cost categories used as a basis for the flat rate calculation (Staff costs).

Verification against double-financing are requested (e.g., checking that other cost categories do not include costs covered under the 15% or 40% flat option).

In case direct staff costs used as a basis for determining travel and accommodation costs are found to be ineligible, the amount of travel and accommodation costs must be recalculated and reduced accordingly.



## Italy – Croatia

**⚠ POINT OF ATTENTION**

Daily allowances must be in line with the national legislation and/or internal rules of the partner's organisation.

## 5.6.4. External expertise and services costs

External expertise and service costs shall be limited to the following services and expertise provided by a public or private body or a natural person, other than the beneficiary, and all partners of the operation:

- (a) studies or surveys (such as evaluations, strategies, concept notes, design plans, handbooks);
- (b) training;
- (c) translations;
- (d) development, modifications and updates to IT systems and website;
- (e) promotion, communication, publicity, promotional items and activities or information linked to an operation or to a Programme as such;
- (f) financial management;
- (g) services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- (h) participation in events (such as registration fees);
- (i) legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- (j) intellectual property rights;
- (k) verifications (carried out by Italian external controllers of the project);
- (l) the provision of guarantees by a bank or other financial institution where required by Union or national law or in a programming document adopted by the monitoring committee;
- (m) travel and accommodation for external experts, speakers, chairpersons of meetings and service providers, associated partners;
- (n) other specific expertise and services needed for operations.



## Italy – Croatia

**This list is exhaustive.** Cost items accounted under the external expertise and services cost category cannot be reimbursed under any other cost category.

The Programme reimburses costs under this category on a **real cost basis** or as **part of 40% flat rate on direct staff costs**.

**REAL COST**

In addition to the general eligibility requirements, the following applies:

- External expertise and services must be clearly and strictly linked to the project and be essential for its effective implementation;
- Eligibility of costs for external expertise and services is subject to the full respect of EU, national and Programme procurement rules;
- Where applicable, deliverables produced by experts or service providers must respect the relevant branding requirements;
- External expertise and services have to be duly foreseen in the Application Form (description is visible in work packages and/or budget) in order to be considered as eligible and the respective budget allocated to the Project Partner (changes are possible in line with project modification rules);
- Complementary activities to events (e.g. site visits) must have clear and demonstrable project relevance, otherwise costs linked to them are not eligible;
- Travel and accommodation costs of external speakers and external participants in project meetings and events or related to the staff of associated partners must be incurred and paid by project partners and have to be accounted under this cost category. Such costs must comply with applicable national and/or institutional rules about travel and accommodation;
- Alcohol may be eligible given that it's part of a meal and provided that it is in line with relevant national and institutional rules of the project partner;



## Italy – Croatia

- Sub-contracting between partners of the same project is not allowed;
- All costs of external expertise and services which are not part of an infrastructure contract (e.g., feasibility studies, environmental impact assessments, building permissions, etc.) but which are linked to the realisation of an infrastructure should be included in this cost category.

### **Supporting documents for the audit trail:**

The following documents should be provided to the controllers:

- Evidence of the selection procedure (if applicable), in line with EU, national or Programme procurement rules, depending on the amount contracted and the type of beneficiary;
- Contract/order (if applicable) form laying down the services to be provided, with clear reference to the operation and the Programme. For experts paid on the basis of a daily fee, such a fee together with the number of days contracted and the total amount of the contract must be provided. Any changes to the contract must comply with the applicable procurement rules and must be documented;
- An invoice or a request for reimbursement providing all relevant information in line with the applicable accountancy rules, as well as references to the operation and the Programme and a detailed description of the services provided in line with the contents of the contract. For experts paid on the basis of a daily/hourly fee, the invoice must include a clear quantification of the days/hours charged, price per unit and total price;
- Deliverables produced (e.g. studies, promotional materials) or, where applicable, documentation of the delivery (e.g. in case of events: agenda, list of participants, photo-documentation, etc.);
- In case of travel and accommodation costs of external experts and associated partners, Invoices or documents of equivalent probative value (hotel invoices, bus/train/plane tickets, etc.) including proof of payments (e.g. bank statements) and proof of reimbursement (in case the expenses were pre-financed). The documented evidence of their participation (such as signed list of participants) should also be provided in line with what is mandatory according to national/institutional rules of





## Italy – Croatia

the partner organisation (including, where applicable, authorisation of the mission and/or mission report signed by the travelling person);

- Proof of payment (e.g. extract from a reliable accounting system of the beneficiary, bank statement);
- Accounting records that prove the separate accounting system for the project from the usual activity of the Organisation/Institution.

### Part of 40% FLAT

In case the beneficiary selected the **40% flat rate** for the calculation of eligible direct costs other than direct staff costs, external expertise and services costs are included as part of the remaining eligible costs of an operation in the 40% flat rate. If the 40% flat rate is used, there will be only 2 cost categories in the project: 1) Staff costs and 2) The remaining eligible costs covering costs for office and administrative expenditure, travel and accommodation, external expertise and services, equipment, infrastructure and works.

### **Supporting documents for the audit trail:**

In case external expertise and service are part of the 40% flat rate, beneficiaries are not requested to document that expenditure have been incurred and paid. Therefore, no documentation on external expertise and service costs needs to be provided to the controller.

The documentation of real costs will be requested for other cost categories used as a basis for the flat rate calculation (Staff costs).

Verifications that the calculation is correct (flat applies on a correct real cost category used as a basis for the calculation) and verification against double-financing are requested (e.g., checking that other cost categories do not include costs covered under the flat option).



## Italy – Croatia

**Note:** In case direct staff costs used as a basis for determining external expertise and service costs are found to be ineligible, the amount of external expertise and service costs must be recalculated and reduced accordingly.

### 5.6.5. Equipment costs

This category includes costs for equipment purchased, rented or leased by the beneficiary other than those covered under office and administrative cost category, which is necessary for the implementation of the project. This includes costs of equipment already in possession by the beneficiary and used to carry out project activities.

Costs of equipment shall be limited to the following:

- (a) office equipment;
- (b) IT hardware and software;
- (c) furniture and fittings;
- (d) laboratory equipment;
- (e) machines and instruments,
- (f) tools or devices;
- (g) vehicles; and
- (h) other specific equipment needed for the project.

This list is exhaustive. Cost items reported under this cost category cannot be reimbursed under any other cost category.

Costs for the purchase of second-hand equipment may be eligible subject to the following conditions:

- a)** no other assistance has been received for it from the Interreg funds or from other EU funds;
- b)** its price does not exceed the generally accepted price on the market in question; and



## Italy – Croatia

- c) it has the technical characteristics necessary for the operation and complies with applicable norms and standards.

The Programme reimburses costs under this category on a **real cost basis** or **as part of 40% flat rate on direct staff costs**.

**REAL COST**

In addition to the general eligibility requirements, the following applies:

- Equipment items can only be funded by the Programme if no other EU funds have contributed towards their financing;
- Equipment must be clearly linked to the project and be essential for its effective implementation (or it is a project output);
- Equipment is eligible if it is foreseen in the Application Form (description is visible in work packages and/or budget). Changes are possible in line with project modification rules;
- The relevant procurement rules must be respected and properly documented;
- Publicity rules must be observed, where applicable (The equipment shall be properly labelled/plaqued complying with the reference to the Programme. In line with national/regional provisions, equipment must be registered in special registers.);
- Costs of equipment which is purchased, rented or leased from another beneficiary are not eligible.

When reporting expenditure on equipment, the following points should be considered:

- If the equipment is used solely for the purpose of the project, will be fully depreciated before the end date of the project and was purchased and paid for within the eligible period, the full purchase cost should be reported;



## Italy – Croatia

- If the equipment was purchased before the project was approved, a pro-rata depreciation will be applied. Only the value of the depreciation incurred during the project timeframe is eligible;
- If the equipment is purchased during the project lifetime but the depreciation plan is longer than the project duration, a pro-rata depreciation will be applied. Only the value of the depreciation incurred during the project timeframe is eligible (assuming the equipment is used 100% on the project);
- If non-depreciable equipment (e.g., low-value asset) is purchased, the full purchase cost of the equipment should be reported where the equipment is used 100% on the project;
- If the equipment is rented or leased, depreciation does not apply, i.e., full cost is reported where the equipment is used 100% on the project;
- If the equipment is purchased by the partner organisation, but is only partially used for the project, only the share related to use for the project may be reported. This share must be calculated according to a justified and equitable method in line with legislation or the partner organisation's general accounting policy;
- If the equipment represents a core component of and it is essential for a key project output (e.g., the purchase of a laboratory machine for the purpose of research activities in the project, or the purchase of fixed assets necessary for infrastructure) usually associated to Investments in Jems, then the full cost of the item as approved by the Programme can be reported.



Italy – Croatia

Table 10. Equipment options

| <u>EQUIPMENT</u>  | Non Depreciable | Depreciable  | Purchased before project approval | Rented / leased |
|---|-----------------|--|-----------------------------------|-----------------|
| As core component of the project output                             | Full cost       | Full cost  | Full remainder                    | Full cost       |
| Not core component of project output used 100% for the project      | Full cost       | Pro rata / Full cost if fully depreciated before the end date of the project | Pro rata                          | Full cost       |
| Not core component of project output partially used for the project | Pro rata        | Pro rata   | Pro rata                          | Pro rata        |

- If not stated otherwise by National or internal rules of the beneficiary, the following calculation method has to be applied in case of assets subject to depreciation:

Cost of the item x % of depreciation x timeframe of usage during the project = annual eligible amount.

The % of depreciation is extrapolated from the relevant applicable tables to be applied according to National legislation.

In case the real usage timeframe or the reporting period is not equal to a solar year, but to days or months, the calculation has to be made on a daily/monthly basis:

Annual eligible amount /360 x days of usage = eligible amount

Annual eligible amount/12 x months of usage = eligible amount



**⚠ POINT OF ATTENTION**

- As soon as the physical implementation of projects involving physical investment starts or purchased equipment is installed, beneficiaries are requested to displaying durable plaques or billboards clearly visible to the public;
- Equipment is eligible if it is not covered by the office and administration costs, for instance the purchase of consumables not falling under office and administrative costs which are necessary for the use of laboratory equipment or machines and instruments is eligible and have to reported under this cost category;
- If the equipment is part of an investment (productive investment or an investment in infrastructure) durability has to be ensured;
- The cost of maintenance/repair service contracts related to the equipment has to be allocated and reported under external expertise and services (as other specific services needed for the project);
- On-site verification of equipment is based on risk-based methodology applied by controllers; In line with national/regional provisions, equipment must be registered in special registers, if applicable.

