



# Manual on eligibility of expenditure

2021 - 2027

## Version 2.2

September 2025

### List of versions of the Manual

| Version | Date           | Description                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.0     | September 2022 | First version                                                                                                                                                                                                                                                                                                                                                                                                           |
| 1.1     | 24 April 2023  | Second version                                                                                                                                                                                                                                                                                                                                                                                                          |
| 2.0     | October 2023   | Third version                                                                                                                                                                                                                                                                                                                                                                                                           |
| 2.1     | December 2023  | Fourth version (revised section 2.4 Compliance with EU policies and other rules)                                                                                                                                                                                                                                                                                                                                        |
| 2.2     | September 2025 | Fifth version<br>( <u>Added sections</u> : 2.2.7. 40% Flat Rate on Staff costs for all other costs of the beneficiary and 2.2.8. Overview of budget structure options<br><u>Revised sections</u> : 2.2.1 Staff costs, 2.2.2 Office and administrative cost, section 2.2.3 Travel and accommodation costs, 2.2.4 External expertise and services costs, 2.2.5 Equipment costs, 2.2.6 Costs for Infrastructure and works) |
| 2.3     | October 2025   | Revised section: ASPs involvement by allowing all candidate countries, EEA countries, Switzerland and UK institutions to be ASPs                                                                                                                                                                                                                                                                                        |

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The Manual on eligibility of expenditure is setting out detailed/specific programme level rules on the eligibility of expenditure and procedures to be followed during the project implementation period including the supporting documents requested for each cost category. The Manual on eligibility of expenditure is common for both projects and controllers.

# 1. Regulatory framework

## 1.1 Legal framework

- 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);

The list of regulations is not exhaustive and in case of amendment of the above regulations the latest version applies.

All above regulations are available in its latest version in the EUR-Lex database of European Union Law at <https://eur-lex.europa.eu/homepage.html>.

## 1.2 Hierarchy of rules

The hierarchy of rules on eligibility of expenditure applicable to Interreg projects is as follows:

1. EU rules on eligibility as set out in the CPR, ERDF Regulation and Interreg Regulation;
2. Programme eligibility rules as set out in this document;

3. National (including institutional) eligibility rules. Such rules only apply for matters not covered by eligibility rules set in the abovementioned EU and programme rules.

The eligibility rules laid down in this document shall not be overruled by national or institutional legislation.

## 2. Eligibility

### 2.1 General eligibility rules

In principle, the same eligibility rules apply to all Partners from EU and non-EU countries due to the full integration of the three Funds (ERDF, IPA and NDICI) under Interreg Funds at programme level. In case of exceptions due to different rules for PPs from non-EU countries, these are explicitly mentioned under the relevant sections.

#### 2.1.1 General provisions

Eligible expenditure shall fulfil all the following criteria:

- All expenditures are related to the initiation and implementation of the project as approved by the Monitoring Committee and essential for the achievement of the agreed project activities and would not be incurred if the project is not carried out (additionality principle).
- All expenditure must comply with the principle of efficiency, effectiveness and economy
- All expenditure must comply with the principle of real costs, with the exception of the costs calculated as flat rates and lump sums
- All expenditures are incurred and paid by the project partner (except for costs calculated as flat rates or lump sums) indicated in the application form during the eligibility period of the project
- All expenditure relate to activities that have not been financed from other financial instruments
- All expenditures are supported by invoices or other documents with probative value and are directly attributable to a certain project partner with the exception of the costs calculated as flat rates and lump sums

- All expenditures are in line with eligibility rules on EU, programme and national eligibility rule (including relevant procurement rules)
- Be registered in the project partner'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 as flat rates and lump sums);
- Be verified by an authorised national controller.

### 2.1.2 Non-eligible costs

- Interest on debt
- Value added tax ('VAT'), except:
  - for operations the total cost of which is below EUR 5 000 000 (including VAT);
  - for operations the total cost of which is at least EUR 5 000 000 (including VAT) where it is non-recoverable under national VAT legislation
- Fines, financial penalties and expenditure on legal disputes and litigation
- Costs of gifts
- Costs related to fluctuation of foreign exchange rate
- Purchase of land and existing buildings
- In-kind contribution (including unpaid voluntary work)
- Project expenditure split among project partners (i.e. sharing of „common costs“)

### 2.1.3 Eligibility in time

#### Project preparation

Projects approved by the DRP Monitoring Committee are entitled to receive the reimbursement of the preparation costs in a form of a lump-sum, except for those projects that already received financial support for the project preparation under the EU Strategy for the Danube Region (EUSDR), Seed Money Facility or on any other EU fund.

As a general principle, the DRP shall not finance the same costs which have been previously covered by any other EU funds. Therefore, it shall be indicated in the

Application Form if the project has received other EU financial support for the project preparation.

- 18,500 EUR per project represents the total budget for the preparation costs (Interreg Funds and national co-financing) and the EU contribution part of this amount (which is 80% according to the programme rules, i.e. 14,800 EUR) will be reimbursed to the Lead Partner.
- This amount shall cover all costs linked to the preparation of the Application Form and further costs related to the conditions clearing until the final approval date of the project.
- This amount shall be part of the Lead Partner's budget and it shall be planned as lump sum.
- The amount of 18,500 EUR of preparation cost shall be included in the Partner Report and shall be declared by the LP (i.e. Control certificate shall be included) in the first Project Progress Report.

**EXCEPTION:**

For PAC, DSP and SMF projects, preparation costs are not eligible.

## Project implementation

Costs for the implementation of an approved project **are eligible from its start date until its end date** as set in the approved application form.

Approval date, starting date and end date of each project are given explicitly in the subsidy contract.

**Control costs related to the last Project Progress Report and Application for Reimbursement** can be incurred after the end date of the project period, but it shall be paid within 60 days from the end date of the project at the latest.

**Costs reported in the last reporting period and incurred before the end date** of the project shall be paid within 60 days from the end date of the project; the deadline for payments will be explicitly given in the subsidy contract.

## 2.2 Eligibility of expenditure by cost categories

In the Danube Region Programme, Project expenditure is eligible under the following six cost categories:

1. Staff costs
2. Office and administrative expenditure
3. Travel and accommodation costs
4. External expertise and service costs
5. Equipment expenditure
6. Infrastructure and works

Please note: In case of **PAC support** and **DSP support** Infrastructure and works cost category is not eligible.

