



**European Territorial Cooperation
Programme Med 2007-2013
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European regional development fund**

IMPLEMENTATION GUIDE

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Introduction

After illustrating the main features of the MED Programme (chapter 1), this Implementation Guide provides detailed information on the management of the programme, on partnership building, the examination of the applications, and the management, monitoring and control mechanisms.

This document is an essential complement to the MED Operational Programme to proceed effectively with the implementation of your project.

To prepare an application, it is necessary to go through the MED Operational Programme and the legal and regulatory framework documents of the programme carefully (cf. part 2.g. "*Documents related to the MED Programme*").

Mediterranean candidate and potential candidate countries will be able to participate in a fully integrated approach to the MED Programme. Nevertheless, the various sources of funding must be contracted separately to comply with Community legislation.

1. Main characteristics of the MED Programme

a) Main objectives of the MED Programme

The main orientation of Lisbon and Gothenburg Agendas as well as the conclusion of the diagnosis and of the SWOT analysis lead to the following general objectives for the:

Make the whole MED area a territory able to meet international concurrence in order to ensure growth and employment for the next generations. Support territorial cohesion and actively intervene in favour of environmental protection within the framework of sustainable development.

These various issues cannot be tackled efficiently, either at the regional or at national scale: they require a significant effort in terms of transnational coordination and consultation.

This general orientation is developed in the MED Programme through four main Axes in connection with the main priorities of the ERDF regulation.

- **Innovation:** creation and development of scientific and technological networks, and the enhancement of regional R&TD and innovation capacities, where these make a direct contribution to the balanced economic development of transnational areas.
- **Environment:** water management, energy efficiency, risk prevention and environmental protection activities with a clear transnational dimension.
- **Accessibility:** activities to improve access to and quality of transport and telecommunications services where these have a clear transnational dimension.
- **Sustainable urban development:** strengthening polycentric development at transnational, national and regional level, with a clear transnational impact.

b) Regions belonging to the MED area

The MED Programme covers the following NUTS II areas¹:

- **Cyprus:** the entire country
- **France:** 4 régions – Corse, Languedoc-Roussillon, Provence Alpes Côte d'Azur, Rhône-Alpes
- **Greece :** the entire country
- **Italy :** 18 regions : Abruzzo, Apulia, Basilicata, Calabria, Campania, Emilia-Romagna, Friuli-Venezia Giulia, Lazio, Liguria, Lombardy, Marche, Molise, Umbria, Piedmonte, Sardinia, Sicily, Tuscany, Veneto.
- **Malta:** the entire country
- **Portugal :** 2 regions – Algarve, Alentejo
- **Slovenia:** the entire country
- **Spain:** 6 autonomous regions and the two autonomous cities – Andalusia, Aragon, Catalonia, Balearic islands, Murcia, Valencia, Ceuta and Melilla
- **United-Kingdom :** 1 region of economic programming – Gibraltar

Beyond these regions, the participation of other areas is possible but limited. Besides European Union partners located outside the MED area or other specific regions, the MED Programme invites **Mediterranean candidate and potential candidate countries**, but interested countries will have to participate with their own funds from the Instrument for Pre-accession Assistance (IPA). Potential partners of other non European and non IPA countries will have the possibility to take part in the projects, with their own funds, according to the conditions fixed by the

¹ Commission decision of 31 October 2006 drawing up the list of regions and areas eligible for funding from the European Regional Development Fund under the cross-border and transnational strands of the European territorial cooperation objective for the period 2007 to 2013 (2006/769/EC)

MED Operational Programme and the Monitoring Committee of the programme (cf. part I.1.c of the MED Operational Programme).

c) Project size

For a project, the minimum and maximum ERDF contribution is between € 300 000 and € 2 million. It is recommended that the budget of each partner **is not lower than 50 000 Euros and equal or superior to 5% of the total eligible budget of the project** to prove its involvement in the project (except IPA countries).

The amounts granted for the Strategic Projects will be specified by the Monitoring Committee for each call for proposals.

IPA contribution: there is no fixed limitation - within the amount available - to the IPA budget per project.

d) Official language of the Programme

The two official languages of the MED Programme are French and English

The partnerships must choose the principal language which will be used for the drafting of all of the documents until the end of the project. The choice of the language of reference must be stipulated in the Partnership Agreement and in the Subsidy Contract between the MA and the Lead Partner.

- Concerning the drafting of the pre-application and of the application form, Lead Partners are asked to provide certain information in both languages by filling the indicated fields in the on-line tool "PRESAGE CTE".
 - For the pre-candidature: short description and summary of the project.
 - For the candidature: short description, summary and theme of the project
- Concerning the progress and final reports, Lead Partners are asked to provide a summarized version of the documents in the second language

Apart from the production of the official documents, the partners can choose the language which is appropriate to them for their internal communications

2. Priorities for the new programming period in the MED area (main objectives of the MED Programme)

a) Priority Axes and specific objectives of the MED Programme

Priority Axis and specific objectives of the MED Programme are structured as follows:

Priority Axis 1: Strengthening innovation capacities

- Objective 1.1.: Dissemination of innovative technologies and know-how
- Objective 1.2.: Strengthening strategic cooperation between economic development actors and public authorities

Priority Axis 2 : Protection of the environment and promotion of a sustainable territorial development

- Objective 2.1. : Protection and enhancement of natural resources and heritage
- Objective 2.2. : Promotion of renewable energies and improvement of energy efficiency
- Objective 2.3. : Maritime risks prevention and strengthening of maritime safety
- Objective 2.4. Prevention and fight against natural risks

Priority Axis 3 : Improvement of mobility and of territorial accessibility

- Objective 3.1. : Improvement of maritime accessibility and of transit capacities through multimodality and intermodality
- Objective 3.2.: Support the use of information technologies for a better accessibility and territorial cooperation

Priority Axis 4 : Promotion of a polycentric and integrated development of the MED area

- Objective 4.1. : Coordination of development policies and improvement of territorial governance
- Objective 4.2.: Strengthening of identity and enhancement of cultural resources for a better integration of the MED area

Priority Axis 5: Technical assistance

Cross-cutting themes:

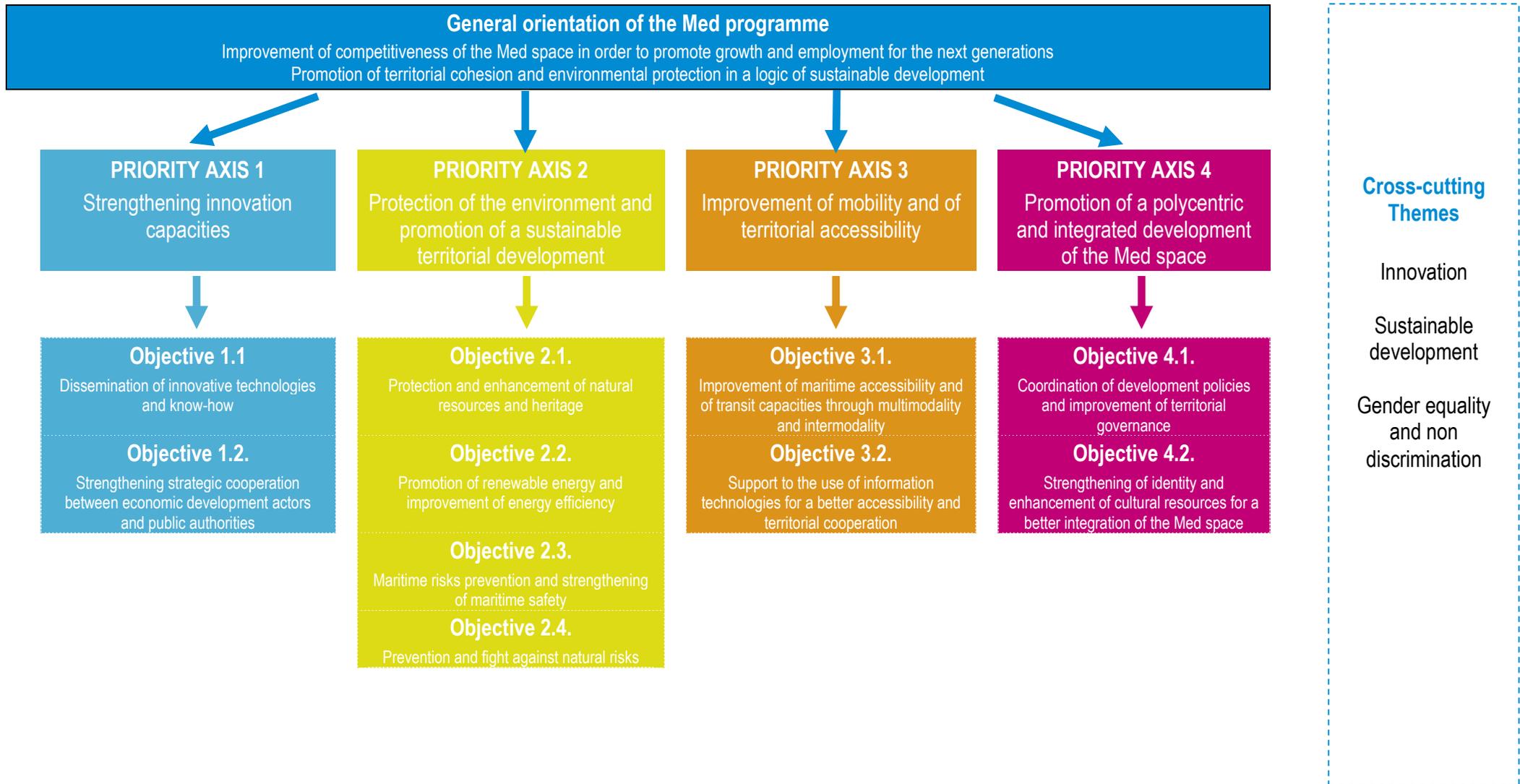
Because of their importance during the 2007-2013 programming period, some themes shall be taken into account in all proposed projects.