**Supporting documents for the audit trail:**

- Evidence of the selection procedure (if applicable), in line with applicable EU, national or Programme procurement rules, depending on the amount contracted and the type of beneficiary; Contract or written agreement laying down the supplies to be provided and any services related to installation and/or maintenance of supplies. Any changes to the contract must comply with the applicable procurement rules and must be duly documented.
- Invoice (or a supporting document having equivalent probative value to invoices, in case of depreciation) providing all relevant information carried out in line with the contents of the contract, the applicable national accountancy rules and internal accountancy policies of the beneficiary and, where applicable, bearing references to the project and the Programme;
- In case depreciation applies, a calculation scheme of depreciation;



## Italy – Croatia

- In case the equipment is charged pro-rata, the method set in place for allocating the share of use in the project;
- Proof of existence (pictures, delivery note, etc.);
- Proof of payment (e.g. extract from a reliable accounting system of the beneficiary, bank statement);
- Accounting records that prove the separate accounting system for the project from the usual activity of the Organisation/Institution.

### Part of 40% FLAT

In case the beneficiary selected the **40% flat rate** for the calculation of eligible direct costs other than direct staff costs, equipment costs are included as part of the remaining eligible costs of an operation in the 40% flat rate. If the 40% flat rate is used, there will be only 2 cost categories in the project: 1) Staff costs and 2) The remaining eligible costs covering costs for office and administrative expenditure, travel and accommodation, external expertise and services, equipment, infrastructure and works.

### Supporting documents for the audit trail:

In case equipment is part of the 40% flat, beneficiaries are not requested to document that expenditure have been incurred and paid. Therefore, no documentation on equipment costs needs to be provided to the controller.

The documentation of real costs will be requested for other cost categories used as a basis for the flat rate calculation (Staff costs).

Verifications that the calculation is correct (flat applies on a correct real cost category used as a basis for the calculation) and verification against double financing are requested (e.g., checking that other cost categories do not include costs covered under the flat option).



## Italy – Croatia

**Note:** In case direct staff costs used as a basis for determining equipment costs are found to be ineligible, the amount of equipment costs must be recalculated and reduced accordingly.

## 5.6.6. Costs for infrastructure and works

Costs for infrastructure and works shall be limited to the following:

- (a) purchase of land;
- (b) building permits;
- (c) building material;
- (d) labour; and
- (e) specialised interventions (such as soil remediation, mine-clearing).

This list is exhaustive.

Cost items accounted under this cost category cannot be reimbursed under any other cost category.

A work is intended as the outcome of building or civil engineering constructions taken as a whole, which is sufficient in itself to fulfil an economic or technical function<sup>28</sup>. Costs for Infrastructure and works may either refer to an object (e.g. a building) that will be set up ex-novo or to the adaptation of an already existing infrastructure.

Costs of feasibility studies, environmental impact assessments, architectural or engineering activities and any other expertise needed for the realisation of the infrastructure, shall be allocated under the cost categories Staff costs or External expertise and services costs (depending on whether they were carried out internally by the beneficiary or with the support of external suppliers).

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<sup>28</sup> Article 2 of Directive 2014/24/EU.





## Italy – Croatia

The Programme reimburses costs under this category on a **real cost basis** or as **part of 40% flat rate on direct staff costs**.

**REAL COST**

In addition to the general eligibility requirements the following applies:

- Costs for infrastructure and works must be clearly linked to the project and be essential for its effective implementation;
- Costs for infrastructure and works have to be in line in the approved AF;
- In respect of the purchase of land, this is limited to a maximum of 10% of the total project budget, for derelict sites and for those formerly in industrial use (e.g., brownfields) which comprise buildings, that limit shall be increased to 15 %;
- Full cost for infrastructure and works within the project is eligible insofar as it is fully justified as part of project's activities, i.e. no depreciation is necessary;
- Costs for infrastructure and works outside the Programme area are not eligible;
- In case of infrastructure and works that are part of a larger infrastructural investment funded through other sources, the part realised by the project partner must be clearly and unequivocally identifiable;
- Costs of infrastructure and works are eligible if no other Union or national funds have contributed towards financing of the same expenditure (no double funding is permissible);
- Eligibility of costs for infrastructure and works is subject to the respect of applicable procurement rules (EU, national and Programme procurement rules);
- Depending on the nature of the intervention to be carried out, all compulsory requirements set by EU and national legislation on environmental policies, must be fulfilled;



## Italy – Croatia

- Where applicable, works must have been previously authorised by national/regional/local authorities (building permission);
- The land and/or buildings where the works will be carried out must be in the ownership of the beneficiary or the beneficiary must have set in place long-term legally binding arrangements in order to fulfil durability (including maintenance) requirements;
- The purpose and ownership of the infrastructure cannot be changed for at least 5 years after the final payment to the beneficiary;
- Where applicable, infrastructure and works realised by the project must respect the relevant publicity requirements;
- On-site verification of infrastructure and works is based on risk-based management verifications methodology applied by controllers. The existence of infrastructure and works realised by the project and their clear identification to the project is verified on-the-spot (if applicable) for each realised item.
- Infrastructure and construction works must be the result of cross-border cooperation activities (such as joint planning, design, decisions, and implementation) specifically directed at improving the development of the Programme area. The cross-border dimension and added value must be substantiated in the application form and are assessed during evaluation process.

**⚠ POINT OF ATTENTION**

- An operation comprising physical investment (infrastructure) or a productive investment shall pay back the ERDF received proportionate to the period of non-compliance if, within five years of the final payment to the project, it is subject to:
  - a cessation or transfer of a productive activity outside the NUTS level 2 region in which it received support;
  - a change in ownership of an item of infrastructure which gives to a firm or a public body an undue advantage;



## Italy – Croatia

- a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.
- A plaque or billboard should be put up as soon as the physical implementation of the project involving physical investment starts (or the equipment is purchased). The plaque or billboard should present the emblem of the Union in accordance with EU technical characteristics.

**Supporting documents for the audit trail:**

- Legal documents specifying the ownership or long-term arrangement for the land and/or buildings where the works will be carried out;
- Where applicable, necessary permissions for the execution of the works, issued by the national/regional/local relevant authorities;
- Evidence of the appropriate selection procedure, in line with EU, national or Programme procurement rules, depending on the nature of the concerned works, the amount contracted and the type of beneficiary.

Infrastructure and construction works shall be compliant with applicable European, National and internal procurement rules, including e.g. feasibility studies, environmental impact assessments, building permissions. The above-mentioned authorisations have to be possessed at the moment of the application and uploaded in Jems OR if the authorisations are not available at the moment of application the date of availability shall be indicated in Jems;

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



## Italy – Croatia

- Invoice or interim payment certificate providing all relevant information in line with the applicable accountancy rules as well as references to the project and the Programme and a detailed description of infrastructure and works carried out in line with the contents of the contract and in line with national legislation related to works/infrastructure;
- Proof of payment (e.g. extract from a reliable accounting system of the beneficiary, bank statement);
- Accounting records that prove the separate accounting system for the project from the usual activity of the Organisation/Institution;
- Proof of respect of Programme publicity requirements rules and where relevant, EU and national legislation in terms of environmental impact.

### Part of 40% FLAT

In case the beneficiary selected the **40% flat rate** for the calculation of eligible direct costs other than direct staff costs, infrastructure and works costs are included as part of the remaining eligible costs of an operation in the 40% flat rate. If the 40% flat rate is used, there will be only 2 cost categories in the project: 1) Staff costs and 2) The remaining eligible costs covering costs for office and administrative expenditure, travel and accommodation, external expertise and services, equipment, infrastructure and works.

### Supporting documents for the audit trail:

In case infrastructure and works costs are part of the 40% flat, beneficiaries are not requested to document that expenditure have been incurred and paid. Therefore, no documentation on infrastructure and works needs to be provided to the controller.

The documentation of real costs will be requested for other cost categories used as a basis for the flat rate calculation (Staff costs).



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Verifications that the calculation is correct (flat applies on a correct real cost category used as a basis for the calculation) and verification against double-financing are requested (e.g., checking that other cost categories do not include costs covered under the flat option).

**Note:** In case direct staff costs used as a basis for determining infrastructure and works costs are found to be ineligible, the amount of infrastructure and works costs must be recalculated and reduced accordingly.

### 5.7. Reimbursement of funds

The Programme applies the reimbursement principle, according to which each beneficiary must fully pre-finance its project expenditure.

#### **Model and timeframe for the reimbursement of funds**

The disbursement of funds by the MA is subject to availability of funding (the EC makes necessary funds available), it takes place as soon as possible and within 80 days from the approval of the Project Report by JS/MA.

Should no funds be available, the LP will be duly notified and, if possible, a provisional date for the expected payment announced.

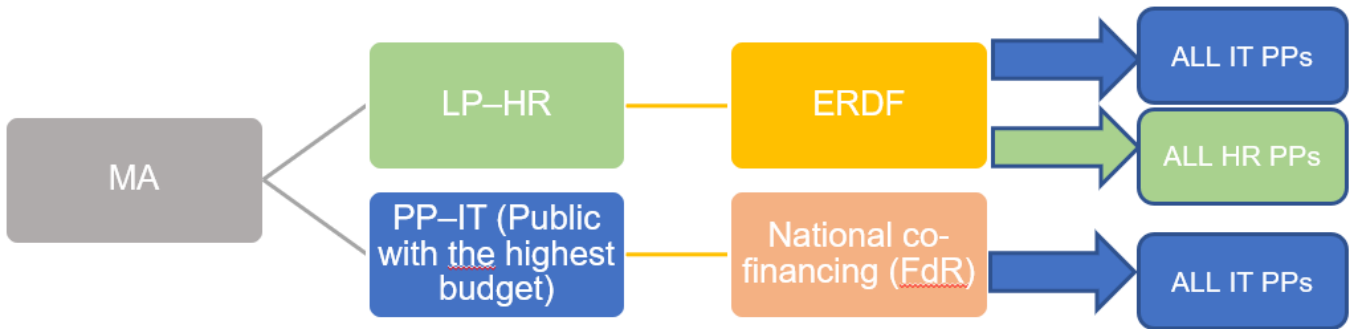
In case of **Croatian LP**, the MA will transfer:

- the total share of ERDF to the Croatian LP;
- the total share of Italian National co-financing (Fondo di Rotazione) of the Italian PPs to the Italian Public PP with the highest budget among the Italian PPs within the project. In case no Italian public PP is present in the partnership, the MA will transfer the Italian National co-financing to each Italian PP directly.