### 2.2.1 Staff costs

The costs of the personnel employed by the beneficiary institution and executing tasks for the project management (project coordinator, project manager, assistant, financial manager, etc.) and/or tasks for the project content related activities are eligible to be reimbursed by the Programme.

**Expenditure on staff costs shall be limited to the following:**

- a. Salary payments related to the activities which the entity would not carry out if the operation concerned was not undertaken, fixed in an employment/work contract, an appointment decision (both hereinafter referred to as 'employment document') or by law, relating to responsibilities specified in the job description of the staff member concerned;

With regard to point (a) payments to natural persons working for the Interreg partner under a contract other than an employment or work contract may be assimilated to salary payments and such a contract shall be considered to be an employment document.

- b. 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 provided that they are:
  - i. Fixed in an employment document or by law;
  - ii. In accordance with the legislation referred to in the employment document and with standard practices in the country and/or organisation where the individual staff member is actually working; and
  - iii. Not recoverable by the employer.

The above rules apply to any other additional benefits incurred and paid by the employer over the monthly salary. Additional benefits (including bonuses) must be directly linked to the salary payments and figure on the payslip and shall be in line with the employment policy and/or the internal rules of the beneficiary's organisation. Ad-hoc regulations for additional benefits, ad-hoc salary increases or bonuses applicable only to the project are not eligible.

Salary modifications during the project implementation are eligible in case they are well justified (e.g. an increase in the complexity of the implemented activities, additional tasks for the project team, external factors such as economic growth or inflation etc.)

Overtime is eligible only in case it is directly related to the project, it is foreseen in the employment document and it is in line with national legislation and the standard practice of the beneficiary. In case of part time employment, overtime shall be proportionally allocated to the project.

**Staff costs may be reimbursed in the Danube Region Programme using two methods.**

- A. on a real cost basis (proven by the employment document and payslips); or
- B. as a flat rate of 20% of direct costs other than staff costs

Each project partner must choose one of these reimbursement options in the final application form; the selected method has to remain unchanged through the entire project period.

For PAC and DSP call only staff costs reimbursed on real costs basis are eligible.

For regular projects submitted to the 3<sup>rd</sup> call onwards - Real costs reimbursement option is obligatory if 40% flat rate option for all other costs is selected.

A. Staff cost reimbursed on real costs basis:

The staff can be allocated to **work full time** or **part time** with a fixed percentage of time worked per month for the project.

In case of full time employment, holidays and sick leave are eligible (costs are incurred by the employer). For part-time employment with fixed percentage of time worked per month, holidays and sick leave are also eligible and shall be declared proportionally.

**Full-time assignment in the project**

- For personnel that are employed by the beneficiary to work full-time on the project (100% of the working time is allocated to the project) the total gross employment costs incurred by the employer are considered as eligible.
- The fact that the individual works fulltime on the project has to be clearly stated in the employment document (work contract/job description/ task assignment document or other equivalent document).
- No obligation to establish a separate working time registration system – no timesheet necessary

**Part-time assignments with a fixed percentage of time worked per month**

- The percentage of time to be worked on the project shall be fixed in the employment document (work contract/job description/ task assignment document or other equivalent document) by the employer for each project staff member. The percentage of time dedicated to the given project shall be mentioned in the documents where the other tasks / projects are referred, as well as the percentage of time to be allocated to other tasks/projects. Description of project-related tasks and responsibilities of the person working on the project shall be available and the time allocated to the project shall be in line with the project related tasks.

- There is no obligation to establish a separate working time registration system. – no timesheet necessary.
- In case the percentage of time to be worked on the project is changed during the project duration, the related document shall be submitted to the Controller, as well as the documents justifying the necessity and plausibility of the changes. The percentage of time to be worked on the project can be changed only between reporting periods.

**Example for the calculation:**

- Gross employment cost of the employee is 4,000 EUR (including gross salary, social charges paid by the employer and other payments related to salary including taxes paid by the employer).
- The employee is working 40% of her/his working time per month on project related tasks.

**Eligible Staff costs = Total monthly salary (gross salary) \* Fixed percentage**

$$\text{Eligible Staff costs} = 4.000 \text{ EUR} * 40\% = 1.600 \text{ EUR}$$

Supporting documents:

- A document showing contractual relationship: employment/work contract, contracts considered as employment contracts for all persons reporting staff costs (part-time and full-time). Employment regulations fall under national rules.
- Written agreement(s) and/or job description outlining work for the project for all persons reporting staff cost (part-time and full-time)
- A document specifying salaries and other related costs for each relevant month and each person working on the project (e.g., pay slips, print-out of the accounting system)
- Proof of payment of salaries and other related costs and employer's contribution (social contribution) (e.g., bank account statement, pay slips, other types of payment confirmations acceptable at national level)
- Only in case of part-time work on the project based on a fixed percentage of time worked per month: document setting out the percentage of time to be worked on

the project for each person reporting staff costs under this option, if not included in the employment contract or job description. In all cases, at least the following information should be available in the employment documents of the staff member:

- description of the tasks of the employee in the project – with an proportionate level of detail reflecting the indicated percentage
- the percentage of working time of the employee on the project per month;
- signature by the employer (supervisor, line manager, etc.) and the employee

B. Staff cost reimbursed on flat rate basis:

- Staff costs of the project partner can be reimbursed on the basis of a flat rate of 20% of direct costs other than staff costs, provided that the direct costs of the operation do not include public works contracts or supply or service contracts which exceed in value the thresholds set out in Article 4 of Directive 2014/24/EU of the European Parliament and of the Council (49) or in Article 15 of Directive 2014/25/EU of the European Parliament and of the Council (50).

The eligible direct costs as basis of the calculation of the staff costs are the amounts reimbursed under the cost categories travel and accommodation, external expertise and service, equipment and infrastructure and works. Travel cost can only be included in the calculation as direct costs if the real cost reimbursement method is selected by way of exception to the rule (see chapter 2.2.3). The expenditure reimbursed under office and administrative costs is not considered as direct cost, therefore it shall not be included on the basis of calculation of the staff costs.

Under this option, the beneficiary does not need to document that the staff costs has been incurred and paid out.

The flat rate defined in the approved Application Form shall be **automatically applied** by the given project partner for reporting staff **costs in each reporting period**

In case the flat rate method is applied for the reimbursement of staff costs, **no further staff costs incurred on real costs basis can be reported under this cost category or under other cost categories.**

In case staff costs are not eligible for financing for the given project partner according to national eligibility rules, staff costs shall not be declared on flat rate basis to the project (i.e. the eligibility of expenditure does not depend on the form of reimbursement).