First of all, **innovation** – intended as a process of improving systems by introducing new approaches - is central to the MED Programme. It should be a main concern for all partners, whatever their field of action may be. Innovation can be understood in the wider sense of the word. It is related to technological (products and processes) as much as to non technological progress (e.g. modes of governance, of cooperation and of organisation...)

Sustainable development constitutes a general principle of intervention for structural funds (art. 17 of regulation 1083/2006) to which all the MED objectives refer. For this reason, it must be a permanent concern for the implementation of the programme and of the projects.

The principle of **gender equality and non discrimination** should be respected at all stages of the implementation of the programme and of projects.

Structure of the MED operational programme



b) Obligations related to the transnational dimension of the projects

The transnational dimension of the projects is a decisive aspect of the MED Programme. It is controlled during the selection process of the projects and during their implementation.

Special attention will be given to the nature of the projects, to their objectives and to the composition of the partnerships in order to make sure that they are not merely an aggregate of independent actions but present a true transnational added-value.

The projects must allow carry out complementary activities associating partners from different countries. They must bring solutions to problems which could not be solved without a transnational approach.

c) Obligations related to innovation and economic development

The programming period 2007-2013 stresses the need to strengthen competitiveness and the economic potential of regions parallel to the objectives of economic and social cohesion. It puts great emphasis on the dynamics of innovation, concerning both technological innovation as well as non technological innovations.

For this reason, the partners are invited to promote technologies, processes, types of organisation, governance and management which are innovative and which can produce a dynamic effect on their socio-economic and institutional environment.

d) Obligations related to sustainable development and to the respect of the environment

Pursuant to article 17 of the EU regulation 1083/2006, the objectives of the Funds shall be pursued in the framework of sustainable development and the Community promotion of the goal of protecting and improving the environment as set out in Article 6 of the Treaty.

For this reason, sustainable development and the respect of the environment constitute essential aspects of the MED Programme, as much a cross-cutting objective as a specific objective within the priority Axis II.

The OP MED is subject to the EIA (Environmental Impact Assessment) procedure imposed by the Directive 2001/42/EC; therefore the environmental impact of financial operations will be assessed during the implementation of the OP. It is requested to the Lead Partners to give evidence of the contribution of the project to the sustainable development and estimate its environmental impact.

e) Obligations related to gender equality and non discrimination

Pursuant to article 16 of EU regulation 1083/2006, the Member States and the Commission shall ensure that equality between men and women and the integration of the equality perspective is promoted during the various stages of implementation of the Funds.

In this context, the partners must take appropriate steps to ensure the respect of gender equality principles and to prevent any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation during the implementation of the project. In particular, accessibility for disabled persons shall be one of the criteria to be observed in defining operations co-financed by the Funds and to be taken into account during the various stages of implementation.

The Lead Partner must specify in the application how these principles are taken into account in the projects, especially in implementation mechanisms. They must also show in the progress and final reports how these principles have been taken into account during the implementation of the projects.

f) Concrete dimension of projects

The projects cannot be limited to studies or exchange of experience which only aim to produce or to exchange information and knowledge without concrete applications.

The projects must have visible results or a measurable effect on the socio economic sector, on public policies, in certain activities, institutions and management or cooperating methods.

The achievements and effects of the projects must be sustainable in order not to be limited to the period of provision of European funding.

g) Documents related to the MED Programme

For the preparation and the implementation of the projects, the Lead Partners and the partners are invited to examine the following documents. The EU Regulations and Directives, available on the Website of the programme (www.programmemed.eu), with the other documents, specify the strategic directions as well as the regulatory framework of the implementation of the 2007-2013 programming period. They provide the necessary information for the implementation of the MED Programme.

- Communication from the Commission of 5 July 2005 - Cohesion Policy in Support of Growth and Jobs - Community Strategic Guidelines, 2007-2013 [COM\(2005\) 299](#) MED Operational Programme 2007-2013
- National strategic reference frameworks
- National, regional and local programming documents or policies related to the project
- Regulation (EC) n°1080/2006 of the European parliament and of the council of 5 July 2006 on the European regional development fund
- Regulation (EC) n°1081/2006 of the European parliament and of the council of 5 July 2006 on the European social fund
- Regulation (EC) n° 1082/2006 of the European parliament and of the council of 5 July 2006 on a European grouping of territorial cooperation (EGTC)
- Council regulation (EC) n°1083/2006 of 11 July 2006 laying down general provisions on the European regional development fund, the European social fund and the cohesion fund
- Council regulation (EC) no 1084/2006 of 11 July 2006 establishing a cohesion fund
- Council regulation (EC) no 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)
- Commission Regulation (EC) n°1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund
- Commission Regulation (EC) n°718/2007 of 12 June 2007 implementing Council Regulation (EC)= no 1085/2006 establishing an instrument for pre-accession assistance (IPA)
- Regulation (EC) No 80/2010 of 28 January 2010 amending the above mentioned Commission Regulation ((EC) 718/2007)
- Council decision 2006/702/CE of 6 October 2006 on Community strategic guidelines on cohesion
- Directive 2001/42/EC of the European parliament and of the council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment
- Directive 2004/18/EC of the European parliament and of the council of 31 march 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts
- Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: An integrated maritime policy for the European Union Com (2007) 575.
- National regulations on Public Procurement and State Aid
- Any other EU document or legislation in force that may concern the area of cooperation

The partners are invited to study the policies and national, regional and local programmes existing in fields close to their project activities (National Strategic Reference Frameworks, Regional Operational Programmes, local policies...). The main aim is to promote synergies and to avoid the multiplication of isolated initiatives.

3. Management of the Programme

The functions of the different authorities are detailed in the MED Operational Programme and in the related EU regulations

The programme is composed of:

a) The Managing Authority

The Managing Authority signs the Subsidy Contracts with ERDF Lead Partners, as the responsible for managing and implementing the operational programme in accordance with the principle of sound financial management

The Managing Authority also **concludes separate IPA subsidy contracts with every IPA project partner.**

The Managing Authority is the Conseil Régional Provence Alpes Côte-d'Azur (France)

The Joint Technical Secretariat

The Joint Technical Secretariat is set up by the Managing Authority after consultation of the Member States. The JTS assists the Managing Authority, the Monitoring Committee, the Selection Committee, and, where appropriate, the Audit Authority, in carrying out their respective duties². The JTS functions under the responsibility of the Managing Authority and in relation with the national bodies in charge of the programme in Member States.

The JTS examines the project applications before they are transmitted to the Selection Committee.