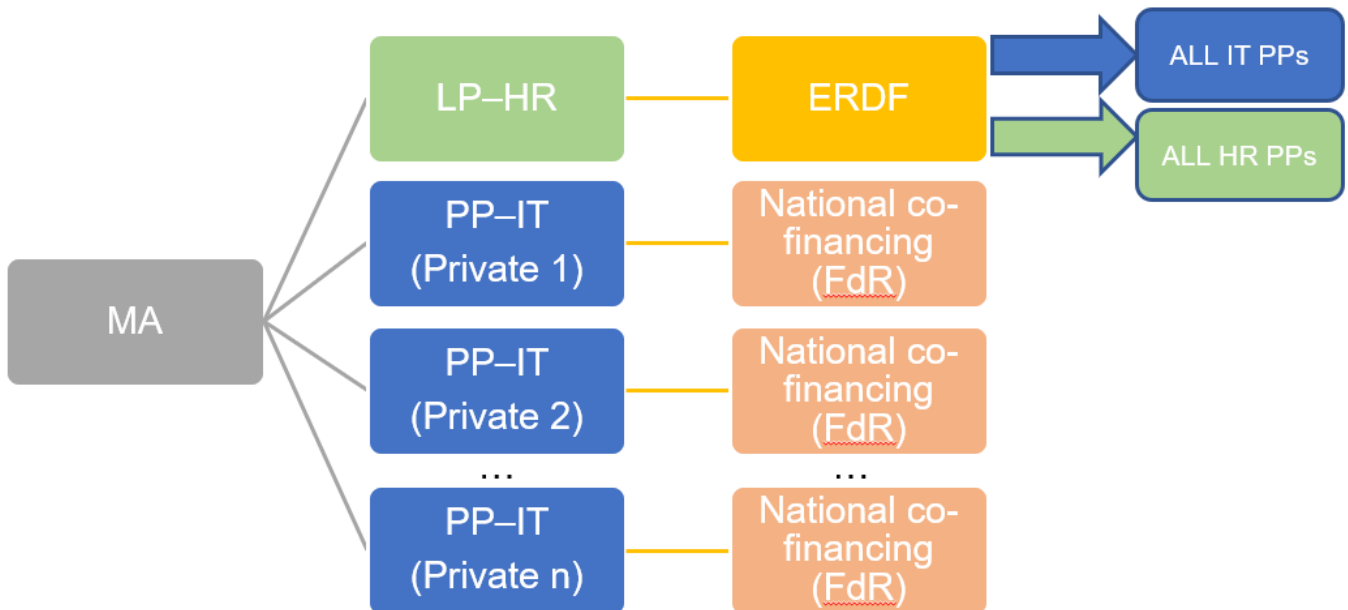
Italy – Croatia

Image 8. Payment process in case of Croatian LP and Italian Public PP



OR

Image 9. Payment process in case of Croatian LP and no Italian Public PP

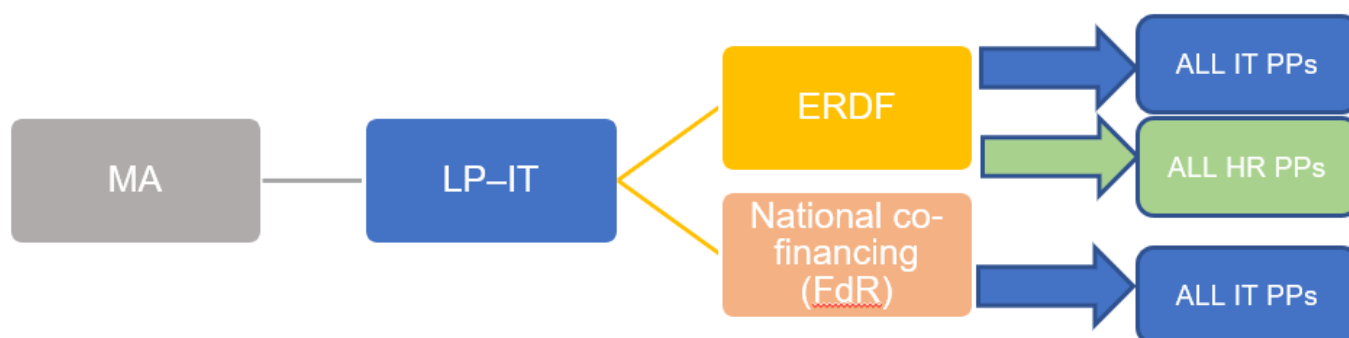


## Italy – Croatia

In case of **Italian LP**, the MA will transfer:

- the ERDF amount and the amount of the Italian National co-financing (Fondo di Rotazione) contributions to the LP.

Image 10. Payment process in case of Italian LP



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

### 5.8. Conversion into Euro

Financial reporting of a project shall take place in Euro and the Programme will reimburse ERDF contributions in Euro.

All expenditures incurred and paid in a currency other than Euro, shall be converted by the beneficiary using the monthly accounting exchange rate of the European Commission in the month during which that expenditure was submitted for verification by the concerned beneficiary to its controller.

The date of submission refers to the day in which the beneficiary submits for the first time to its controller the partner report concerning a certain expenditure. Further submissions of missing documents,



## Italy – Croatia

clarifications etc. on that expenditure shall not be considered. The date of submission is documented in Jems and the conversion into Euro is automatically carried out by the monitoring system.

### 5.9. Recovery of funds

The MA shall ensure that any amount paid as a result of an irregularity is recovered from the LP and PPs shall repay to the lead partner any amounts unduly paid.

Therefore, the LP shall ensure that the concerned PP repays the LP any amounts unduly paid, as specified in the partnership agreement. The amount to be repaid can be withdrawn from the next payment to the LP or the remaining payments. In case of closed projects, the LP is obliged to repay the unduly paid out funds to the MA.

Unduly paid out funds can be discovered by various entities, mainly the Programme bodies, the European Commission (EC), the European Anti-Fraud Office (OLAF), the European Court of Auditors (ECA) or other national public auditing bodies and this process implies the repayment of the subsidy in whole or in part from the LP.

In case the LP does not succeed in securing repayment from the concerned PP, or if the MA does not succeed in securing repayment from the LP, the concerned Member State on whose territory the concerned partner is located shall reimburse the MA the amount that was unduly paid to that partner. In turn, the concerned Member State shall be entitled to claim the unduly paid funds from that partner. The recovery of funds follows the path below:

Image 11 Recovery of funds flow





## 6. REPORTING AND MONITORING

### 6.1. General overview of reporting and monitoring of projects

#### **Reporting**

During the implementation of the project, the progress and final achievements, including the contribution to Programme Output Indicators and Result Indicators, have to be reported to the Programme through periodic progress reports.

Regular reporting is a way for all partners to follow their implementation and to stay on track regarding the progress of the entire project. In a similar way it is the main tool for the JS/MA to get information on if and how the project is meeting its targets.

Reporting on project implementation is an essential task of project management in which the whole partnership is highly involved. It allows the programme to monitor project progress and, in particular, to verify the compliance of project implementation with the approved application form, as well as with the rules governing the EU Structural Funds and the Programme. The reporting of the project consists of:

1. *Partner level reporting (Partner Report)*
2. *Project level reporting (Project Report)*

#### **Monitoring**

Approved projects have to implement their work plan as outlined in the latest approved version of their Application Form (AF), which is an integral part of the Subsidy contract.

The monitoring process of projects' implementation is performed by JS/MA with several aims:

- It enables the Programme to follow-up on projects and to ensure that they deliver their work according to plans and contribute to the Programme objectives, outputs, and results;
- It enables the Programme to check that claimed costs are in line with the results achieved by the project;
- It enables the Programme to ensure that projects are implemented following the principles of sound financial management (economy, efficiency, and effectiveness);



## Italy – Croatia

- The successfulness of the project is directly correlated to the successful implementation of the Programme.

Monitoring is done by several means:

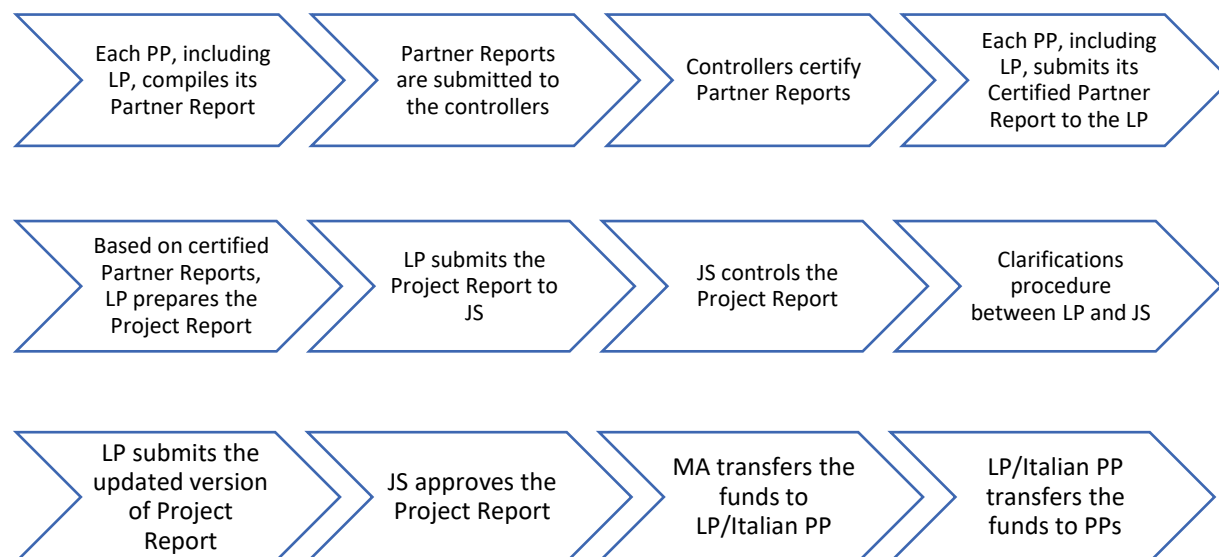
- Checking of Project Reports submitted periodically through Jems (explained in detail in the following sections);
- Keeping track of progress by participating in project meetings, checking information on the project websites, reading supporting documentation, or via direct contacts with the partnership (formal and informal meetings and phone calls);
- Project review.

The collected information enables the MA/JS to follow projects and ensure that:

- The project is well-managed;
- The project remains relevant to the Programme and feasible;
- Project objective and results are being achieved;
- Sustainability and durability issues are being clearly addressed.