The flat rate approved in the Application Form shall be applied in case of budget changes of a project partner affecting the amount of direct costs being the basis of the calculation of the staff costs.

**Example for the calculation:**

**Reported eligible direct costs:**

|                                              |                    |
|----------------------------------------------|--------------------|
| <i>External expertise and service costs:</i> | <i>30.000 EUR</i>  |
| <i>Equipment costs:</i>                      | <i>50.000 EUR</i>  |
| <i>Infrastructure and works</i>              | <i>50.000 EUR</i>  |
| <b>Total:</b>                                | <b>130.000 EUR</b> |

**Eligible Staff costs = 130.000 EUR \* 20% = 26.000 EUR**

**Supporting documents:**

- No supporting documents needed.
- List of staff members working on the project and any other employment document shall be provided to the Controller on request (e.g. to check the eligibility of travel and accommodation costs). The project partner has to demonstrate that at least one employee is involved in the project.

## **2.2.2 Office and administrative costs**

Office and administrative costs related to the project implementation shall be declared on a flat rate basis of 15% of the eligible staff costs of the project (i.e. 15% of costs declared under "Cost category Staff costs" no matter if flat rate or real costs method is used for staff costs). To use Office and administrative flat rate, the project partner has to select this method in the application form.

No further justification or supporting document is needed from the project partners.

Office and administrative expenditure shall not be claimed as direct cost under any other cost category.

The following types of expenditure are included under this cost category (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 (e.g. fire, theft insurances)
- c. Utilities (e.g. electricity, heating, water)
- d. Office supplies
- e. General accounting provided inside the beneficiary organisation
- f. Archives
- g. Maintenance, cleaning and repairs
- h. Security
- i. IT systems
- j. Communication (e.g. 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
- l. Charges for transnational financial transactions

The **same flat rate** (15%) shall be automatically applied **for each reporting period**, by each project partner. **If no staff cost declared, for the relevant reporting period, no office and administrative cost can be declared.**

Office and administrative cost is eligible also in case the staff costs are declared on a flat rate basis.

In case **staff costs are not eligible** for financing for the given project partner according to national eligibility rules, **office and administrative expenditure shall not be declared to the project** (i.e. the institution of the project partner financing the staff of the project shall finance the related office and administration expenditure as well).

The 15% flat rate shall also be applied in case of budget changes affecting the amount of direct staff costs of a project partner's budget.

**Example for the calculation:**

*Reported eligible staff costs: 20.000 EUR* (be it real costs OR a 20 % flat rate on external expertise and services + equipment + infrastructure and works)

**Eligible Office and administrative costs = 20.000 EUR \* 15% = 3.000 EUR**

Above rules do not apply if 40% flat rate for all other costs is selected as office and administrative costs are covered by the 40% flat rate.

### 2.2.3 Travel and accommodation costs

Project related travel costs of the project staff employed and Associated Strategic Partner(s) financed by the beneficiary are eligible for financing under the travel and accommodation costs cost category.

The travel and accommodation costs are reimbursed based on a flat rate of 15% of the staff costs. Real cost reimbursement method can only be chosen in duly justified cases. The method will be set during condition clearing in the final application form and has to remain unchanged through the entire project period.

- Travel and accommodation costs can be calculated as a flat rate of 15% of staff costs regardless of the form of reimbursement applied under the staff costs. If a beneficiary accounts staff costs through a flat rate of 20% of direct costs (excluding staff), this calculated staff costs amount is the basis for the calculation of travel and accommodation costs.
- Project partners do not need to document that the expenditure for travel and accommodation costs has been incurred and paid or that the flat rate corresponds to reality. Accordingly, no documentation related to travel and accommodation costs needs to be provided to the controller or kept for further controls.
- The 15% flat rate defined in the approved Application Form shall be **automatically applied** by monitoring system for reporting travel and accommodation costs **in each reporting period**.
- In case the flat rate method is applied for the reimbursement of travel and accommodation costs, the flat rate covers all items mentioned under eligibility

rules for travel costs reimbursed as real costs and **no further travel cost incurred on real costs basis can be reported under this cost category or under other cost categories** (except the travel and accommodation cost of external experts, which have to be reported under external expertise and services).

- In case travel and accommodation costs are not eligible for financing for the given project partner (e.g. no staff employed), travel costs shall not be declared on flat rate basis to the project (i.e. the eligibility of expenditure does not depend on the form of reimbursement).
- The flat rate approved in the Application Form shall be applied in case of budget changes of a project partner affecting the amount of direct, or flat rate staff costs, being the basis of the calculation of travel and accommodation costs.

**Example for the calculation:**

Reported eligible staff costs: **20.000 EUR** (be it real costs OR 20 % flat rate on external expertise and services + equipment + infrastructure and works)

**Eligible Travel & Accommodation costs = 20.000 EUR \* 15% = 3.000 EUR**

In duly justified cases, the applicants can choose to reimburse travel and accommodation costs based on real costs. Possible justified cases, are non-exhaustive list: PPs from not easily accessible areas, impossibility to plan and reimburse staff costs due to internal institutional rules, very low staff costs etc. In case of real costs are justified the following rules, listed below, apply.

Eligible expenditure includes (exhaustive list):

- a. Travel costs:
  - Tickets: flight tickets (including the costs for carbon offsetting), bus, train, local transportation tickets, etc.
  - Travel and car insurance
  - Fuel, car mileage according to the rules relevant for the beneficiary's institution
  - Toll
  - Parking fees (e.g. parking at the event, at the airport)

- Taxi costs and car rental according to the criteria of “further eligibility rules” of this cost category
- b. Costs of meals
- c. Accommodation costs
- d. Visa costs
- e. European Travel Information and Authorisation System (ETIAS) cost
- f. Daily allowances

In case travel costs, meals, accommodation costs or visa costs or any of these are covered by the daily allowance, the actual incurred expenditure related to the cost covered by daily allowance shall not be reimbursed.