The project partners can contact the JTS for any information on the implementation process of the programme and of the projects.

Technical Transnational working groups

Technical transnational working groups, made up of national delegates and experts, may be set up and coordinated by the JTS to support specific activities at transnational level, **especially to assist the Monitoring Committee in drawing up the terms of reference of strategic projects.**

Liaison offices

The office of Valencia is in charge of the coordination between MED and ENPI CBC Mediterranean programmes. It will be responsible for communication between project partnerships of the two programmes. It contributes to the capitalisation as well as to the coordination of existing implementation tools for the two programmes.

The office of Thessaloniki is in charge of coordination and capitalisation with partnerships and programmes where IPA countries participate to. It has to ensure exchanges of information between these programmes and with the MED Programme.

Liaison offices provide a yearly working plan which has to be approved by the Monitoring committee. They are part of the JTS and their work is coordinated with the work of the JTS. However, they may neither act as the national bodies in charge of the programme in Member States, nor be simple geographical outpost of the JTS.

Liaison offices will not help the partners to elaborate their projects. Their role mainly consists in establishing connections and creating synergies with other programmes and programming instruments.

Thessaloniki Liaison Office contributes to the contracting and follows up processes of the IPA partners.

² Article 14(1) of the EU Regulation n°1080/2006

b) Certifying Authority

The Certifying Authority is designated to certify statements of expenditures and applications for payment before they are sent to the Commission; it also receives ERDF and IPA payments made by the Commission and pays ERDF Lead Partner located in the EU territory³ and every IPA partner.

The Certifying Authority is the Caisse des dépôts et consignations (France)

c) Audit Authority

The Audit Authority is functionally independent of the Managing Authority and the Certifying Authority. It is responsible for verifying the effective functioning of the management and control system.

The Audit Authority is assisted by a **group of auditors** comprising a representative of each Member State, IPA Candidate and Potential Candidate Country participating in the operational programme. The group of auditors is chaired by the Audit Authority for the operational programme⁴.

The auditors are independent of the control system referred to in Article 16(1) of the ERDF regulation

The Audit Authority is the Commission interministérielle de coordination des contrôles (CICC) – (France)

d) Monitoring Committee

The Monitoring Committee satisfies itself as to the effectiveness and quality of the implementation of the operational programme⁵. It considers and approves the criteria for selecting the operations financed and reviews periodically the progress made towards achieving the specific targets of the operational programme. The Managing Authority is member of the Monitoring Committee but without right to vote.

The Monitoring Committee examines the results of the implementation of the Programme, the progress of running projects and the final report. Moreover, it can propose to the Managing Authority any revision or examination of the operational programme likely to help the programme to reach its objectives or to improve its management, including its financial management.

For Croatia: the Ministry of Regional Development Forestry and Water Management is the operating structure and is represented in the Monitoring Committee as a full member.

For Montenegro: NIPAC (Secretariat for European Integration) is the operating structure and is represented in the Monitoring Committee as a full member.

For Bosnia-Herzegovina: Directorate for European Integration of Bosnia and Herzegovina is the operating structure and is represented in the Monitoring Committee as a full member.

For Albania: Ministry of Foreign Affairs and European Integration of the Republic of Albania is the operating structure and is represented in the Monitoring Committee as a full member.

The Monitoring Committee designates a specific Selection Committee which selects the projects.

Projects Selection Committee

The Projects Selection Committee is composed of a maximum of two representatives for each participating country and for the Managing Authority, with one vote per delegation. These members are designated by the Monitoring Committee.

- The Selection Committee (SC) selects and refuses projects to be co-funded by ERDF and projects jointly co-funded by ERDF and IPA; The SC programmes and de-programmes projects according to the SC implementing rules,

³ Article 14(1) of the EU Regulation n°1080/2006 and article 61 of EU Regulation n°1083/2006

⁴ Article 14(2) of the EU Regulation n°1080/2006

⁵ Article 65 of the EU Regulation n°1083/2006

e) National bodies in charge of the programme in the Member states

The national bodies must carry out a regulatory function related to the responsibility of each Member State as regards control, and reality of expenses⁶. The National Contact Points especially conduct and coordinate the implementation of the programme in relation with the MA and the JTS.

Partners can contact National Contacts Points in their country to obtain information on the Programme requirements, the process of implementation of the Programme and the process of generation, implementation, control and monitoring of the projects, as well as national co-funding schemes.

These contact points can in particular bring the necessary information concerning the national systems of certification of expenditures

⁶ Article 16 of the EU Regulation n°1080/2006 and article 70 of the EU Regulation n°1083/2006.

4. Identification of the partners

a) The Lead Partner and the partners

For a MED project, **at least three different European Union countries of the MED area must** be represented in the partnership.

As stated in the OP, according to their status and their commitment, the partners can be either **beneficiary** if they are eligible for ERDF, or **associated partners** if they agree to be involved using their own resources⁷.

According to article 2(4) of regulation (EC) 1083/2006, a “beneficiary” is an operator, body or enterprise, whether public or private, responsible for initiating or initiating and implementing operations (operations meaning the eligible parts of projects). Conclusion: project partners can be either public bodies or private entities.

The eligibility of the different kinds of partners as Lead Partner should be coherent with the national laws applicable in each country: nevertheless the Lead Partner must be a body governed by Public Law according to article 1(9) of the EU Directive 2004/18/EC and it must have sufficient institutional, administrative and financial resources to support the management and the implementation of the project.

On this subject, the Intention Letter (during the pre-application phase) and the Commitment Letter (during the final application phase) will be enriched by a document which will be filled and signed in a handwritten and original way by the Lead Partner and by each partner. **This “fiche” will have to inform about the capacities of each partner (including the Lead partner) to conclude successfully the project** (see page 19).

Private contributions brought by “private partners” (see EU Directive 2004/18/CE and Page 45 of the OP) will not be considered as national co-financing. If the private partners wish to participate in the project as beneficiaries (and benefit from ERDF funding) they will have to provide their national contribution with public funding within the total eligible budget.

The actions implemented must not be realised for the benefit of the economic operator but must clearly be implemented for the benefit of the whole project. The nature of the activities, the outputs, the target groups, and the communication and dissemination strategy of a private partner will be examined by the JTS very closely.

The MED Programme has decided to use the *de minimis* regime - as laid down by the Commission Regulation (EC) No 1998/2006 of 15th December 2006 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid – for the participation of economic operators in the projects approved by the Programme. According to Article 2.2 of the abovementioned Regulation, the total *de minimis* aid granted to any one enterprise shall not exceed EUR 200 000 over the period of three fiscal years. The total *de minimis* aid granted to any enterprise active in the road transport sector shall not exceed EUR 100 000 over the period of three fiscal years. These ceilings shall apply irrespective of the form of the *de minimis* aid or the objective pursued and regardless of whether the aid granted by the Member State is financed entirely or partly by resources of Community origin. (National public co-financing + ERDF - National public co-financing + IPA).

In this way, all partners defined as economic operators shall sign a declaration on the *de minimis* aids indicating the total amounts of aid received during the reference period.

Non State Aid relevant partners (non economic operators) shall also sign, in the Intention Letter, a declaration indicating that the activities and the outputs in the framework of the project are not market oriented.

⁷ An indicative list of the partners which can participate to the projects (as beneficiary or as associated partner) is presented in appendix 1

Each project which includes the participation of an economic operator as a beneficiary will have to guarantee the respect of competition rules.