Project reporting and monitoring are the basis for the reimbursement of ERDF co-financing to the project.

Image 12. The reporting procedure



## 6.2. Reporting at PARTNER LEVEL

### Partner Reports

Reporting at the partner level takes place through a Partner Report, where all project partners provide information on performed activities, achieved deliverables and incurred costs (if any) during a certain period of project implementation, clearly indicated in the latest approved version of the AF. The Partner Report, as a project management tool, is available in Jems and its use is mandatory (even if the concerned partner has no expenses incurred in that period). Each Partner Report refers to one partner only and one reporting period only. Within **15 days** after the end of each reporting period every PP (including the LP) fills in the Partner Report and sends it, including all supporting documents, to its controller for the verification of expenditures.

The procedure for reporting on partner level is the following:

1. **PREPARATION OF PARTNER REPORT:** Each PP (including the LP) compiles the Partner Report. It consists of progress on activities, as an obligatory part, and of expenditures related, which is not always a compulsory part (depending on the presence of expenditures).

The following elements need to be filled in:

#### *Report identification*

This section should indicate the reporting period relevant for the Partner Report, including its start and end dates. It should also contain a summary of partners' work in the reporting period, including any partner problems and deviations, as well as a description of the target groups' involvement.

#### Work plan progress

This section focuses on activities implemented throughout the reporting period. It contains a general description of PP's contributions to the activities carried out in the relevant reporting period per each Work package, as well as each WP's contribution to project outputs. It should also include a more detailed description of PP's contributions to project activities and deliverables per each Activity.



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### List of expenditures

Financial reporting is done through the List of expenditures section of the Partner Report and only for those Partner Reports that include expenditures. The cost categories must be selected for every item added in the List of expenditures section.

Partner Reports may include **expenditure incurred and paid after the start date** of the project and **not later than the end date** of the reporting period concerned. In case of the Final Partner Reports all expenditure has to be incurred and paid according to the rules set in chapters 5.3 Time-wise eligibility of expenditure and 8. Project closure. All supporting documents related to the expenditure incurred and claimed by a partner form part of the Partner Report and are uploaded to Jems.

### **! POINT OF ATTENTION**

#### Reporting preparation costs

In case preparation costs/activities have been foreseen in the Application form, all partners concerned are asked to include them in their first Partner Report, i.e. the one covering the first reporting period. The Project preparation phase includes all activities related to the creation and submission of the Application Form including the contracting phase if the project proposal is approved. Preparation costs are reimbursed through a lump sum.

### Public procurements

All documentation regarding public procurement procedures that were completed (i.e. relevant contracts were signed) within the reporting period should be uploaded in this section.

### Report annexes

Any other attachments that project partner finds relevant for the report, but aren't yet added as supporting documents for an invoice or proof of delivery of an output, can be added in the Report annexes section. Before uploading any attachments, partners have to be sure of their relevance to the report and not duplicate any documents already provided, whether in the current report or any of the previous ones (in case a previously uploaded document will be needed, project partner will



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provide indication where the document can be found in the system, e.g. in the Comment section of a relevant expenditure item).

Contribution and Financial overview

This section is automatically generated and the amounts included in its tables represent the aggregation of data from all partner reports submitted with verified costs.

2. SUBMISSION OF PARTNER REPORT TO CONTROLLER: After completion of the Partner Report, each PP submits it to its controller for verification of expenditure. Partner report should be submitted **within 15 days** after the end of the reporting period in Jems. Only expenditure claims verified by controllers in accordance with national requirements and procedures can be accepted by the MA. In case there is no expenditure included in the Partner Report, such report shall be sent directly to the Lead Partner, without submitting it to its controller. In case a project partner has not managed to get its report certified in due time, the Lead Partner should submit the Project Report without the costs of that partner. However, certificates in delay may be accepted by JS during the clarification process or late certificates can always be included in the next Project Report(s).

The Controller conducts their checks of the project costs, starting from the date of submission of the partner report. The controller will either confirm, park or reject (in part or in full) expenditure submitted by the project partners for verification. Incurred expenditure can always be reported during project lifetime. The amount verified and confirmed by the controller is stated in the “certificate of expenditure” and is to be included by the LP in the Project Report.

**⚠ POINT OF ATTENTION**

Specific provisions on the national controls system are provided in Section 9. Control and audits of this Manual.



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Image 13: Example no 1 for a project with 3 partners (LP+2 PPs) with expenditure included in the Partner Report

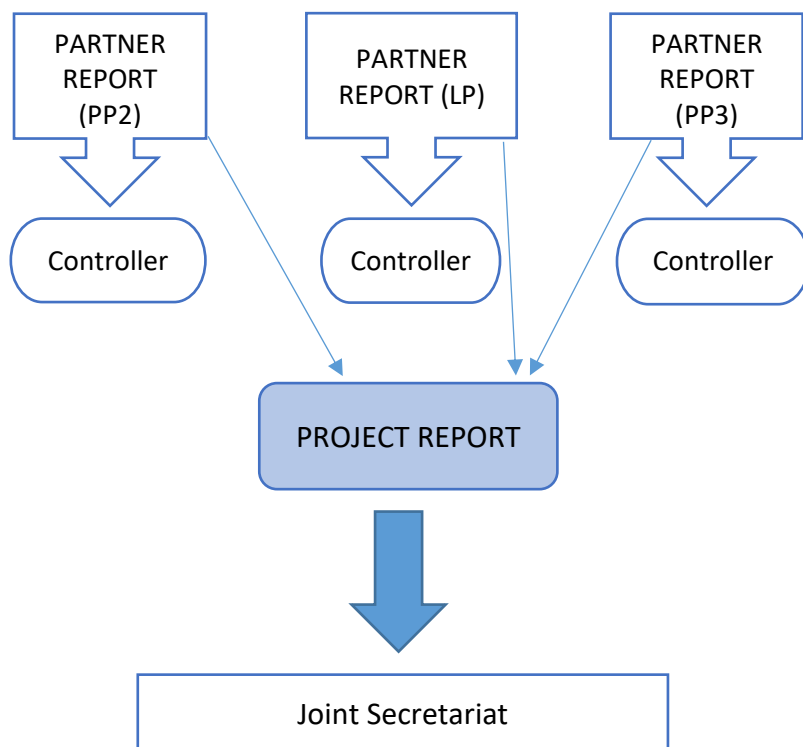
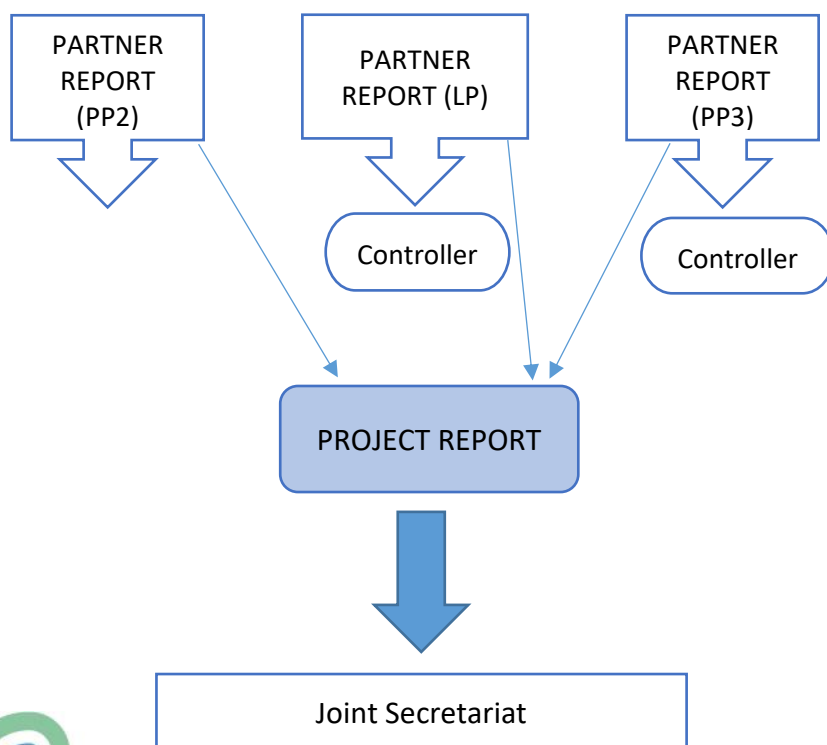


Image 14. Example no 2 for a project with 3 partners, in case PP2 has no expenditure included in the Partner Report



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3. SUBMISSION OF PARTNER REPORT TO LP: After the controllers have verified the expenditure, the Partner Report is submitted to the LP. A submitted report is locked and the partner cannot modify it anymore. In case of clarifications requested by Controller/ JS/ MA, the partner can upload in the system the missing/relevant documents or other documents only if the Controller/ JS/ MA opens section in Jems of the Partner Report for updates.

### 6.3. Reporting at PROJECT LEVEL

Project Report consists of information at **project level**. Lead partners collect and consolidate information from all partners that is needed for reporting to the MA/JS at project level. The Lead Partner should make sure that individual Partner Reports include only costs and activities relevant for and belonging to the project. The partnership is expected to implement the activities and incurred costs according to the latest approved version of the Application Form and should always keep in mind that the project is monitored against it.

The LP bears the overall responsibility for ensuring the implementation of the project, which includes ensuring that the expenditures presented by all PPs have been verified by the controllers appointed according to the specificities of the relevant national control system.

After the controllers' certification, the Partner Reports are submitted to the LP who then prepares one single Project Report and submits it through Jems to the Joint Secretariat (JS). By doing so, the Lead Partner confirms that:

- the information provided by partners is accurately reflected in the Project Report;
- the costs included result from implementing the project as planned and as set out in the latest approved version of the application form and described in the Project Report.

The Project Reports consist of a content related part (progress of activities) and a financial part. The content part of the report needs to be filled in manually by the Lead Partner. The financial part is compiled automatically by the system based on available Controller certificates which must be included in the Project Report by the Lead Partner.



### **Content (activity) related part of the Project Report**

The reporting on **progress of activities** should provide an overview of the project as a whole, based on the information provided by the project partners. The content is **not automatically transferred** from Partner Reports, but it is up to the LP to analyse the information of the whole project and provide a joint overview of the project's progress for the reference period.

The activity section of the Project Report (Project report identification, Work plan progress and Project results and Horizontal principles tabs) contains information on the overall project progress of each work package including information on achievements, indicator progress, and communication, involvement of target groups, project management, as well as eventual problems and deviations. Lead partners are advised to use these elements as efficient communication tools: be concise and to the point while reflecting on the overall progress of the project. The main text of the report should summarise the implementation of the actions and their outcome(s). In this respect, the reporting should focus on the implementation of the project itself, rather than on each partner's activities. Lead partners are encouraged to ensure the informative quality and consistency of the reports.