Further eligibility rules:

- Travel and accommodation costs must be clearly linked to the project: they must be justified by activities carried out within the project (e.g. participation in events, meetings organised by the project/project partners, meetings with the MA/JS, seminars, conferences organised by the Danube Region Programme or where the participation of the project is relevant, etc.) and the related activities shall be relevant for the implementation of the project, e.g. participation at the meeting with project partners to prepare project activities, etc.
- The duration of the travel shall be clearly linked to the concerned event/meeting and shall not be longer than from the day before to the day after the concerned meeting, unless it is clearly justified and documented. Further overnights and related costs (e.g. extra hotel costs, extra daily allowances, additional staff costs) not justified shall not be eligible
- In principle, travel costs of the “project staff” (as defined under the cost category staff costs) are eligible.
- It is also possible to report travel costs for employees of the partner institution who are not claiming any staff costs. In such cases the travel should be justified and connected to project activities.
- In case staff costs of the partner institution cannot be charged to the project due to national legislation, but it is proved that these persons are directly contributing

to the project implementation, their travel costs are considered eligible as well (e.g. civil servants)

- Travel and accommodation costs must be definitely borne by the partner's institution as beneficiary. Direct payment of costs by a staff member of the beneficiary must be supported by a proof of reimbursement from the employer before submitting the expenditure for validation to the Controller
- Travel costs of the Associated Strategic Partners (ASPs) are eligible, where the invoice and/or the relevant accounting document is addressed to the "sponsoring" Partner and it is directly paid or reimbursed by the financing Partner before submitting the expenditure for validation to the Controller
- Travel and accommodation expenses of external experts and service providers shall be declared under the external expertise and services costs
- Project related travels outside of the Union part of the programme area are eligible costs; however, travels outside the programme area are eligible but subject to approval from DRP side.
- Daily allowances are eligible according to national legislation / internal rules of the partner's organisation. In case neither national nor internal rules of the partner's organisation are available, the daily allowances according to the Regulation (EU) 2021/1059 of 24 June 2021 shall be applied. Hierarchy of rules (internal and/or national, EU) shall be kept. Daily allowances accounted for the project shall include the related social contributions/taxes according to the relevant national rules.
- Daily allowances are eligible for ASPs under condition that the relevant internal rules of the sponsoring Partner's institution make possible such payment, it shall be according to the rules of the Sponsoring Partner' institution for its own employees.
- Daily rates for hotel accommodation are applicable according to national legislation / internal rules of the partner's organisation. In case neither national nor internal rules of the partner's organisation are available, the hotel ceilings for accommodation costs according to the Commission Delegated Regulation (EU) 2016/1611 of 7 July 2016 shall be applied. Hierarchy of rules (internal and/or national, EU) shall be kept. Higher daily rates can be accepted in exceptional and duly justified cases, e.g. hotel available only for higher daily rate, due to the location of the event (e.g. Brussels).

- As a general rule, the most economical way of transport should be used. In principle, business or first class tickets are not eligible. Business or first class tickets can be accepted only in exceptional cases, if cost effectiveness and efficiency can be clearly proved with documented booking options.
- Taxi costs are eligible, e.g. for travelling to/from the airport/train station, to/from the venue of the event/hotel, in case they are well justified (e.g. the only effective travel solution if public transportation is not available).
- Car rental is eligible in exceptional cases and in justified circumstances, e.g. the location of the event is not accessible by public transport, cancellation of travel by public transport not due to fault of the travelling person, cost effectiveness due to the number of travelling persons, etc.
- Furthermore, it is recommended to use environmentally friendly means of transport (e.g. train over flight, green public transport vehicles over taxi/car etc.)
- Costs for flight carbon offsetting are eligible provided that the costs are included in the same invoice of the flight.
- In case it is not included in the flight ticket, the project partner can select the service provider of CO<sub>2</sub> compensation and the costs are eligible provided that the related invoice contains the following details: project acronym/code, name of the passenger, flight number/destination.<sup>1</sup>
- Cancellation fees of travel costs are eligible in case of force majeure.

The term force majeure, as used herein covers any unforeseeable events, not within the control of the beneficiary and which by the exercise of due diligence neither beneficiary is able to overcome such as acts of God, strikes, lock-outs or other industrial disturbances, acts of the public enemy, wars whether declared or not, blockades, insurrection, riots, epidemics, landslides, earthquakes, storms, lightning, floods, washouts, civil disturbances, explosion.

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<sup>1</sup> Carbon offsets are achieved through financial support of projects carried out by organisations that act as service providers of CO<sub>2</sub> compensation that reduce the emission of greenhouse gases in the short- or long-term

### Supporting documents:

- List of staff working on the project (including the staff costs declared on flat rate basis, members of project partner's institution which are not able to report any staff costs, and the ASP members)
- Agenda or similar document presenting the objectives and topics of the meeting/seminar/conference
- Authorisation of the mission (if obligatory according to national/ institutional rules)
- Mission report signed by the travelling person
- If relevant: any other proof of participation (e.g. minutes of the meeting, event /signed list of participants/ email confirmation, etc.)
- Invoices or documents of equivalent probative value (hotel invoices, bus/train/plane tickets, etc.)
- In case of use of company/private car, calculation sheet according to national or institutional rules stating at least the distance, the unit rate and the total costs of the travel
- Payslip/accounting documents on daily allowance / per diems
- Proof of payment of travel and accommodation costs (e.g. bank statements)
- Proof of reimbursement of travel and accommodation expenditure to staff, in case the staff members pre-financed the expenditure

Above rules do not apply if 40% flat rate for all other costs is selected as Travel and accommodation costs are covered by the 40% flat rate.

For PAC and DSP call only travel and accommodation costs reimbursed on real costs basis are eligible.

### 2.2.4 External expertise and services costs

Expenditure on external expertise and service costs shall be limited to the following services and expertise provided by a public or private law body or a natural person other than the beneficiaries of the project:

- a. Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks)
- b. Training
- c. Translations
- d. IT systems and website, development, modifications and updates<sup>2</sup>
- e. Promotion, communication, publicity or information linked to the project
- f. Financial management
- g. Services related to the organisation and implementation of events or meetings (including rent, catering or interpretation)
- h. Participation in events (e.g. registration fees)
- i. Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services
- j. Intellectual property rights
- k. Verifications: Externalised control activities for the verification of the project expenditure by authorised national controllers where it is relevant for the control system of the concerned Partner State
- 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
- n. Other specific expertise and services needed for the given project

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<sup>2</sup> The Danube Region Programme website will include and host one website per project.