According to article 1(8) of EU Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts, « economic operator » is any natural or legal person or public entity or group of such persons and/or bodies which offers on the market, respectively, the execution of works and/or a work, products or services. As such, competition rules do not depend on the legal status of each institution involved (public or private) but on the nature of the activity realised.

b) Partners of MED area

The partners of the “MED area” are located in the areas of the European Union covered by the MED Operational Programme as specified in the part I1c “eligible areas” of the MED OP. The full list of the eligible areas is specified in the “Commission decision of 31 October 2006 drawing up the list of regions and areas eligible for funding from the European regional development fund under the cross-border and transnational strands of the European territorial cooperation objective for the period 2007 to 2013” (2006/769/EC).

c) Partners from the European Union

“Partners from the European Union” are partners located in European Union regions but **outside of the MED Programme area.**

Concerning EU partners, the MED OP restricts the application of the article 21 of EU regulation 1080/2006. The MED Programme allows the eligibility of EU partners for ERDF funding up to a limit of 20% of total ERDF budget requested by the whole of the EU partners of the project. These cases must be justified in due form and the expenditure must be made principally for the benefit of regions located within the MED area.

d) IPA partners (Croatia, Montenegro, Bosnia-Herzegovina and Albania)

The MED Programme invites **Mediterranean IPA countries (candidate or potential candidate to the EU)** to participate to the Programme, bearing in mind that these countries participate with another financial instrument, **IPA funds (Instrument for Pre-accession assistance).**

Croatia, Montenegro, Bosnia-Herzegovina and Albania gave a positive response. The modalities of their participation are decided in agreement with the MED Monitoring Committee. Representatives of these countries are members of the Monitoring Committee and of the Selection Committee.

IPA partners can not apply as Lead Partners in MED projects.

IPA partners can apply as project partners provided their legal status is coherent with the programme rules and national laws applicable in the concerned IPA countries.

In addition to the above mentioned criteria, the following ones shall be respected.

The partner structure(s) should:

- be a legal entity
- be non profit making
- be directly responsible for preparation and management of project's activities with the partnership, not acting as an intermediary;
- have stable and sufficient sources of finance to ensure the continuity of the organisation throughout the lifespan of the project and whose financial resources are not exclusively made up of subsidies and of EU budget or EDF.
- Following types of organisation are eligible (list non-exhaustive):

- Associations: non-governmental organisations, trade unions, employer's associations, professional associations etc.
- Institutions: public sector operators, educational and research institutions, etc.
- Foundations (if majority of their funding is public and/or majority of their steering group is composed of public authorities)
- Chamber of commerce, chambers of crafts and trade, public employment services;
- Cantons, municipalities/towns, provinces and other local authorities;
- Regional authorities
- Regional development agencies, business incubators, entrepreneurship centres, research and development institutes and other business support institutions

Eventual exceptions shall be defined in the text of the calls for submission of projects.

e) Partners outside the European Union and non IPA partners

Partners outside the European Union and non IPA partners (such as countries from the southern bank of the Mediterranean) can take part in the MED Programme as associated partners. These countries cannot receive funding from the ERDF and will have to participate with their own funds.

Regarding their budget, the MED OP and a decision of the Monitoring Committee restricts the application of the article 21(3) of EU regulation 1080/2006. The eligible MED partnerships can punctually request the intervention of actors (who are not partners that benefit directly the ERDF) located outside the European Community (external experts for example). The actors concerned by this article can also come from IPA countries. The participation of this kind of actors must be targeted and must be made for the benefit of the regions of the MED area. This participation can benefit a refunding up to 10% of total ERDF budget requested by the whole of the EU partners of the MED project.

f) Identification of "key actors"

The "key actors" are the institutions which play an important role in the field of action of the project and which are likely to contribute in a significant way to its realisation. They have both political and administrative competences and technical capacities to implement the actions required for the project.

The concept of "key actors" must encourage the Lead Partners to go beyond geographical, institutional or political cleavages to associate the most relevant partners (local, regional, and national) able to contribute to the achievement of the objectives of the project.

It means, according to the nature of the project, supporting the constitution of partnerships able to ensure certain sustainability to the project by connecting it to public policies and by giving it the necessary institutional support.

5. Categories of projects for the implementation of the MED OP

a) Types of projects

Two types of call for projects have been identified for the implementation of the MED Programme:

- **Traditional calls for proposals** which include all axes and objectives of the operational programme.
- **Targeted calls for proposals** based on terms of reference which will direct Lead Partners towards specific themes, intervention fields or certain types of projects.

Targeted calls for proposals can be implemented with a procedure very similar to traditional calls for projects when the aim of the Monitoring Committee is only to focus one call for proposals on some specific issues of the Operational Programme.

The targeted calls for **proposals** can be used as well to implement much more specific procedures with the aim **to set up Strategic Projects**. In this case, the Monitoring Committee will specify both the themes of the call, the budget of the project, its duration and the kind of partnership to be implemented.

b) Categories of projects

For the new programming period, **the nature of the projects must evolve** in order to strengthen their **transnational dimension** and to ensure **concrete and measurable outputs and results**. Transnational projects cannot be based only on the objective to create knowledge and exchange experiences between partners. They must be based on strategies aiming to bring a concrete contribution to the realisation of the objectives of the Programme and its priority Axes.

Indicative types of project activities for the implementation of the MED Programme:

- **Setting up and development of transnational strategies for institutional networks**
- **Setting up and development of common systems and common operational tools**
- **Setting up of transnational networks ensuring coherence and coordination of public policies**
- **Dissemination of technologies, processes, know-how, innovative management systems at transnational level**
- **Elaboration of pilot projects and experimental tools with a transnational dimension** (contributing to promote innovative actions in economic development or sustainable development fields)

c) Components of the projects

Projects proposed for the MED Programme must be structured with components that the Lead Partners must describe in their application.

Each project can have a maximum of 6 components including, obligatorily, the two components "Management" and "Communication", described below. Plus Component 0 "Preparation" that can also be included. If Component 0 is not being used, the possibility to add a 6th Component "Others"; is not allowed. So, in this case, there will be a maximum of 5 Components: one "Management" Component (mandatory); one "Communication" Component (mandatory) and 3 operational Components.

Components "Management and coordination of the project" and "Information, communication and capitalisation measures" are compulsory.

Component 0: Preparation of the application

Only projects approved by the Selection Committee at the end of the final selection are entitled to receive Programme funding for their costs incurred/paid and related to the preparation phase of their project. Costs declared in the Component "Preparation of the application" have to show a direct and evident link to the development of the project and thus precede its implementation.

Typical activities during the preparation phase of a project are the following:

- Development of the project idea and partners search,
- Meetings with Project partners,
- Completion of the Application Form,
- Participation in MED partners search forum, consultation with members of the JTS or with the National Contact Points.
- External expertise

The preparation costs must be further described in the Application Form and broken down into the same budget lines as the other components of the project.

Preparation costs must be engaged and invoiced between 1st January 2007 and the date of the submission of the final Application Form. Related payments must be incurred within one month after the date of submission of the final Application Form. Payments made after this date cannot be considered as preparation costs.

The eligible preparation costs are subject to a ceiling of EUR 30,000.

Component “Management and coordination of the project”

This component deals with all the activities related to the administrative, legal and financial activities which are necessary to run a MED project (administrative and financial management, coordination of the partnership, strategic management of the project...).

The repartition of these activities between partners must be clearly specified. Transfers of funds between partners are not recommended for this component,

It is recommended that the Management and coordination costs represent a reasonable share of the total budget and, in general, they should **not exceed 15%** of the eligible total budget of the project (ERDF+ Public National contributions).

Component “Information, communication and capitalisation measures”

Activities carried out under this Component are aimed at disseminating the project’s activities and achievements toward the relevant partners, the public and the institutions likely to be interested in the project (general public, political leaders, local, regional, national and European actors ...). This component must be coherent with the Communication plan of the MED Programme and with the internal communication plan of each project (cf. part 11.a of the Implementation Guide).

These actions must be related to the objectives of valorisation and capitalisation which allow different programmes and different types of projects to share and to coordinate their activities. One of their aims is to make the results of the projects accessible to political leaders so that they can be used, continued or developed with other programmes and perspectives (for example , taken into account in the mainstream of European Programmes).

For each Component, the partners must specify in their application which are the concrete outputs expected. For this, they can refer to the list of output and indicators presented in part 10f of the Implementation Guide.

6. Submission and examination of applications

a) Elaboration of applications

To prepare an application, the MED Operational Programme and national programming documents should be studied carefully, together with its legal framework and regulatory documents (cf Part 2.g. "Documents related to the MED Programme").

If the project is accepted, expenses related to the preparation of the application will allow an ERDF and IPA refunding if they are eligible expenses and **if they are incurred / paid between January 1st, 2007 and the date when the full application is submitted by the Lead Partner**. The eligibility of expenses is specified in part 8.b. of the Implementation Guide.

The Joint Technical Secretariat and the national bodies in charge of the programme in the participating countries are important interlocutors to bring support and advice and are available for the Lead partners and partners to help them to elaborate their application.