For each work package, a description of the project partnership's progress of activities and contribution to reaching the Project specific objective (and Communication objective, if any) during the reporting period is needed. Also, the information on any eventual problems faced during implementation has to be provided.

- *Reporting per Activities:* Contains the description of the implementation of each activity in detail, incl. information on activities carried out and contributions by the project partners as well as information on any eventual issues or deviations from the initial plan. Here also the information on project output indicators has to be provided. Reporting on deliverables, incl. upload of evidence of achievement is also part of reporting on activities.
- *Reporting on Investments:* Contain the description of the implementation of investment activities including progress, challenges and deviations from initial plan.
- *Reporting the contributions to output indicators:* For each output a short description of the progress is requested. However, outputs should only be reported ('Output evidence') when they





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are fully completed (i.e. not during their delivery). This approach prevents the double-counting of outputs and ensures that only those that are completed are counted. When an output is reported as completed, projects need to provide evidence on its completion. Projects must report outputs in line with the:

- Output indicators chosen in the application form,
- Quantified values for each output provided in the application form,
- *Reporting the contributions of Target groups:* This information is collected for each reporting period, where explanation on the reached number of the particular target group during the reporting period is needed. Besides a brief explanation of the activities and any lessons learned should be written.
- *Deviations from plan:* Deviations from the approved project work plan may happen in certain circumstances. Projects should always discuss any expected deviations with their Project Manager during implementation.
- *Horizontal principles:* description of the contribution towards sustainable development, equal opportunities and non-discrimination and equality between men and women.
- *Annexes:* Attachment of studies, reports / strategy papers, political agreements, adoption of new processes, new standards, new tools, number of solutions tested – either through physical testing or piloting of new approaches with relevant target groups.

### Project report annexes

Any other attachments that project partner finds relevant for the report, but aren't yet added as supporting documents for Work plan progress and Project results and Horizontal principles tabs, can be added in the Report annexes section.

### Financial part of the Project Report

Financial part of the Project Report contains information on expenditures paid by the LP and all PPs, which have been verified by authorised controllers. Such certificates have to be selected in the List of partner



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certificates tab in order to be included in the Project Report by the LP. Once this is done, Jems automatically fills in the relevant tables in the Financial overview tab of the Project Report.

### **Payment request**

The report includes a payment request in which the LP also confirms that expenditure reported has been incurred by the partnership for the purpose of implementing the project and that it corresponds to the activities laid down in the latest approved version of the application form. If the LP has doubts on the project relevance of any expenditure items claimed by a PP, the LP shall clarify the issue with the concerned PP (and the controller of the PP) with the aim of finding an agreement on the expenditure to be claimed. If such agreement cannot be found, the LP can ask the JS for support. This process may result in a reduction of the eligible amount claimed by the concerned PP.

It is the responsibility of the LP to ensure that expenditure presented by all partners corresponds to the project's activities and it is in accordance with provisions of the Subsidy Contract and Partnership Agreement.

## 6.4. Guidance for reporting

Partner Reports and Project Reports should be written in a way that is understandable also for people outside your specific field of expertise. LP/PPs should be truthful and honest in the explanations. This helps the programme bodies to better target their support to projects and to prevent any future problems. The following guidance should help LP/PPs to provide concise and coherent information in their Partner Reports, as well as in their Project Report.

### **Consistency of content and terminology**

For the overall coherence of the report, the information provided about the activities and outputs must be fully consistent. This also means that the terminology should be consistent throughout the report and in line with the terminology used in the application form.



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### Reporting on indicators

Before reporting on indicators, the partnership should study the definition provided for each indicator carefully and understand the programme's intervention logic. The LP shall keep track of reported indicators and be able to provide relevant and detailed information on the quantification and achievements of the project at the request of the Programme.

### Coherence between activities and expenditure

All reported expenditure needs to be in line with the activities carried out and reported in the respective reporting period. When compiling their Partner Reports, the LP/PPs must make sure that for any expenditure included, a clear link to the activities is made. For instance, if expenditure linked to the organisation of a meeting is reported in the List of expenditures section, then this meeting should also be reported as an activity and output/result in the Work plan progress section.

### Reporting on communication activities

Reporting on communication activities must be integrated into all thematic WPs, as cross-cutting activity (more can be found in Section 4 – Communication of the present document).

## 6.5. Submitting a Project Report and Payment Request

**2 months** after the end of each reporting period the Lead Partner submits the Project Report to the Joint Secretariat for review and evaluation.

When submitting the Project Report, the LP must upload all the complementing documents required by the Programme.

## 6.6. Evaluation of the reports by Joint Secretariat and payment

Once a completed Project Report is submitted, the evaluation by the Joint Secretariat begins. Processing of a Project Report focuses on whether the project is progressing in line with the application form, whether there is progress on outputs and results, whether the report reflects the activities of the entire



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partnership, and whether any implementation problems are being dealt with satisfactorily. If there are questions about any part of the report during the assessment, the Joint Secretariat will contact the LP's Project Manager for clarification or additional information. The Lead Partner must ensure that it gets replies from project partners in due time.

The information provided in the Project Report must be detailed enough to enable the Joint Secretariat to assess the joint achievements of the partnership over the reporting period. The Joint Secretariat may revert the Project Report to the Lead Partner or the controller for corrections and/or clarifications.

Once all points have been clarified, the Project Report can be approved by the JS. Unless major issues are raised in the Project Report, this process shall not last more than 30 days. After that, the payment procedure is launched. Payments are made by the MA

All payments will be made to the lead partner/Italian PP in euro and deposited into the bank account indicated in Jems (contracting section). It is the lead partner's responsibility to inform the MA/JS immediately of any changes to bank account information of LP/Italian PP.

Although all programme bodies carry out their work as quickly as possible, it is important to understand that the programme cannot guarantee when the funds will be paid out to projects. Therefore, partners should have sufficient liquidity to carry out the project activities, even in unforeseen circumstances.

The Joint Secretariat has **30 days** to process the project reports and the Managing Authority has **80 days** to make the payment (subject to availability of funds from the European Commission) to the project. Suspension of this deadline is foreseen in case that certificates related to expenditure are missing at partner level.

The LP/Italian PP transfers the funds to the project partners after receipt of the payment within the timeframe agreed in the partnership agreement and in line with the amounts stated in the Project Report (see par. 5.7).



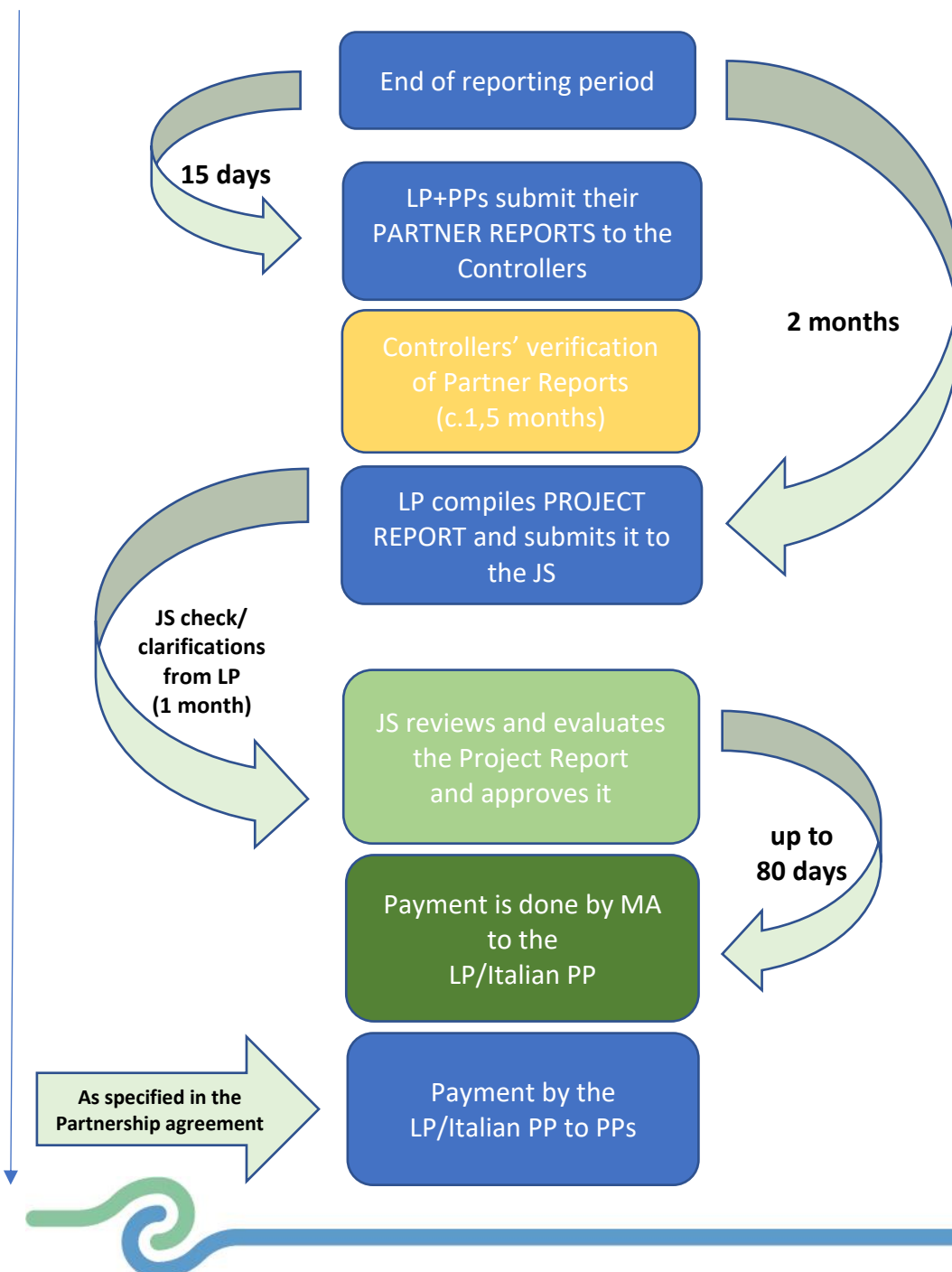
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6.7. Reporting periods / Reporting Deadlines

All projects must submit Project Reports to the Joint Secretariat in accordance with the provisions laid down in the Subsidy Contract. The reporting periods are automatically set in Jems based on the start date of the project and as stated in the Subsidy Contract.