### Further eligibility rules:

- External expertise and services must be clearly and strictly linked to the project and be essential for its effective implementation.
- In the event of the selection of the external experts applicable public procurement rules must be respected. PPs from EU countries shall comply with the relevant EU and national public procurement law in force, and the PPs from non-EU countries, shall comply with the provisions of the Financial Regulation and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority.
- In case the controller is appointed or designated at national level and its costs are paid by the project partner, the rules for the selection of the external experts shall not be applied as the project partner is not free to select a controller.
- In case the control costs are paid by the project partner, only the fees included in the service contract according to the national control system can be invoiced. Further costs cannot be charged in addition to the Project partner.
- Programme specific rules shall be applied by the PPs from EU countries in case of procurements between 10,000 EUR (excluding VAT) and the national public procurement thresholds (see detailed rules in section 2.4)
- Procurements shall comply with the principles of transparency, non-discrimination and equal treatment.
- Project Partners and their employees shall not be contracted by another project partner within the same project as an external expert or a subcontractor.
- Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers shall be declared under this cost category. In case only the travel and accommodation costs are reimbursed to the external expert (not receiving fee), the contract or any other supporting document shall state that only travel costs and accommodation costs supported by invoices will be paid.
- The stakeholders' travel and accommodation costs not provisioned in the Application Form needs approval from the MA/JS.
- If applicable, the deliverables shall respect the information and publicity requirements of the DRP.

- Promotion, communication, publicity or information activities are eligible if included in the Application Form or are approved by the MA/JS beforehand.
- Expenditure on external expertise and services shall not be split among the project partners, i.e. common costs are not allowed.

Programme rules on project logo and website development:

- In general, DRP projects are not allowed to develop their own project logo. They have to use instead the programme logo including the reference to the project acronym below. However, a specific logo might exceptionally be considered for an output/result with a lifetime going beyond the project if well justified in the approved Application Form
- DRP projects are not allowed to create their own website but to use the one hosted in the programme website. In exceptional cases, projects might still develop a separate website for tools or products with a life reaching beyond the project and being a project output itself and not a simple communication tool. The development of such a separate website will be subject to approval by the MA/JS and a specific justification will be required. In the event that this separate website is approved, the project will be required to follow the programme's visual guidelines

Supporting documents:

- Selection of the external expert/service provider: Evidence of the selection process, in compliance with the applicable EU, national and internal public procurement rules. Any changes to the contract must comply with the public procurement rules and must be documented;
- Selected offer;
- Service contract, or where it is relevant order for the service
- Invoices or documents of equivalent probative value providing all necessary information in line with applicable accounting rules and programme requirements (i.e. programme name, project code and acronym should be indicated on the invoice/ document before submission to controllers for verification). Invoice/document can be accepted if it is clearly attributable to the given DRP project.

- Proof of payment (e.g. bank statement, recorded payment order from accounting system);
- Calculation method showing the share allocated to the project and justification of the share allocated (only in case of experts and services that are not exclusively contracted for the project);
- Deliverables and other relevant evidence of the work carried out by external experts e.g. studies, promotional materials, for events: e.g. agenda, list of participants, photo documentation, etc.).

Above rules do not apply if 40% flat rate for all other costs is selected as External expertise and services costs are covered by the 40% flat rate.

### 2.2.5 Equipment costs

Purchase, rent or lease of equipment costs is eligible in case it is necessary for the project implementation and is foreseen in the approved Application Form.

The purchase, rent or lease of the following equipment is eligible under this cost category:

- 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
- h. Other specific equipment needed for operations

The above list is exhaustive. Cost items accounted under the equipment cost category shall not be reimbursed under any other cost category.

In justified cases, costs for the purchase of specific thematic 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 the funds listed in point (a) of Article 1(1) of Regulation (EU) 2021/1060;
- b) its price does not exceed the generally accepted price on the market in question; and
- c) it has the technical characteristics necessary for the operation and complies with applicable norms and standards.

For PAC and DSP call purchase of second-hand equipment is not eligible

Further eligibility rules:

- Equipment should be clearly and strictly linked to the project (features and functions are in line with the project needs and specified in the AF) and exclusively used for the project implementation
- Only equipment listed in the approved Application Form (and associated costs needed for its installation and functioning) are eligible for financing. In case of any change necessary to the equipment, it shall be ex ante approved by the MA/JS according to the rules on project changes
- Equipment must be purchased in compliance with public procurement rules. In the event of the selection of the suppliers, EU Partners shall comply with the relevant EU and national public procurement law in force, and non-EU Partners shall comply with provisions of the Financial Regulation and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority
- Programme specific rules shall be applied by EU Partners in case of procurements between 10,000 EUR (excluding VAT) and the national public procurement thresholds (see details in section 2.4)
- Procurements shall comply with the principles of transparency, non-discrimination and equal treatment
- Equipment expenditure cannot refer to items already financed by other EU or public funds and must not be already depreciated;

- Where applicable, equipment must respect the relevant information and publicity requirement of the DRP;
- Equipment expenditure shall not be split among the project partners, i.e. common costs are not allowed
- **The full costs of the equipment can be allocated to the project** (provided that national or institutional regulations allow that project equipment is reimbursed in full). However, also depreciation is eligible if in line with national rules on the matter.
- In case only **depreciation costs** are declared to the projects, the eligibility rules relevant for depreciation costs shall be applied.
  - a. For project equipment that was purchased before the project starting date, not fully depreciated before and used for the project purposes, only depreciation costs **for the relevant project period** should be allocated to the project. Furthermore, depreciation costs of the equipment are eligible only if the acquisition of equipment is not financed from any other financial instrument (e.g. EU, national, international)
  - b. The calculation of depreciation or equivalent division of shares of equipment should be done according to a justified and equitable method and be in line with the national or institutional regulations
  - c. Depreciation costs of equipment shall be allocated to the time period when the equipment was used for the project purposes

**Example for the calculation:**

Equipment item used: January - June 2024, so for 6 months long

The price was: 4,000 EUR

Annual depreciation: 1,200 EUR

Monthly depreciation: 100 EUR (1200 EUR / 12 months)

**Eligible depreciation costs: 600 EUR (EUR 100 monthly depreciation x 6 months)**

### **Equipment which is part of an investment:**

- In case equipment is part of or fully represents an investment item which was approved in the Application Form, the full cost of the equipment is eligible.

In general, equipment which is part of investment belongs to cost category Equipment.

- In case equipment belongs to this category, the following rules have to be observed:
  - The equipment must be a part of an investment as specified in the Application Form
  - The equipment should be solely used for the project purposes, during the project lifetime.

### **Equipment rented or leased:**

- For equipment rented or leased for certain period during the project lifetime rental or leasing costs for the respective period are eligible

### **Supporting documents:**

- Documents of the procurement procedure (selection of the suppliers)
- Selected offer
- Contract, or where it is relevant order for the equipment
- Invoices or documents of equivalent probative value providing all necessary information in line with applicable accounting rules and programme requirements (i.e. programme name, project code and acronym should be indicated on the invoice/ document before submission to controllers for verification). Invoice/document can be accepted if it is clearly attributable to the given DRP project.
- Calculation schemes for depreciations (in case of depreciations)
- Proof of payment (e.g. bank statement)
- Proof of existence (pictures, deliverable note, etc.)