At this stage, the importance of the composition of the partnership should be pointed out. According to the nature of the project, the Lead Partner must take care to form partnerships comprising of the competent partners that are likely to bring a true added-value to the project.

b) Submission of the application

The project applications must go through a **two step selection procedure** based on pre-application and application forms. Different forms and submission modalities are proposed for the traditional and targeted calls for projects on the one hand, and for strategic projects on the other hand.

These forms are available on the computerised Monitoring system of the MED Programme and must be filled in on line. They can be filled in either in English or French according to the language of reference chosen for the implementation of the project. In addition, it is requested that the Lead Partner fills in also some fields in the other language in order to facilitate the work of the JTS, of the Selection Committee and of the Monitoring Committee.

The Programme can, if so decided, simplify the recording and drafting methods of the pre-application form which might not be attached to the monitoring on-line system PRESAGE CTE. In this case, the monitoring system would be used only for the candidatures of the 2nd phase. The official text of the Call for Proposals will be published, during the launching phase, on the web site www.programmed.eu. The modalities for the presentation of the application and the application pack will be also provided on it.

A set of annex documents must be **attached to the application**. The list of these documents is specified on the internet page related to the application.

For each of these documents, a standard form is made available on the web site of the MED Programme.

For the pre-application, each partner (including the Lead Partner and IPA partners) must provide and sign an **Intent Letter, original or copy (photocopies, scanners, fax)**. This letter specifies the intention to commit the structure by specifying the entire amount of the national public co financing envisaged as a counterpart to the total ERDF and IPA requested. It is not necessarily signed by its legal representative but at least by a person in charge (head of department, director, managing director...).

Moreover the pre-application pack will include 2 statements: a statement for Lead partners declaring they will not act as an economic operator for any of the activities within the project; and a sworn statement for any partners subject to State aid rules, declaring that they have not received or will not apply for any contribution over the limit established by the "de minimis" rules.

If, between the pre-application and the final application phases, the partnership change or one of the partners realizes to have signed a wrong declaration, these declarations will be also asked to the new partners or to the partners who were mistaken.

For the full application, the partnership must provide the **Partnership Agreement** as well as the **Commitment letters**. These documents are necessary for the Selection Committee to validate the application and they will have to include an original and handwritten signature by the legal representative of the structure/organization/institution.

The Intention Letter (during the pre-application phase) and the Commitment Letter (during the final application phase) will be enriched by a document which will be filled and signed in a handwritten and original way by the Lead Partner and by each partner.

This “fiche” will have to inform about the capacities of each partner (including the Lead partner) to conclude successfully the project (for example: information about the budget of each structure/organization/institution participating to the partnership in comparison with the total budget engaged on the project; human resources allocated by each structure/organization/institution to the project; the total amount of national co-funding asked).

The application forms (in the two phases) must have a handwritten signature, in the specific space provided.
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The handwritten originals will have to be attached as appendix to the hard copy of the pre-application and application which will be delivered by hand or posted to the Joint Technical Secretariat.

Once the Lead Partner considers that the pre-application or the application is completed, it should be indicated on the Monitoring system. After this stage, it is not possible to make any modifications what so ever. The Lead Partner must print its pre-application or application directly from the Monitoring system and deliver it or send it by ordinary mail to the Joint Technical Secretariat.

The Managing Authority takes into account the date when the hard copy is delivered to the MA or sent by post (the postmark on the official envelope as the proof, determining if the deadline of the call for proposals has been respected or not): any other document will not be accepted.

This same date must be visible on the official envelope sent
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c) Evaluation of the application and decision making process

The JTS examines the pre-applications as soon as possible before they are transmitted to the Selection Committee. The Selection Committee comes to a conclusion about their eligibility and makes its selection as soon as possible among those which are eligible. The Criteria are specified below.

Once the Selection Committee makes its decision concerning the pre-application of a project, the Managing Authority sends an explanatory letter to each Lead Partner **indicating if the pre-application is accepted without modification, accepted under conditions or rejected**.

If an application is accepted under conditions, the partners have **3 months** to take into account all the remarks made by the Selection committee and to present their complete application.

The JTS examines the complete applications as soon as possible before they are transmitted to the Selection Committee for the final selection.

To evaluate the projects, the JTS can suggest on a case-by-case basis the use of external experts. The experts must be validated by the Selection Committee. They evaluate the technical content of the projects in coordination

with the evaluation made by the JTS. The experts must be independent of the project and independent of the country concerned with the evaluation.

The JTS will get information from national bodies in charge of the programme in participating countries about the legal status of the partners, their financial capacities, and their relevance according to the project and according to the functions they will hold

The Selection Committee comes to a conclusion as soon as possible about the full application of a project according to the criteria specified in the parts "6.d) Eligibility criteria of projects" and "6.e) Selection criteria of projects".

The Managing Authority sends an explanatory letter to each Lead Partner indicating the decision of the Selection Committee.

Since the opening of the monitoring system PRESAGE CTE for all the operations selected (communicated on the www.programmeded.eu web site), the partners have 3 months to submit their full application, with the modifications eventually requested by the Selection Committee.

d) Eligibility criteria of projects

To be eligible, the projects of the MED Operational Programme must necessarily fit the following eligibility criteria provided by the official eligibility chart published on the Programme website in the framework of each call for proposals within the *Application Pack*

e) Partnership Agreement

In order to ensure the quality of the implementation of the project, as well as the satisfactory achievement of its goals, an original handwritten **Partnership Agreement** must be concluded between the Lead Partner and ERDF partners involved in the project.

In case the partnerships of the selected projects include IPA partner(s) the **Agreement** will include the concerned IPA partner(s) as well.

The **Partnership Agreement** clearly states the so called '*Lead Partner Principle*' for the operational management and coordination of the project which applies to IPA partners as well.

The Partnership Agreement allows the Lead Partner to extend the arrangements of the Subsidy Contract to the level of each partner. The signature of the Agreement is an eligibility criterion of the project and is necessary for the approval by the Selection Committee.

The Agreement must describe the role of each partner concerning the implementation of the activities, the financial management and the administration of the project. The Agreement must specify the conditions of payment of the ERDF from the Lead Partner to the partners. The Partnership Agreement also specifies that payments to each IPA partner will be finalised directly by the Certifying Authority. It must also explain the provisions concerning the data to provide for the progress and financial reports, and specify the requirements in regard to the financial control.

If the project requires that a partner carries out actions with the financial assistance from the other partners, the Agreement will specify the method used (administrative and financial channels). The financial assistance from the other partners can be accepted if the financial balance between partners does not exceed the threshold defined by the Programme (one partner must not concentrate more than 40% of the total eligible budget of the project; one country must not concentrate more than 50% of the total eligible budget of the project).

The signature of the Partnership Agreement between the Lead Partner and the partners is compulsory before signing the Subsidy Contract with the Managing Authority. The Partnership Agreement is an annex of the Subsidy Contract.

If a partner withdraws during the validation process of the application, a new proposal will have to be submitted to the Managing Authority

A model of Partnership Agreement is available on the website of the MED Programme (www.programmemed.eu)

f) ERDF Subsidy Contract

Once the project is selected⁸, the Managing Authority will sign the **Subsidy Contract** with the ERDF Lead Partner within **three months**.

If the Subsidy Contract cannot be signed because of delays in the preparatory documents to be provided by the Lead partner, the project may be rejected.

The Subsidy Contract determines the rights and the responsibilities of the Lead Partner and for the Managing Authority, the activities to be carried out, the conditions of financing, the requirements concerning reports and financial controls, etc.

Before the signature of the Subsidy Contract, the Managing Authority requests the Lead Partner to conclude and sign definitely, if necessary (withdrawal of a partner for example) the Partnership Agreement with its partners and to provide all the necessary documents required by the national regulations regarding the engagement of the national public co-financing (deliberations or others).

g) IPA Subsidy Contract

In case the selected project includes IPA partner(s), the Managing Authority will sign separate IPA subsidy contract(s) with each IPA partner.

Before signing the IPA subsidy Contract the IPA partner might be asked to provide all the necessary documents required by the national legislation regarding the engagement of the national public co-financing, in case the relevant IPA Country foresees in such terms.