All the steps in reporting and payments procedure, including the deadlines are presented as follows:

Image 15. Reporting and payments procedure



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### 6.8. Project Mid-term Review

Each project shall organise one project mid-term review with MA/JS in the project lifetime. The aim of project reviews is to carry out a “performance check” at a certain stage of project implementation (in general at half way during implementation).

The project review focuses on both strategic and operational aspects of project implementation such as:

- Physical progress towards project objectives as well as financial progress;
- Project management and cooperation intensity (including communication, knowledge management and transfer);
- Sustainability of outputs and results;
- Realistic forecast for the remaining project implementation period;
- Identification of potential risks or problems, project deviations and delays as well as necessary mitigation measures and project modifications (finance and activity modifications, etc.)
- Compliance with other obligations as laid out in the subsidy contract.

The indicative timing for the project review is agreed with MA/JS and it should take place at the first half of the project duration where all project partners should be present (if possible).

If needed, a second (optional) project review might take place upon request of the partnership or the MA/JS. Reasons for requesting a second review might be linked to particular challenges or deviations faced by the project. This could happen already at an early stage of project implementation in order to discuss with the MA/JS necessary adjustments of the work plan to possible external factors.

Whenever possible, project reviews are implemented online, thus minimising costs and time needed. Project reviews might also be attended by one or more representatives of the national authorities of both Member States, with an observer role. Furthermore, in exceptional cases, the MA/JS might involve external experts with relevant thematic expertise to provide specialist support.

The LP and all partners should prepare for the review well in advance and provide the presentation of the already achieved results (e.g., in relation to timetable, indicators), forecast for the remaining activities as



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well as any shortcomings/delays/problems in project implementation, if applicable. For this purpose, the most recent content and financial information (quantitative and qualitative data) should be collected in order to allow realistic projections towards the project end. Such information should be provided to the MA/JS in due time prior to the review. As an outcome of the project review, the MA/JS provides feedback and, if needed, further guidance and recommendations to the partnership for the remaining project lifetime. In addition, follow-up actions may be set in place.

### **⚠ POINT OF ATTENTION**

Based on the outcome of the review, especially in case of low (financial) project performances, the programme reserves the right to apply reductions to the project budget.

### 6.9. Low financial project performance and de-commitment

Experience shows that in the beginning of project implementation spending is usually delayed. Considering this, an underspending of up to 20% of the spending target set in the latest approved version of the application form can be tolerated during the first half of the project's implementation period.

However, should the project's mid-term review meeting show that the financial performance of a project is affected by serious delays and that the project is not meeting the spending targets set in the latest approved version of the application form, while taking into account the tolerance explained in the previous paragraph, the Programme is entitled to de-commit the project by reducing the original project budget and the corresponding ERDF contribution.

The de-commitment of funds from projects is executed by the MA and always based on the decision of the MC who may decide to de-commit funds from projects that show a low performance, whether activity-wise, budget-wise or both. The project's performance level is first assessed during the mid-term review meeting but can also be re-assessed at a later stage of project implementation. The de-committed funds may be further used, e.g. for funding additional projects through Calls for proposals.



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In case of MC decision on the de-commitment of the project, the adapted AF and the corresponding budget must be submitted by the LP. The rest of the project change and Subsidy Contract amendment procedure would follow.

### **! POINT OF ATTENTION**

Any underspending of funds planned in each reporting period, taking into account the tolerance during the first half of the project implementation period, may be de-committed by the Programme MC on a case-by-case basis.





## 7. PROJECT MODIFICATIONS AND FLEXIBILITY RULES

### 7.1. General principles (types of project modifications)

All projects have to be implemented in accordance with the approved AF; however, during its implementation, a project might face the need to modify the AF in order to adapt it to the actual developments. All modifications must be implemented following the procedure described in this document. **Modification module is supported by Jems. New version of AF is the result of modification implemented in Jems.**

Depending on their focus the following types of modifications may occur:

- **Budget** modifications;
- Modifications of the **work plan**;
- Modification of **legal and administrative** elements
- Extension of the project **duration**;
- Modifications of the **partnership**.

### 7.2. Modification process

As soon as LP becomes aware about the need for modification the LP has to inform the JS. The JS then provides support and guidance through the whole modification process which is summarized below.

Modification process must be implemented (started and concluded) in Jems before reporting deadline in order to allow proper reporting and monitoring which is always linked to the last approved AF. Only 1 modification request is acceptable in one reporting period collecting needs from all PPs. However, due to *force majeure* and in duly justified cases additional modification requests may be submitted by LP.

In order to implement modifications, the following procedure has to be followed:

1. The LP informs the JS via e-mail on the need for the modifications including short description and justification of the changes (attaching also, if applicable, supporting documents).
2. The LP starts modification request in Jems attaching supporting documents (if applicable).



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3. The JS opens the modification of the AF (relevant sections) in Jems allowing the LP to modify the relevant parts of the AF.
4. The LP inserts the changes in Jems and submits the modification.
5. JS checks the modification of the AF and, if needed, hands back the project modification to the LP for further clarifications and/or adjustments. When MC approval is needed, the MA/ JS communicate the request to MC and JS attaches MC decision in Jems with approval or rejection of the modification request.
6. Once there are no further clarifications, the JS/MA/MC approves the modification in the Jems (respecting level of needed approval) which creates a new version of the application form.

### 7.3. Approval needed based on type of modification

Different modification requests need prior approval by different programme bodies depending on the following types of modification:

|          | TYPE OF MODIFICATION  | APPROVAL BY              |
|----------|---|--------------------------|
| <b>A</b> | Administrative aspects (contact person, bank, address...) and legal representatives   | JS and information to MA |
| <b>B</b> | Minor adjustments of work plan without impact on objectives and results   | JS and information to MA |
| <b>C</b> | Budget flexibility up to 20% (no shifts between PPs)  | Managed in Jems          |
| <b>D</b> | Budget flexibility above 20% and below 40% (including shifts among PPs)   | MA and information to MC |
| <b>E</b> | Budget modifications above 40% (including shifts among PPs)   | MC                       |
| <b>F</b> | Prolongation of the project duration up to 4 months   | MA and information to MC |
| <b>G</b> | Prolongation of the project duration above 4 months   | MC                       |
| <b>H</b> | Changes in the partnership  | MC                       |
| <b>I</b> | Modification of the work plan having an impact on project objectives or modifying the output and result indicator targets   | MC                       |
| <b>J</b> | Modification of the work plan related to investments, activities, deliverables and outputs <u>without impact on the project objectives</u> or output and result indicator targets | MA and information to MC |
| <b>K</b> | Other specific major modification request that are not covered from A-J with proper justification   | MC                       |



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Significant modifications are to be considered as an exception and they may be approved only in duly justified cases. The LP is strongly advised to collect all potential modifications into one modification request, in order to reduce the administrative burden and avoid repeating the lengthy modification procedure for each modification separately. The lead partner must involve all partners in the discussions in due time so that the needs of the whole partnership are reflected in the modification request.

As modification requests require prior approval from relevant bodies, they enter into force after the approval from the relevant programme body. However, once approved they are valid retrospectively starting from the date when the modification request was first submitted in Jems. In case of rejection by the MC, the same modification cannot be requested again.

This section also includes reference to main documents to be produced by projects when requesting a modification. However, the Programme bodies might request additional supporting documentation on a case by case.

### **⚠ POINT OF ATTENTION**

Once the Managing Authority has signed a Subsidy Contract with the lead partner, no separate amendments will be prepared for modifications of the AF. As stated in the preamble and in concluding provisions, the Subsidy Contract refers to the project Application Form in Jems and all modifications of the AF are made in Jems. Thus, the Subsidy Contract always refers to the last valid version of the Application Form in JEMS. The person authorised to sign documents on behalf of the Managing Authority confirms these changes in Jems, upon which the new version is valid.

## 7.4. Description of types of modification

### 7.4.1. Modification of Administrative and Legal Elements

Administrative elements that might need to be updated during the project implementation include:

- Change of Lead partner or project partner address, Legal Representative or Contact person;
- Change of bank account of the LP and/or of Italian PP with highest budget in case of Croatian LP



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- Change of LP/PPs identity information and Legal and financial information with no impact on its legal status

Such modifications should be implemented following the procedure as explained within section 7.2. The LP shall update the relevant data and, if applicable, upload the relevant supporting document (e.g. official letter communicating the change of LR, signed by the LR; ID of the new Legal representative) in Jems.

### **⚠ POINT OF ATTENTION**

Please note that, if there is a change in the **legal status or structure of the concerned partner** institution, the change must be approved by MC.

#### 7.4.2. Adjustments of the work plan

Minor adjustments of the work plan include modifications of the format and/or timeline of work packages, activities, deliverables or outputs (e.g. postponement or change of location of an activity; minor adjustment of scope of deliverables, etc.)

However, adjustments of the workplan cannot:

- Significantly modify or completely remove activities, deliverables or outputs;
- The modification must not change the nature and purpose of the planned investment and equipment which represents a core component of the project
- Have an impact on the project intervention logic (i.e. change of project objectives, outputs, results and connected indicator values).

Such modifications should be implemented following the procedure as explained within section 7.2. The LP shall update the relevant data and, if applicable, upload the relevant supporting document in Jems.

#### 7.4.3. Budget flexibility

**⚠** Up to 20% (modification of the budget within the flexibility limits, no budget shifts among partners)

Modifications of the budget up to 20% among cost categories on project level are not monitored by the Joint Secretariat. Projects are allowed to overspend by a maximum of 20% of the individual cost categories



## Italy – Croatia

at project level. This is managed in Jems and visible to programme bodies. No need to manage modification request in Jems.

It is the responsibility of the LP to monitor project expenditure in order to ensure that the budget flexibility thresholds are respected. As a consequence, any expenditure carried out at PP level exceeding the overall budget availability of the respective PP as well as the allocation per cost category should be authorised by the LP (but within the flexibility limits).

Restrictions for flexibility rule:

- The overall ERDF contribution to the project cannot be increased;
- The modification of the CC Equipment costs and CC Costs for infrastructure and works must not change the nature and purpose of the planned investment and equipment which represents a core component of the project;
- The flexibility rule does not apply to the predefined calculation methods of Simplified Cost Options;
- Due to the large number of simplified cost options used by the programme, the real flexibility between remaining cost categories is rather limited and it is applicable to costs categories planned as “real costs”;
- Note that due to several simplified cost options being paid out based on staff costs, you must carefully consider the flexibility for increasing staff costs. Several other cost categories (office and administration, travel and accommodation) will increase at the same time;

### POINT OF ATTENTION

Any expenditure reported exceeding the budget flexibility limits (without a prior approval of modification in Jems) will be declared ineligible.