Please, note that the purpose and ownership of the equipment which is part of an investment shall not be changed for at least 5 years after the final payment to the project.

Above rules do not apply if 40% flat rate for all other costs is selected as Equipment costs are covered by the 40% flat rate.

### 2.2.6 Costs for Infrastructure and works

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

- a) Building permits;
- b) Building material;
- c) Labour;
- d) Specialised interventions (e.g. soil remediation, mine-clearing)

The above list is exhaustive. Cost items accounted under this cost category (CC6) **cannot be reimbursed under any other cost category.**

The DRP, as well as the other transnational cooperation programmes, is not intended to be an investment programme. This is largely due to its limited budget and its cooperative nature.

For this reason, only small scale infrastructure is eligible where the transnational impact of the investment is demonstrated and the activity is essential for the project's implementation and is approved in the Application Form.

Please, note that the total investment expenditure can be divided among different cost categories. The cost category 'Infrastructure and works' should only cover costs related to investment having the nature of infrastructure or works and not included under any other cost category.

In line with Article 2 of EU Directive 2014/24/EU the cost category should include execution or both design and execution of works as well as site preparation, delivery, handling installation, renovation.

#### **Eligible investments either:**

- Follow a transnational physical or functional link over the national border (e.g. transport corridors) which has been analysed from transnational point of view and has a clear impact over the national borders or

- Create a transferable practical solution through a case study in one area, which is jointly evaluated by the project partners and transferred for testing in at least two other participating countries

**Example for possible investments:**

- Information and visitor centres, located in different countries of the programme, presenting the Danube region natural heritage (not focused on a specific site or narrow area)

**Ineligible expenditure:**

- Investments without transnational relevance
- Costs of purchase of land and buildings

**Examples of investments that are not eligible under DRP:**

- Investments not driven by a transnational need jointly identified by the partnership but by the individual local/regional/national needs
- A selection of investments linked by the need of funding
- Pilot investments that are not jointly evaluated and transferred for testing in the partnership

**Further eligibility rules:**

- The partners in charge of the infrastructure and construction works are responsible for ensuring that all applicable public procurement rules are respected. In the event of the selection of contractors of investments, EU Partners shall comply with the relevant EU and national public procurement law in force, and non-EU Partners shall comply with the provisions of the Financial Regulation and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority.

- Programme specific rules shall be applied by Partners from EU countries in case of procurements between 10,000 EUR (excluding VAT) and the national public procurement thresholds (see details in section 2.4).
- Procurements shall comply with the principles of transparency, non-discrimination and equal treatment.
- Depending on the nature of investments and works: all compulsory requirements set by EU and national legislation, including the environmental requirements
- The land and buildings where works will be carried out must be in the ownership of the beneficiary or the beneficiary must have set in place long-term (at least 5 years after the final payment to the project) legally binding arrangements in order to fulfil durability (including maintenance) requirements
- The purpose and ownership of the infrastructure shall not be changed for at least 5 years after the final payment to the project.
- The contractor shall not be a partner in the project.
- Expenditure on infrastructure and works shall not be split among the project partners, i.e. common costs are not allowed.
- Where applicable, infrastructure and works realised by the project must respect the relevant publicity requirements of the DRP.

Supporting documents for Infrastructure and works:

- Documents of the procurement procedure (selection of the contractor)
- Selected offer
- Contract
- Invoices or documents of equivalent probative value providing all necessary information in line with applicable accounting rules and programme requirements (i.e. programme name, project code and acronym should be indicated on the invoice/ document before submission to controllers for verification). Invoice/document can be accepted if it is clearly attributable to the given DRP project.
- Proof of payment (e.g. bank statement)

- Proof of existence (pictures, deliverable note, etc.)
- Required permits, feasibility studies, etc.

Above rules do not apply if 40% flat rate for all other costs is selected as Infrastructure and Works costs are covered by the 40% flat rate.

## 2.2.7 40% Flat Rate on Staff costs for all other costs of the beneficiary

|                                                                                             |
|---------------------------------------------------------------------------------------------|
| <b><u>This option is available starting from the 3<sup>rd</sup> call for proposals.</u></b> |
|---------------------------------------------------------------------------------------------|

All eligible costs of a beneficiary other than staff costs (i.e. cost categories office and administration, travel and accommodation, external expertise and services, equipment and infrastructure and works) can be reimbursed on the basis of a flat rate of 40% of direct staff costs. The beneficiary does not need to document that the expenditure has been incurred and paid out. Travel costs of the ASPs are covered by the flat rate.

If this budget option is selected by the project partner in the final application form, it shall remain unchanged during the entire implementation period.

Since staff costs represent the basis for the calculation of the 40% flat rate for all other costs, only real costs option for the staff costs is applicable in this budget option. The 20% flat rate for the staff costs cannot be applied. The eligible expenditure<sup>3</sup> for all other costs will be automatically calculated in the electronic monitoring system (Jems).

Beneficiaries do not need to provide supporting documents for the costs covered by the 40% flat rate.

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<sup>3</sup> The flat rate amount is directly linked to the eligibility of the direct staff costs: if there are any mistakes or irregularities in the staff costs category, the amount of the flat rate is proportionately reduced.

**Example for the calculation:**

Eligible Staff costs (reported on real costs basis) = 20.000 EUR

Eligible amount of direct costs (other than direct staff costs) = 20.000 EUR \* 40% = 8.000 EUR

## 2.2.8 Overview of budget structure options

Considering above information, partners can opt for one of the budget structure options presented below.