If the IPA Subsidy Contract(s) cannot be signed because of delays in submitting documents to be provided by the IPA partner(s), the IPA partner may be rejected from the project.

The Subsidy Contract determines the rights and responsibilities of IPA partner and, for the Managing Authority, the conditions of financing, the requirements concerning reports and financial controls, etc.

A model of the ERDF Subsidy Contract and IPA Subsidy Contract and their annexes are available on the website of the MED Programme.

h) Starting and ending date of the project

The official starting date of the project is either the date of notification of the Subsidy Contract by the Managing Authority, or the date of the first expenditure engaged by the partnership if it is former to the notification (except preparation expenses).

The expenditure relating to the implementation of the project is eligible starting from the date of the submission of the selected complete application form by the Lead partner.

The effective activities start off must take place within **2 months**, at the latest, following the starting date unless indicated differently in the Subsidy Contract. After the start-up deadline, the Managing Authority has the

⁸ Project selected without modification or project selected under conditions after these conditions have been taken into account

possibility to terminate the Subsidy Contract if the project does not start because of the Lead Partner or of the partners. The Managing Authority can propose the Selection Committee to annul the project approval.

The ending date of the project is the one mentioned in the application form. Any operational expense will have to be engaged and paid before the ending date of the project. If those expenses cannot be paid on time, they can be paid within two months following the ending date. Moreover, the administrative closing expenses (first level control and staff costs) can be engaged and paid within two months following the ending date of the project.

Please note that this two months additional period does not apply to projects whose ending date is the 30th June 2015. Indeed, In this case, any expense (included costs related to the administrative ending of the project) engaged, invoiced or paid after the official ending date of the project will not be eligible.

7. Management of the project

During the period of project preparation, the partners should meet to agree on the division of the tasks, responsibilities and funding. The time invested during the preparation allows a fast starting of the project and a more efficient implementation phase.

a) Role of the Lead Partner

Lead Partner principle

All projects must follow the so-called '*Lead Partner Principle*' for the operational management and coordination of the project which applies to IPA partners as well and related project activities, when they are included in the partnership. Also IPA partners sign the Partnership Agreement with the LP and the other project partners.

The financial and administrative responsibility remains with the Lead Partner on behalf of all ERDF involved partners. The LP undertakes all related obligations toward the programme. The Lead Partner is thus solely responsible to the Managing Authority for the implementation of the terms of the ERDF Subsidy Contract.

Each IPA partner signs a separate subsidy contact with the Managing Authority thus each IPA partner is fully and solely responsible towards the Managing Authority for related financial and administrative obligations set out.

- The Lead Partner signs and submits the application on behalf of the partnership
- If the project is approved, the Lead Partner signs the Subsidy Contract with the Managing Authority for the total ERDF amount of the approved project
- Each IPA partner will sign a separate subsidy contact with the Managing Authority for the relevant IPA amount foreseen in the approved project
- The Lead Partner is responsible for communication and the division of the tasks between the partners and must ensure that these tasks are correctly fulfilled in compliance with the Partnership Agreement and with the Subsidy Contract/approved application form
- The Lead Partner ensures an efficient internal management and coordination;
- Lead Partner ensures an efficient control system and that all ERDF partners respect and observe EU and national legislation concerning financial management and controls (audit), public procurement, information and publicity and state aid
- Each IPA partner ensures an efficient control system and the respect and observation of EU and national legislation concerning financial management and controls (audit), public procurement, information and publicity and state aid
- The Lead Partner is responsible of the content of the reports. It ensures that the partnership transmits these reports timely and correctly in order to respect deadlines fixed in the subsidy contact
- The Lead Partner requests and receives ERDF payments of programme funding and has the responsibility to distribute it to its ERDF partners according to the amounts reported in the progress report. These payments should be made as soon as possible and **at the latest within one month** following the reception of ERDF⁹. The Lead Partner transmits to the JTS (and to the appropriate National Contact Point) the detail of these payments. The Lead Partner must justify in its progress report that all the payments of the former period have been carried out. If not, the progress report cannot be approved.
- Each IPA partner receives IPA payments from the Certifying Authority.
- IPA Partners have to notify to the Lead Partner the date of the reception of the funds from the Certifying Authority and the related amounts through the web tool System the programme uses (PRESAGE – CTE);

⁹ According to article 80 of EU Regulation (EC) 1083/2006, Member States shall satisfy themselves that the bodies responsible for making the payments ensure that the beneficiaries receive the total amount of the public contribution as quickly as possible and in full. No amount shall be deducted or withheld and no specific charge or other charge with equivalent effect shall be levied that would reduce these amounts for the beneficiaries.

Management and coordination

To manage the project efficiently, the Lead Partner must elaborate an efficient and reliable management and coordination system. The coordination concerns the implementation of the various components of the project, including its administrative and financial management. The Lead Partner is also responsible for the drafting of the progress and final reports.

For each project, **the Lead Partner must appoint a *project coordinator*** responsible for its overall organisation. This person should be qualified to handle the thematic co-ordination of the project activities and components. The coordinator should be able to act as a driving force and to mobilise the partnership in order to achieve the objectives laid down in the application. It is highly recommended a coordinator with experience in management of trans-national projects is appointed.

For each project, **the Lead Partner must also appoint a *financial manager*** responsible for the accounts, financial reporting, and internal handling of the ERDF funds and national co-financing.

- He should work in close contact with the coordinator and the partners in order to enable efficient overall financial management of the project
- He should be familiar with accounts management, as well as with handling international transactions
- He should be aware of the EU and national legislation in the field of financial management and controls, public procurement and, where appropriate, state aid, and will make sure that these rules are respected

In order to ensure efficient communication with the programme management, the coordinator must speak fluently French and/or English. It is as well advisable that the financial manager speaks one of these languages.

b) Decision making – Steering Committee

Each project must determine the necessary ***procedures for decision-making and coordination*** between the partners. The partnership must establish a ***Steering Committee*** composed of representatives of all the partners. During its first meeting, the Steering Committee must approve its rules of procedure, validated by the whole partnership.

The tasks of the Steering Committee include monitoring and guiding the implementation process of the project, as well as reviewing and approving work plans and reports. It can act as a mediator to solve eventual problems within the partnership.

If a partner jeopardizes the implementation of the project, the Steering Committee can decide to exclude the partner in question from the project. In this case, it will be necessary to address a request for change to the Selection Committee (see following chapter).

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.

c) Changes in the implementation of the project

According to the Subsidy Contract, the Lead Partner is obliged to request approval from the Managing Authority if the partnership, the activities, the duration or the budget of the project change.

All minor changes (e.g. change in contact information, rescheduling of activities, and small budget deviation under the 10% rule) can be reported as “adjustments” to the JTS through the six-month progress report.

Any major changes related to partnership (e.g. drop out or replacement of partners), to activities (e.g. extension of duration) and to budget should as far as possible be avoided. However, when duly justified, these changes must be approved by the Managing Authority or the Selection Committee through a “Request for modification” procedure.

The Lead Partners should inform the JTS as soon as they are aware of a possible major change in their operation.

A “Request for Change” Form has to be filled in, in which the Lead Partners are asked to briefly describe the requested change and provide a justification. In addition, a revised version of the Application Form (with updates

in the respective parts) has to be attached. For this purpose a special version of the original Application Form has to be used.

In the case where a new partner replaces a partner that has withdrawn, a Co-financing Statement from the new partner has to be attached as well.

Depending on the extent of the changes, a decision will be taken either by the MA or by the Selection Committee. Structural changes in the partnership and/or in the achievements of the project will be submitted to the Selection Committee. If those modifications would not be structural, a decision will be taken by the MA. The change enters into force only when the official notification is sent to the Lead Partner.

Modification of the structure of the budget

It may be necessary to modify the allocation between budgetary headings, between components or between partners during the implementation of the project.

All modifications should be previously approved by the Steering Committee of the project and then communicated to the Joint Technical Secretariat by the Lead Partner.

When the cumulated modifications - over the project's duration - between budgetary headings or/and between components are lower than 10% of the total eligible budget of the project, the Lead Partner informs the Joint Technical Secretariat then replies with an acknowledgement of receipt proving as approval.