B) Budget flexibility above 20% and below 40% (shift among PPs is allowed) OR

C) Budget changes above 40%



## Italy – Croatia

Modification request should be implemented as it is described under section 7.2.:

- Modification of the budget occurs if the needed budget reallocation exceeds the level of automatic flexibility i.e. if there is an increase of more than 20% and below 40% of the individual cost categories at project level and/or of the LP or PP budget. For such modification an approval by the MA is required.
- For modifications above 40% of the individual cost categories at project level and/or of the LP or PP budget MC approval is required.

In case of increase of the LP or PPs budget a new PP declaration should be drafted and signed including the new national co-financing amount and uploaded within the Jems.

When requesting such budget modification, supplementary documents have to be enclosed to the signed modification request, as follows:

- A proof of partnership's agreement of the proposed modifications (e.g. meeting minutes, emails, online polls or other),
- Partner declaration (LP or PP declaration) with increased/decreased ERDF budget.

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

Restrictions for flexibility rule:

- State aid contractual conditions setting thresholds to the budget granted to beneficiaries may limit the application of the budget flexibility rule;
- Partner(s) receiving State aid within the project under the de minimis regime cannot increase their budget;
- The budget allocation per period as stated in the initial approved AF cannot be changed.



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### 7.4.4. Changes in the partnership

The partnership is a core element of a project and changes to its composition should therefore be limited as much as possible. All changes in the Partnership require the submission of a modification request describing the new allocation of responsibilities and budget which has to be approved MC.

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

In case a PP withdraws from the project, the remaining partners should undertake all possible measures to find a rapid and efficient solution to ensure the further proper implementation of the project, if possible avoiding changes to the project objectives, output and result indicator targets. They should ensure that the responsibilities and project tasks of this partner are taken over by a new partner or are reallocated within the existing partnership. There are several options for Partnership Modification as will be presented below.

#### A. The withdrawing partner is replaced by a new incoming organization

In case one or more partner/s withdraw from a project, the replacing organization/s must have the necessary experience and technical, organizational and financial capability to properly participate in the project. The replacing partner shall comply with all partner criteria used for assessing the original partnership (“Call announcement”).

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

It is to be highlighted that funds of the withdrawing partner become available for the new partner only after the Major modification is approved by programme bodies and approved within Jems. The



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expenditures related to the activities and outputs of the new partner can be eligible from the date of the signature of the Partner declaration signed by the new PP.

### B. The withdrawing partner is replaced within the existing partnership

One or more of the existing partners can partly or fully take over the role and activities of the withdrawing partner and no new organization is joining the partnership. Consequently, the respective part of the budget may be reallocated among the partners taking over activities of the withdrawing partner.

### C. No replacement

The LP in accordance with the partnership can decide that no other organization is taking over the implementation of activities of the withdrawing partner. In this case the activities in the work plan referring to the withdrawing partner and the respective budget should be removed from the AF modification. However, this option is only possible if the concerned activities and role of the withdrawing partner are not crucial for the project implementation and their exclusion does not have an impact on reaching the project objectives, outputs and results indicator target values of the last approved AF.

### D. Combined replacement

A combination of the above three types of partnership modifications is possible, i.e. only part of the activities is taken over by a newly incoming PP and other activities (and related budget) are either excluded or distributed within the partnership. Obligations deriving from the Subsidy Contract and the Partnership Agreement in terms of audits, retention of supporting documents and durability of outputs remain applicable to the withdrawing partner institution even if only part of the originally foreseen budget was spent.

### E. Structural or legal status change of partner institution (e.g., legal succession)

Changes of the legal status of the partner institution are considered also as Partnership changes. In cases of institutional changes where according to national law in force the legal personality does not change and/or in any case all assets of the LP or a PP are taken over so that a deterioration of the financial capacity of the acquiring institution is not to be expected (i.e., in cases of universal succession), prior consent by the MC is not necessary. The LP, however, must submit in due time related information to the MA/JS





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together with all documents that are necessary to analyse the legal case. If the MA/JS comes to the conclusion that the conditions as stated above are not fulfilled (e.g., in cases of a singular succession), the LP will be informed that a partnership modification procedure has to be initiated.

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

| Modification   | Supplementary documents  |
|--|--|
| Partner withdrawal with replacement by new partner                               | <ul style="list-style-type: none"> <li>• Withdrawal letter of the concerned partner</li> <li>• In case of a withdrawing partner that already received funds: a declaration concerning the observation of obligations deriving from the Subsidy Contract and Partnership Agreement</li> <li>• Partner declaration of the incoming partner (together with the ID document of the Legal representative if manually signed)</li> </ul> |
| Partner withdrawal with replacement by existing partner(s)                       | <ul style="list-style-type: none"> <li>• Withdrawal letter of the concerned partner</li> <li>• In case of a withdrawing partner that already received funds: a declaration concerning the observation of obligations deriving from the Subsidy Contract and Partnership Agreement</li> <li>• Updated partner declaration of partner(s) taking over activities and budget of the withdrawing partner</li> </ul>                     |
| Partner withdrawal without any replacement                                       | <ul style="list-style-type: none"> <li>• Withdrawal letter of the concerned partner</li> <li>• In case of a withdrawing partner that already received funds: a declaration concerning the observation of obligations deriving from the Subsidy Contract and Partnership Agreement</li> </ul>   |
| Structural or legal status change of partner institution (e.g. legal succession) | <ul style="list-style-type: none"> <li>• Official document stating the structural/legal change of institution</li> <li>• In case of already received funds, a declaration from the changed partner institution concerning the observation of obligations also related to the previous partner institution deriving from the Subsidy Contract and Partnership Agreement</li> <li>• Updated partner declaration</li> </ul>           |



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

Note: Modifications of the work plan and budget which are a result of a partnership modification are not considered as a separate modification, but rather as a consequence of the partner modification.

### 7.4.5. Prolongation of the project duration

The prolongation of the project duration means a postponement of the end date i.e. extension of the eligibility period and, if relevant, the revision of the budget per period.

The following restrictions and limitations apply:

- The total project budget cannot be increased,
- The extension of the project duration up to 4 months may be approved by MA while extension above 4 months must be approved by MC,
- Project prolongation can be requested only after the mid-term review.

When submitting a request for the prolongation of the project duration, a proof of partnership's agreement of the proposed modifications (e.g. meeting minutes, emails, online polls or other) have to be enclosed to the signed modification request.

### 7.4.6. Major modification of the work plan

Major modifications of the work plan are modifications that go beyond a slight adjustment of the work plan as explained above and may include the following:

- Major modification of the work plan having an impact on project objectives or modifying the output and result indicator targets (approval from Monitoring Committee is needed);
- Major modification of the work plan related to investments, equipment which represents a core component of the project, activities, deliverables and outputs without impact on the project



## Italy – Croatia

objectives or output and result indicator targets (only approval from the MA is needed while MC is informed)

- Modification of activities considered as State aid relevant within the project selection procedure (these cases may result in specific contractual conditions applicable to the concerned partners)

When requesting a major modification of the work plan, supplementary documents have to be enclosed to the signed modification request:

- A proof of partnership's agreement of the proposed major modifications (e.g., meeting minutes, emails, online polls)
- If applicable, additional supplementary documents (e.g., technical specifications of new activities, authorizations)

Modifications in the work plan of the project as a result of a partnership modification are not considered as a separate major modification, but rather as a consequence of the partner modification.





## 8. PROJECT CLOSURE - *Coming later*



## 9. CONTROLS AND AUDITS

### 9.1. National control systems

Management verifications are to be done by a body or person responsible for this verification on a Member State's territory, as identified by each Member State (the 'controller').<sup>29</sup> Management verifications shall be risk-based and proportionate to the risks identified ex-ante and in writing.

The expenditure of beneficiaries participating in the project should be verified by an identified controller. Any controller shall be functionally independent from the audit authority or any member of the group of auditors.

Where the controller carrying out management verifications is a private body or a natural person, those controllers shall meet the requirements listed in article 46(3) of Regulation (EU) 2021/1059.

The management verifications should verify that that the co-financed products and services have been delivered, that the project complies with applicable law, the programme and the conditions for support of the project.

For the Programme, the control System is organized at National level as follows:

- a) Centralized system in Croatia and the body in charge is the Ministry of Regional Development and EU funds,

Decentralized system in Italy controllers are appointed according to the requirements set at National level for ETC Italian control system. They can either be internal or external.

#### POINT OF ATTENTION

The supervision and coordination of control activities lies within the MA for the whole Programme area.

<sup>29</sup> In accordance with article 46(3) of Regulation (EU) 2021/1059



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For Italian LPs and PPs, the cost for the verification and validation of expenditure carried out by authorized external controllers is to be included in the budget under external expertise and services cost category. The cost of authorized internal controllers is not to be included in the budget.

For Croatian LPs and PPs, the above-mentioned budget cost is not to be included in the budget as Controllers are provided at National level and free of charge.

Controllers have to verify that:

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

### **⚠ POINT OF ATTENTION**

Costs should not be 100% verified and verifications shall be risk-based. A set of minimum requirements applicable to management verifications performed by controllers identified by Member States is provided by MA.



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Beneficiaries can claim incurred and paid expenditure only if verified by their respective national controller.

The verification of expenditure included in the List of expenditures section of the Partner Report is done by means of administrative verifications (i.e., desk-based) as well as on-the-spot verifications.

- Regarding on-the-spot verifications, these are carried out by controllers to cover in particular the risks related to the delivery of the product, work or service in compliance with the terms and conditions of the subsidy contract, physical progress, and respect of the EU rules on publicity. The main purpose of the on-the-spot is essentially to check the reality of the operation (above all costs belonging to Infrastructure and works and Equipment; Investments) and applicable publicity requirements.

On-the-spot verifications should focus on verifying elements in addition to what is verifiable through desk-based verifications (e.g., OTSC is added value).

On the spot verifications have to be implemented physically; in exceptional cases justified by solid legal basis and upon agreement with MA, they can be implemented virtually.

Controllers should fill-in and issue the following compulsory documents through Jems:

- Certificate of expenditure, which certifies the compliance of the expenditure verified by the controller with the principles of eligibility, legality and relevance;
- Control report and checklist in which the controller gives evidence of the verifications performed and describes the methodology used for the verifications, explanation of the nature of the documents tested, of national and EU rules checked, etc.