| Options | Real costs                                                                                                                                                     | Flat rates                                                                                                                                                                                                                                                                                                                                                          |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1       | <ul style="list-style-type: none"><li>• Staff costs</li><li>• External expertise and services</li><li>• Equipment</li><li>• Infrastructure and works</li></ul> | <ul style="list-style-type: none"><li>• <b>Office and administration</b><br/><i>15 % flat rate of eligible direct Staff costs</i></li><li>• <b>Travel and accommodation</b><br/><i>15 % flat rate of eligible direct Staff costs (real costs only in exceptional cases<sup>4</sup>)</i></li></ul>                                                                   |
| 2       | <ul style="list-style-type: none"><li>• External expertise and services</li><li>• Equipment</li><li>• Infrastructure and works</li></ul>                       | <ul style="list-style-type: none"><li>• <b>Staff costs</b><br/><i>20 % flat rate of eligible direct costs</i></li><li>• <b>Office and administration</b><br/><i>15 % flat rate of eligible Staff costs</i></li><li>• <b>Travel and accommodation</b><br/><i>15 % flat rate of eligible Staff costs (real costs only in exceptional cases<sup>5</sup>)</i></li></ul> |
| 3       | <ul style="list-style-type: none"><li>• Staff costs</li></ul>                                                                                                  | <ul style="list-style-type: none"><li>• <b>All other costs:</b> office and administration, travel and accommodation, external expertise and services, equipment and infrastructure and works<br/><i>40 % flat rate of eligible direct Staff costs</i></li></ul>                                                                                                     |

<sup>4</sup> For details, please check Chapter 2.2.3 of the Manual on Eligibility of Expenditure

<sup>5</sup> For details, please check Chapter 2.2.3 of the Manual on Eligibility of Expenditure

**Please note:**

Option 3 is available starting from the 3<sup>rd</sup> call for proposals.

Each project partner may select the cost option that best suits their needs, after carrying out their own cost calculations.

## 2.3 Eligibility of Expenditure of the Associated Strategic Partners

Institutions from EU member states and EU candidate countries, Switzerland, EEA countries and the UK can be involved as **Associated Strategic Partners (ASP)** in the projects; therefore the following **general conditions** apply:

- The **involvement** in the project of **ASPs** is possible, where it has an added value for the project.
- The need for the involvement of the ASP for the implementation of the project and the benefit for the DRP area has to be always demonstrated, in the description of the project proposal and during the implementation.
- The **ASP** are **indirectly financed** from the project budget, i.e. the concerned ASP contributes to the project without separate budget.
- The **costs of the concerned ASP shall be planned in the budget of one "sponsoring" PP and shall be directly paid /reimbursed by the "sponsoring" PP.**
- **Only travel and accommodation costs** of the ASPs related to project activities are eligible according to the eligibility rules for travel and accommodation costs category.
- ASPs cannot be subcontracted by project partners as external experts.

Project partners do not need to provide justification or supporting documents for travel and accommodation costs of ASPs in case the "sponsoring" PP has chosen flat rate option of the Travel and accommodation costs category. In this case, the travel and accommodation costs of the ASP are covered by the flat rate of the "sponsoring" PP.

In case the “sponsoring” PP has chosen real costs option of the Travel and accommodation costs category the following shall apply:

1. Specific rules:

- The costs shall be **traceable** from the **approved Application Form**.
- The expenditure shall be verified by the Controller of the “sponsoring” PP and has to be reported in the Control Certificate as well.

2. The checks for the eligibility of expenditure of the ASP are the followings:

- Expenditure of the ASP are directly related to the project and in line with the activities stated in the Application Form
- All expenditures are planned in the budget of the project partner concerned
- All expenditures are directly incurred and paid/reimbursed by the sponsoring project partner concerned
- Expenditure is reported only under Travel and accommodation (the only eligible cost category)
- Expenditure reported does not exceed the budget planned for the activities of the ASP.

## 2.4 Compliance with EU policies and other rules

### General principles

Public procurement is a process used by organisations and companies receiving public funds for choosing and contracting providers of goods, services and works by ensuring transparency and equal treatment of the potential providers. The public procurement procedures aim at a more efficient and transparent use of public funds as well as at increasing competitiveness.

The main principles to be followed when procuring goods, services or works are the principles of transparency, non-discrimination and equal treatment. Compliance with the procurement requirements is vital for the projects, as it ensures the eligibility of the reported costs of the particular goods, services and works.

In the framework of the Danube Region Programme, all project partners implementing projects must comply with the relevant public procurement legislation, independently from their legal status. Private project beneficiaries have to act as contracting authority as defined by Art. 2 (1) of the Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on Public Procurement and repealing Directive 2004/18/EC.

The rules are set at the following levels:

1. EU directive (Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on Public Procurement and repealing Directive 2004/18/EC)
2. Financial Regulation if relevant
3. National public procurement law of the Partner State of the project partner
4. Programme rules set by the Danube Region Programme
5. Institutional rules relevant for the project partner

Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with the Directive. The procurement rules at national level could be different due to the different types of procedure, contract value, etc. Moreover, different rules may apply for EU partners and for non-EU Partners.

- EU Partners shall apply the relevant national public procurement rules, and the programme specific rules.
- In addition, in order to have harmonised procurement procedures at programme level, the Danube Region Programme is setting a threshold of 10,000 EUR (excluding VAT) to be applied by EU Partners for the procurements below national thresholds. Above this amount and below the national public procurement threshold, the “bid-at-three” rule shall be applied by the EU partners (unless national/institutional rules are stricter in which case they should be applied).
- Below this 10,000 EUR net amount, no specific rules are set at programme level, however, national rules, if any, shall be applied. Still principle of efficiency, effectiveness and economy has to be ensured for all costs disregarding their value

**Summary of procurement procedures for EU Partners within the Danube Region Programme:**

| Thresholds                                                                    | Rules to be applied                                                    | Procedure to be applied                                              |
|-------------------------------------------------------------------------------|------------------------------------------------------------------------|----------------------------------------------------------------------|
| Below 10,000 EUR (excluding VAT)                                              | National rules (if any)                                                | Procedure to be checked at national level (if any)                   |
| Between 10,000 EUR (excluding VAT) and national public procurement thresholds | Programme specific rules or national / institutional rules if stricter | <b>Bid-at three rule or national/institutional rules if stricter</b> |
| Between national and EU public procurement thresholds                         | National public procurement law                                        | <b>National level tenders</b>                                        |
| Above EU public procurement thresholds                                        | National public procurement law                                        | <b>EU level tenders</b>                                              |

**“Bid-at-three” rule** is introduced at programme level to ensure transparent selection procedures, equal treatment and cost efficiency for goods and services below the national thresholds. The same programme level threshold is applied in each EU Member State of the Programme.

Project partners shall **request at least three offers** to be submitted for all contracting amounts above 10,000 EUR (excluding VAT) and below the national and EU thresholds in case three comparable offers are not available from any other sources (e.g. price list from internet). **In case three offers are not received/cannot be acquired, the activities undertaken to acquire the offers have to be documented.** It shall be ensured that prices for similar goods, services or works have been compared and the selection procedure is transparent, as well as the appropriate audit trail being followed. Project partners shall ensure the adequate selection of the candidates invited to present offers for bid-at-three procedure: evidence shall be available that all invited tenderers are qualified to perform the services requested (e.g. registry of the company that proves it is authorized to perform the activity for which the offer is made, in accordance with national legislation).