If the modifications envisaged are higher than 10% of the total eligible budget (with a maximum of 30%), or when these modification affect the balance between the partners (whatever the amounts are), they must be justified and submitted to the Selection Committee. If the Selection Committee approves the modifications, the Managing Authority defines an amendment to the subsidy contract.

The modifications should not increase the global budget of the project.

Transfers between partners always need a preliminary agreement of the Selection Committee, whatever the amounts are.

d) Monitoring and evaluation

Each project must set up a **monitoring and evaluation system**. This system must enable the Steering Committee of the project to evaluate the general progress of the project. This system must give information on the following points:

- Progress noted in the achievement of the objectives of the project on the basis of output and result indicators suggested in the Implementation Guide
- Level of effectiveness and efficiency of the project implementation: Does the project proceed in accordance with the initial calendar presented in the application form? Is the budgetary programming running correctly and are the allowances by budgetary heading respected? Are the results coherent compared to the expenditures committed (ratio cost/benefit)?
- Quality of the organization, of the management and coordination: are the management and coordination procedures efficient and are the resources devoted to these processes sufficient?

8. Financial arrangement

a) Financing of operations

Financing for EU partners of the MED area

Within one single project, the maximum rate of ERDF financing for each partner from the different Member States varies from 75% (partners from Spain, France, the United Kingdom, Greece, Italy, Portugal) to 85% (partners from Cyprus, Malta, Slovenia) of eligible costs of the projects.

The maximum contribution of ERDF granted for a project is decided by the Selection Committee and is specified in the ERDF Subsidy Contract. This amount will not be modified, unless a new decision is taken by the Selection Committee.

The required rate of the national public co-financing must correspond to the rate of participation of ERDF (for example: to 75% of ERDF corresponds 25% of national co-financing).

The ERDF contribution will be allocated for the reimbursement of eligible expenses, duly justified and certified.

According to the article 2(5) of the EU regulation 1083/2006, a public expenditure is “any public contribution to the financing of operations whose origin is the budget of the State, of regional and local authorities, of the European Communities related to the Structural Funds and the Cohesion Fund and any similar expenditure. Any contribution to the financing of operations whose origin is the budget of public law bodies or associations of one or more regional or local authorities or public law bodies acting in accordance with Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts shall be regarded as similar expenditure”.

Pursuant to article 1(9) of the directive 2004/18/EC, a ‘body governed by public law’ is a structure:

- a) Established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character;
- b) Having a legal personality;
- c) financed, for the most part, by the State, regional or local authorities, or other bodies governed by public law; or subject to management supervision by those bodies; or having an administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities, or by other bodies governed by public law.

This definition does not exclude bodies being partially industrial or commercial and providing a public service.

Non-exhaustive lists of bodies and categories of bodies governed by public law which fulfil these criteria are set out in this Directive. Member States periodically notify the Commission of any changes to their lists of bodies and categories of bodies.

Such organisations should however provide sufficient documentation to prove that they may be considered eligible according to the definition highlighted above. In the case that it would not be sufficient, these organisations can ask their national authorities to provide them a certificate stipulating their classification in this category.

Financing for IPA partners of the MED area

Within one single project, the maximum rate of IPA financing for each partner from Croatia Montenegro, Bosnia-Herzegovina and Albania is 85% of eligible costs of the projects.

For Croatia, the remaining 15% can be covered by national public funds or by the final beneficiary.

For Montenegro, the remaining 15% must be covered by the final beneficiary.

For Bosnia-Herzegovina, the remaining 15% must be covered by the final beneficiary

For Albania: the remaining 15% can be covered by national public funds or by the final beneficiary.

The maximum contribution of IPA awarded to a project is decided by the Selection Committee. The modification of this amount is not possible without a new decision of the Selection Committee

In order to carry out the reimbursement from the IPA funds all eligible expenses must be duly justified and certified within the national first level control system.

b) Eligibility of expenses in EU Member States

Pursuant to article 13 of regulation (EC) 1080/2006, the relevant national rules agreed by the participating Member States in an Operational Programme under the European territorial cooperation objective shall apply to determine the eligibility of expenditure except where Community rules are laid down.

The Commission shall lay down, in accordance with Article 56(4) of Regulation (EC) No 1083/2006 and without prejudice to Article 7 of this Regulation, common rules on the eligibility of expenditure in accordance with the procedure referred to in Article 103(3) of Regulation (EC) No 1083/2006.

The rules of eligibility of the expenditures applicable to the operational programs concerned with the European territorial cooperation objective are fixed in articles 49 to 53 of the regulation (EC) 1828/2006 specifying the implementation methods of regulations (EC) 1083/2006 and 1080/2006.

Non eligible expenses for an ERDF contribution are specified in article 7 of the regulation (EC) 1080/2006.

In addition, pursuant to article 56(3) of regulation (EC) 1083/2006, expenditure shall be eligible for a contribution from the Funds only where incurred for operations decided on by the Managing Authority of the Operational Programme concerned or under its responsibility.

When it is the case, a partner integrating an ongoing project, would have the possibility to see its expenditures eligible from its integration by the project's monitoring committee among the partnership (interpartenial convention date)

Nevertheless, expenditures shall be officially declared only after the closure of the written procedure submitted by the Lead Partner to the Selection Committee (written procedure to accept the new partnership configuration)

All fees generated between these two decisions will only be eligible subject to validation of the partnership by the Selection Committee of MED.

Eligibility of expenditures in IPA countries

In addition to eligibility of expenditures pursuant to article 89 of EC regulation no 718/2007, applications must clearly distinguish between activities – and their costs – taking place on the EU side with ERDF funds and those taking place on the candidate/potential candidate side with IPA funds.

In kind contribution

Pursuant to article 51 of the implementation regulation (EC) n°1828/2006, in-kind contributions of a public or private beneficiary shall be eligible expenditure if they fulfil the following conditions:

- (a) They consist of the provision of land or real estate, equipment or raw materials, research or professional work or unpaid voluntary work;
- (b) Their value can be independently assessed and audited.

In the case of the provision of land or real estate, the value shall be certified by an independent qualified assessor or duly authorised official body.

In the case of unpaid voluntary work, the value of that work shall be determined taking into account the time spent and the hourly and daily rates of remuneration for equivalent work.

In any case, the rules of eligibility can be different in each Member State. In case of doubt, the partners will have to ask their national authorities for clarification in the respect of Community rules.

In case of the IPA funds in kind contribution is not considered as eligible expenditure

Value Added Tax

The recoverable Value Added Tax is not eligible for a contribution from ERDF.

Candidate and potential candidate countries should refer to article 89 point 3(a) of EC regulation no. 718/2007.

c) Conformity with other EU policies

Competition and public procurement

At European level, the Treaty establishing the European Community (EC Treaty) requires public purchasers to respect the principles of equal treatment of economic operators, transparency in tendering procedures, real competitive tendering, the freedom to provide services and mutual recognition throughout the Union. Public procurement concerns the purchase of goods and services, and also the ordering of works, by a public authority such as a national government department, a local authority or any of their dependent bodies

Partners will have to respect national rules too where they are more restrictive.

In case when public procurement by the IPA partner is necessary for the implementation of a project, relevant provisions of the PRAG should be respected. If national rules are stricter than PRAG guidelines, the stricter rule should apply. (The legal basis for public procurement rules in IPA countries: C (2007) 2034 RULES AND PROCEDURES FOR SERVICE, SUPPLY AND WORKS CONTRACTS FINANCED FROM THE GENERAL BUDGET OF THE EUROPEAN COMMUNITIES FOR THE PURPOSES OF COOPERATION WITH THIRD COUNTRIES)

State aid

State aid is strictly specified by the European regulations. The conditions of implementation of the exemption regulations mentioned in the Operational Programme are specified in the following regulations

- Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de “minimis aid”
- Commission Regulation (EC) No 1628/2006 of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment aid
- Commission Regulation (EC) No 70/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to State aid to Small and medium-sized Enterprises”

The scope of the Regulation was further extended by Commission Regulation No 364/2004 of 25 February 2004 amending Regulation (EC) No 70/2001 as regards the extension of its scope to include aid for research and development, Official Journal L 63, 28.02.2004, pages 22-29 and Commission Regulation (EC) No 1857/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to State aid to small and medium-sized enterprises active in the production of agricultural products and amending Regulation (EC) No 70/2001, Official Journal L 358, 16.12.2006, p. 3–21.