### 9.2. Monitoring visits by the MA/JS

Besides the verifications carried out during the monitoring and approval of project reports (activity and financial part) and related applications for reimbursement, the MA/JS may carry out monitoring visits to



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beneficiaries that might be connected to mid-term reviews and that can be carried out in case of need or for particular problems detected during project implementation.

By means of monitoring visits the MA/JS has the opportunity to gather a more in-depth overview of the quality of project implementation including its administrative part and the physical reality of project implementation. It can be also the occasion to review the work performed by controllers and collect elements on the application of controls among different beneficiaries. Monitoring visits are aimed at helping beneficiaries in smoothly implementing their projects and provide them with targeted support.

The general aspects to be covered can be as follows:

- properly implementation of the funded project;
- physical reality of project implementation;
- real nature of declared expenditures;
- avoidance of double-funding;
- compliance with publicity obligations (where applicable);
- separate accounting system in place;
- consistency in project implementation and supporting documents archive.

The MA/JS may also decide to perform, at any time, verifications on incurred expenditure charged to the project with the scope of preventing and detecting potential irregularities (including fraud).

### POINT OF ATTENTION

In addition to the programme bodies, the European Commission, the European Anti-Fraud Office (OLAF), the European Court of Auditors (ECA) and, within their responsibility, the auditing bodies of the Member States or other national public auditing bodies, are entitled to audit the proper use of funds by the beneficiaries. The concerned beneficiaries are notified in due time about any audit to be carried out by authorised persons of such bodies.





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Beneficiaries undergoing an audit have to provide any project-related information to the above auditing bodies and give access to their business premises.

### 9.3. Audits by the Audit Authority (AA) and Group of Auditors (GoA)

The Audit Authority (AA) is responsible for carrying out system audits and audits on operations in order to provide independent assurance to the European Commission (EC) that management and control systems (DMCS) function effectively and that expenditure is legal and regular.

The AA is supported by a Group of Auditors (GoA) composed of representatives from Italy and Croatia.

EC is selecting a common sample of the projects to be audited, which is representative of all Interreg Programmes' part of the population. Audits on projects are performed during the entire programme lifetime and are covering expenditure declared to the Commission in the accounting year on the basis of the extracted sample.

Audits of operations include on-the-spot verification of the physical implementation of the project when it is required by the type of operation concerned.

Audit findings may have financial consequences. In case of findings having a financial impact (i.e., when irregular amounts are detected), the ineligible amounts are withdrawn from the next payment claim submitted to the MA/JS or are recovered from the LP if the project is already closed (or if the amount claimed by the concerned beneficiary is lower than the irregular amount).

### 9.4. Audit trail

Setting up and maintaining an adequate project audit trail is a basic requirement for the eligibility of the expenditure. The beneficiary should hold all documents necessary for the audit trail in line with the following specifications.

The audit trail should provide (documented) evidence of the sequence of steps undertaken by the beneficiaries when implementing their approved project. An adequate audit trail allows retracing any given step incurred during project implementation or any given control performed, at any time.



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The audit trail at the level of the beneficiary is essentially composed of the following compulsory elements:

- Document (grant agreement or equivalent) setting out the conditions for support signed between the beneficiary and the Managing Authority (Subsidy contract and its amendments; Partnership Agreement and its amendments; Latest version of the approved Application Form);
- Data in relation to outputs and results (adequate evidence and documentation of all outputs and deliverables produced during the project lifetime);
- Documentation demonstrating verification of compliance with applicable rules (for instance, in case of procurement rules: adequate documentation of all procurement procedures implemented for selecting experts, service providers, suppliers, etc.);
- For real costs claimed within the project, the invoices or documents of equivalent probative value and proof of their payment by the beneficiary, as well as accounting records of the beneficiary;
- For costs taking the form of Simplified costs, documents evidencing costs declared under other categories of costs to which a flat rate applies;
- Accounting records of payment claims submitted by the beneficiary, as recorded in the Managing Authority's electronic system;
- Documents issued by the national controller for the validated expenditures claimed within the project and documents submitted to the national controller with the purpose of validating project expenditure (in Jems).
- Documentation addressing the non-relocation and durability requirements;
- Any other supporting document applicable to each cost category.

Already during the start-up phase of the project, it is essential that the beneficiary is establishing adequate arrangements for ensuring a separate accounting system or an adequate accounting code specific for the project and an archive (physical and/or electronic) storing project data, records and documents until the end of the document retention period.



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## 9.5. Double funding

In order to prevent double funding from different co-financing sources for the same expenditure item, the Programme requires the inclusion of a clear indication of the Programme financing source in invoices or other documents of equivalent probative value.

In invoices or other documents of equivalent probative value, in paper or in electronic format, a clear indication that the expenditure pertains to the Programme shall be visible in the subject or body of the document (e.g. the expenditure has been co-funded by the Interreg IT-HR Programme; Number or name of the project; amount of expenditure claimed in IT-HR project, if not claimed 100% to the project).

**⚠ POINT OF ATTENTION**

All supporting documents related to the project should remain available at the appropriate level (premises of the beneficiary) for (at least) a 5-year period from 31 December of the year in which the last payment to the beneficiary is made.

In case of State aid, all documents referring to project activities and expenditure for which State aid was granted shall be available for at least 10 years from the date of granting the last aid issued by IT-HR Programme. The retention period is interrupted in case of legal proceedings or by EC request.



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## 10. WHERE TO FIND ASSISTANCE

The Programme Implementation Manual is complemented with several practical guidance documents. A reference to them is made in the PIM, where relevant. These documents give you detailed and technical information and should be read together with the PIM. In addition, frequently asked questions or videos further explaining the Programme's rules and practices, on our website or during Programme events.

The Interreg VI A Italy–Croatia Joint Secretariat (JS) provides assistance and support to all applicants and projects at all stages of the project lifecycle. Any communication between the JS and beneficiaries shall take place only between the Lead Applicant or Lead Partner and the JS staff via e-mail, telephone and face to face (or online or hybrid) meetings using the following contacts details:

| <b>INTERREG VI-A Italy–Croatia 2021–2027</b>  |  |
|---|--|
| <b>PROGRAMME JOINT SECRETARIAT</b>  |  |
| <b>JS Headquarter</b><br>c/o Veneto Region, Italy–Croatia Managing Authority<br>Dorsoduro 3494/a – 30123 Venice, Italy,<br>e-mail: <a href="mailto:js.italy-croatia@regione.veneto.it">js.italy-croatia@regione.veneto.it</a> | <b>JS Antenna in Zadar</b><br>c/o Ministry of Regional Development and EU Funds<br>Franka Lisice 77, 23000 Zadar - Croatia<br>e-mail: <a href="mailto:js.it-hr.antenna@mrrfeu.hr">js.it-hr.antenna@mrrfeu.hr</a> |

The Programme language is English: all official communications are conducted in English and all Programme documents are produced in English only. The project application and reporting is also done in English.

An Electronic data exchange systems, Jems, is used for all steps of the projects application and implementation. All projects and Programme bodies use the system.

If a new version of the PIM is published on the Programme website, it becomes valid from that point onward. The latest version of the PIM should always be used.



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According to the Lead Partner principle, each project partnership shall appoint one organization acting as the LP who shall take full financial and legal responsibility for the implementation of the entire project towards the Programme bodies.

All relevant documentation and information for beneficiaries will be available on the Interreg VI A Italy–Croatia Programme web site (<https://www.italy-croatia.eu>). The website is the one-stop-shop for finding Programme-related information: call for proposals' documents and tools, timeline of calls, news and information on events, conditions for the submission of project proposals, assessment of proposals, changes of relevant documentation, JS staff answers to frequently asked questions, as well as other relevant information.

### 10.1. Programme Events

Different types of events are organised by the Programme for each call for proposals in order to inform and support potential applicants. The content and timing of the events may vary according to each call for proposals.

### 10.2. Information days

Information days are also organised by the Programme on the occasion of each call opening to inform potential applicants about the Programme, the content of the Call for Proposals (topics addressed, objectives and specific expectations of the Programme towards the call). Depending on needs, this informative session can be attended onsite or online.

During the *Infodays*, participants receive information on the key steps and tools of the call, and the elements relating to the application and assessment phases.

The participation to these sessions is strongly recommended for any applicant potentially interested in the Call, in order to limit as much as possible, the submission of proposals that would not be adapted to the Programme's expectations.



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### 10.3. Meetings

#### **Meeting with Applicants/Beneficiaries (application phase)**

Within the limit established by the Programme at the time of the publication of the call, a single, non-compulsory, individual meeting per project idea is organized by the JS **during the application phase** of a call and aim to support applicants in the construction of their proposal. These meetings are generally organized online and consist of a one-hour session focusing on the key points in the preparation of a proposal (partnership, work plan, eligibility of expenditure, etc.).

#### **ATTENTION!**

**Consultations are no pre-assessments and will not be based on the Application Form or parts of it. The JS will clarify general principles but not advise on concrete outputs, activities or deliverables nor e.g. the admissibility or the eligibility of the project proposal.**

#### **Meetings with Beneficiaries (in implementation phase)**

Individual meetings may be provided by the JS when requested by the Lead Partners. These meetings aim at providing technical advice focusing on the project implementation (work plan, financial issues and similar). The assigned JS Project Manager will provide individual meetings to the Lead Partner when needed and justified. The Lead Partner will be provided with special guidance regarding amendment of Subsidy contract, project changes, reporting and various important administrative issues. The Lead Partner has to provide all the information requested by the provisions of the Subsidy contract to the assigned PM at the JS in time before the meeting. The Lead Partner is responsible to inform the JS without delay on any serious problems encountered during the project implementation.

### 10.4. Other events

#### **Thematic seminars**

Thematic seminars may be organised to facilitate the understanding of the Programme's architecture, to encourage the sharing of experience and the transfer of results. Speakers from outside the MA/ JS may also contribute to this type of seminars.



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Depending on the needs, the thematic seminars may be accessible online or onsite.

### **Training activities for beneficiaries**

The MA/ JS are committed to organise and implement training activities (e.g. workshops, trainings, seminars, etc.) on specific implementation topics such as project management, reporting requirements, communication, capitalisation and networking to strengthen the capacity of beneficiaries to successfully implement the projects.

### **Events organized by beneficiaries**

Furthermore, the JS may visit selected events of the projects (e.g. kick-off, media trip, mid-term, final conference and similar) or project meetings depending on the resources available within the Programme both in terms of funds (TA) and personnel.