If at national/institutional level stricter rules have to be applied the national/institutional rules must be followed.

Non-EU Partners shall follow the provisions of the Financial Regulation if relevant, and the Financing Agreement concluded between the relevant Partner State, the European

Commission and the Managing Authority. The threshold specified in the Financial Regulation, if relevant, must be followed.

Further eligibility rules:

- For all cases of procurement, the **proper audit trail shall be ensured**. The selection and contracting procedure, as well as offers received from the tenderers have to be well documented according to EU legislation, national and internal rules to ensure transparency of the process.
- In accordance with applicable legislation, when establishing the contract value, the project partner has to take into consideration all (potential) contracts of the same type that the partner organisation has implemented or will implement.
- A procurement may not be divided into several smaller procurements with the purpose of fitting them individually into the value range applicable to direct awarding.
- In case of any breach of applicable law on public procurement, financial corrections will be applied as set out in the Commission decision C(2019) 3452 and its annex for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement (COM decision C(2019) 3452).
- In case of non-compliance with the "bid-at-three" rule detected by the controller and prior to the certification is done, relevant financial corrections can be applied as set out in the COM decision C(2019) 3452.
- **Framework contracts** can be eligible for the project's purposes, where goods and/or services have been already procured outside the project by the project partner's organization according to the relevant public procurement rules. In principle, the public procurement of the framework contract when it is carried out by the project partner's organisation shall be also checked by the Controller. In this case, the result of the audit/verification by other audit/control body can be taken into consideration for the purpose of the verification if it is available for the Controller and those checks and their scope is the same as the scope that the Controller would have carried out for the verification. The verification of the public procurement of a framework contract at governmental level (covering more than one institution) is not obligatory.

- **“In-house” contracting** can be eligible under condition that the requirements set up in the latest EU Directive on the public procurement and at national level (described e.g. in the public procurement regulations as an exemption to the application of public procurement) for in-house contracting are fulfilled. Requirements from the latest EU Directive on public procurement 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.
- When all the above conditions for an in-house contracting are met, the in-house body can be contracted by the beneficiary through a direct award. The „bid-at-three” rule does not apply to in-house contracting according to the programme rules.
- In addition, the costs shall be declared under the relevant cost category according to the rules on eligibility of expenditure and the reporting and audit trail of the Programme must be ensured. In case in-house contracting only the actual costs are eligible to be reimbursed, no profit margin can be charged by the service provider (e.g.: subsidiary company). The controllers have to check whether the requirements set up at national level for in house contracting have been fulfilled. If stricter, national rules should be followed.
- **Sub-contracting of project partners** of the same project or any of the staff of the other project partners of the same project as an external expert or a subcontractor to carry out project activities within the same project is not allowed within the Danube Region Programme.
- **Risk of conflict of interest** shall be minimised during each procurement process:
  - Conflict of interest exists where the impartial and objective exercise of the functions of a financial actor or other person is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with a recipient.
  - Each project partner is responsible to ensure that the appropriate measures are taken to minimise any risk of conflict of interest during the procurement

process. Although the character of the conflict of interest is diverse depending on the parties, types of the relationships and interests involved, transparency of the decision making process and fair treatment for all tenderers must be ensured in all cases. The national law applicable to conflict of interest situations shall be also taken into account.

- Conflict of interest detected in the procurement procedure can lead to a financial correction of up to 100% of the costs.

#### **Examples:**

Within the framework of projects with transnational relevance, usually a few cases of procurement would occur, such as:

- Procurement for development of studies or surveys for different purposes
- Procurement for development of IT platform necessary for the project
- Procurement of project management and/or communication expertise necessary for the project
- Procurement of equipment necessary for project implementation (office equipment or specialised hardware or software)

The checks related to procurements are the followings:

- In case public procurement of Partners from EU Member States the procedure applied for the procurement of services, equipment or investments shall be in line with the EU and national public procurement rules, and the programme specific rules. In case of non-EU Partners the procedures have to follow the provisions of the Financial Regulation and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority.
- In case of “bid-at-three” procedure if there are no three comparable offers, the activities undertaken by the Project Partner to acquire the offers shall be documented unless stricter rules are to be followed at national/institutional level (in which case the compliance of these rules must be checked by Controllers).

- All procurements shall be properly documented (Terms of reference, requests for offers or procurement publication/ notice, offers, report on assessment bids (evaluation/ selection report), letters of acceptance and rejection, contracts (including any amendments and/or renewals), proof of payment and delivery of goods or services).
- The requirements set up in the latest EU Directive on public procurement and at national level for in house contracting have to be fulfilled (the requirements at national level might be different).

## 2.5 Currency exchange

- Expenditure incurred by project partners in a currency other than the Euro shall be converted into Euro by using the monthly accounting exchange rate of the European Commission ([http://ec.europa.eu/budget/contracts\\_grants/info\\_contracts/inforeuro/inforeuro\\_en.cfm](http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm)) in the month during which expenditure was submitted for verification to the controller. This method shall be applicable to all project partners coming from countries which have not adopted EURO. The conversion shall be verified by the controller in the Partner State in which the respective project partner is located.

The following rules shall be applied for the conversion:

- The **date of submission** of expenditure for verification to the controller is the day in which the project partner **submitted for the first time** the Partner Report **online** through the monitoring system to the Controller:
  - Further submissions due to completion and/or clarification to the Partner Report, date of submission of documents to the Controller and date of on-the-spot checks by the Controllers shall not be considered. The expenditure not verified by the Controller within the Partner Report shall be kept pending in the monitoring system as “parked expenditure”. This way the exchange rate applied to the given expenditure remains the same, irrespective of the Partner Report in which the expenditure will be verified.
- The date of online submission is registered through the monitoring system which can be traced at any time in the system.

- As a general principle, expenditure incurred in euro shall be reported in euro in the Partner Report.
- **In case of real cost method for travel costs,** In exceptional cases for travel orders, where more than one item is included in one accounting document/travel order, including expenditure both in euro and other currencies, these items can be reported in the monitoring system as one single item either in euro or in other currency, with the use of a “summary sheet”. The same rules apply to all project partners and not only to beneficiaries located outside the euro-zone.