- Commission Regulation (EC) No 68/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to training aid

Summary information is also available in the “Vade-mecum community rules on State aid” published by the DG Regional policy of the European Commission (last version updated February 15, 2007).

It is recommended that each project partner, having any doubt on this issue, gets in touch its own national contact point in order to verify its status.

9. Financial management

a) Budgetary headings

All the expenses must be accompanied by documents justifying them (invoices or other equivalent documents) and the payments carried out. The acquisition of goods and services must respect the procedures stipulated in the national and Community standards as regards to tenders, attribution of contract and supply purchase, as well as regular stipulation of the contracts/letters of attribution of market.

Applications must clearly distinguish between activities – and their costs – taking place on the EU side with ERDF funds and those taking place on the candidate/potential candidate side with IPA funds

Budget tables of the application form are based on the following budgetary headings:

Staff costs

This category is concerning all Staff costs (including salary, tax, employer's and worker's social contribution, bonus, etc. – following the national legislation) based on regular employment contracts used in the respective partner institution. Salaries must be coherent with national averages.

In case independent auditor's verifications are performed by a staff member of the partner organisation, the independence of the auditor in regard to the persons in charge of the project has to be proven. The costs of the audit in this case should be reported as "staff costs". Staff costs consist of staff working and paid within the structure of the partner,

These costs must be certified on the basis of documents, which allow the identification of real costs paid by the partner concerned, e.g. time sheets, record of tasks carried out in the framework of the project, proven estimation, based on calculation, of the value of staff time used for the project.

It is recommended that staff costs do not exceed 40% of the total eligible budget of the project

When first level control verifications are executed by an internal service/person functionally independent from the service participating to the project, related cost are not to be counted with the 40% threshold

The staff costs for employees working part-time in the project have to be calculated based on an hourly rate and hours worked for the project. The calculation of this hourly rate must comply with the national rules, be based on the real yearly/monthly salary before tax, and be based on the total days and hours worked.

Example:

Monthly Salary before tax: 2,000.00 EUR
Hours worked for the project: 116
Hours worked outside the project: 60
Hours worked in total: 176
Hourly rate: 2,000 EUR/176= 11.36 EUR
Project related personnel costs: 116 x 11.36 EUR=1,318.18 EUR
Eligible costs: 1,318.18 EUR

Durable goods¹⁰

The declaration of the expenditure engaged for the use of the durable goods is subject to the countable standards on depreciation. Consequently, the cost allocation engaged for the durable goods will have to take account of the percentages of depreciation, highlighted (e.g. worksheets etc) by typology of goods.

¹⁰ Please refer to the national public accounting rules

The full cost of durable goods can be charged on the project only when it is clearly demonstrable and it is evident that durable goods are absolutely necessary to correctly carry out the activity foreseen by the project and that it would be impossible to reach the objectives of the project without the concerned durable goods.

Consumable goods¹¹

The expenditures concerning consumable goods relates to the purchase of any good prone to a duration not exceeding one year.

Missions (travels and accommodation)

With regard to travelling costs, only the expenditure inherent to the project can be accepted for persons who are involved in the project implementation-

When travel and accommodation expenses are related to persons not directly employed by the project partners as staff personnel, they must be included in the appropriate budget line (external expertise).

The travel expenses of the personnel involved in the project will be reimbursed on the basis of the accepted administrative tariffs in force in each country and including proper and valid documents (tickets, boarding pass ...). However, this can be exceeded insofar as it is reasonable and duly justified.

Travelling expenses will be reimbursed at the normal cost of the market according to the most economic proposals. The use of private vehicles is refundable after justification of its economic nature and the logistic advantage.

Travel and accommodation expenses outside the MED area must be approved by the JTS/MA in advance.

Services (other than external expertise)

This category relates to the services which cannot be carried out by the partners of the project and who require the contribution of an external service provider.

This expenditure is acceptable if within the partnership there are no necessary competences for the provision of the aforesaid services. The rules of public procurement must be respected during the selection of the company providing the external services.

External expertise

This category relates to the expertise, analyses, studies, reports, which cannot be carried out by the partners of the project and which require the contribution of experts or specialist bodies.

This expenditure is acceptable if within the partnership there are no necessary competences for the provision of the aforesaid activities. The rules of public procurement must be respected during the selection of the body, company or individual providing the external expertise.

Expenditures related to the realisation of the **audits of the project**, when they are carried out by external auditors, are included in this category. If audits are carried out by an internal auditor, the expenses will have to be budgeted and entered in the budgetary heading "Staff costs".

Travel and accommodation expenses held by the external experts must be included in this budget line.

It is recommended that the external expertise expenses do not exceed 35% of the total eligible budget of the project.

Promotion, information and publication

¹¹ Please refer to the national public accounting rules

This category includes expenditures made to increase the visibility of the project towards the partners, general public or institutions. For example:

- website design and hosting
- drafting, lay out, printing and dissemination of publicity materials
- organisation of external events
- interpretation / translation
- ...

If the partnership needs services providers, the related expenditure is acceptable if within the partnership there are no necessary competences for the realization of the aforesaid services. The rules of public procurement must be respected during the selection of the company or the person providing the external expertise.

Overheads

Pursuant to the article 52 of the regulation (EC) 1828/2006, overheads shall be eligible provided that they are based on real costs attributable to the implementation of the project concerned or on the average real costs attributable to operations of the same type.

The overheads include:

- Telephone, fax, internet
- Office supplies
- Photocopying
- Mailing
- Office rent
- Heating, electricity
- Other administrative expenditures absolutely necessary for the implementation of the project

In the case of indirect expenses, they must be affected in proportion with the project according to an equitable and duly justified method. These costs must be directly necessary for the activities and the realization of the project. The overheads duly justified can be refunded **until a maximum of 7% of the total eligible budget of the project** (provisional budget).

The IPA project partner shall declare the overhead costs also on real costs basis. All the declared overhead cost should be directly linked to the project and duly justified. As a part of the project partnership, IPA partners see with the LP that the 7% ceiling for overheads is respected.

Other

Expenses other than those above-mentioned, inherent to the project, indicated in a detailed way in the budget. These expenses will be taken into account if they are coherent with the budget approved, if they are documented in an analytical way and if they respect national and Community rules.

This category includes in kind contributions (unpaid voluntary work), taking into account and justifying the time spent by each voluntary worker in the project.

b) Shared costs

The practice of sharing common costs should be avoided. However, in the event of common costs cannot be avoided, partners are invited to receive from their First Level Controllers and national bodies in charge of the Programme the acceptance of the principle of sharing costs among them before submitting the project proposal.

Moreover, reporting shared costs has sometimes proved to be difficult. Some national auditors can refuse to accept the sharing of staff and administration costs. It is therefore recommended to limit the shared costs to the costs falling within the scope of the budget line “external expertise and services”.

It is strongly recommended to include within the Partnership Agreement the type of costs to be shared, the partner responsible for contracting/ordering and the related payment and reporting procedure.

The procedure to validate this kind of expenditure should be agreed with first level controllers and with national authorities

c) Accounting of the expenditures

Applications must clearly distinguish between activities – and their costs – taking place on the EU side with ERDF funds and those taking place on the candidate/potential candidate side with IPA funds

The total accounts of the project must be held in Euros. The accounts of partners situated outside of the euro zone will be held as well in national currency. The Lead Partner makes sure that the documents laid down by the audit trail are transmitted and available to all the levels of the project.

The names of the people responsible for the certification of expenditure for each partner, and the means of contacting them must be communicated to the Lead Partner. The certification bodies must be identified in the Subsidy Contract signed between the Lead Partner and the Managing Authority.

The Lead Partner asks the partners to provide copies of all the accounting documents. The payment to the final beneficiaries is based on invoices. When that is not possible (contributions in kind and administration expenses), the payments will be based on documents having an equal value of proof.

Transfers of ERDF between the Lead Partner and the partners are not considered expenditure.

A transfer of funds between the partners for operations led by one of them (events, expertise for the whole partnership...) is not considered as expenditure having been accounted by the partner who carries out this expenditure.

Concerning the different exchange rates, one can choose within the following options

- **Partners convert their expenses from their national currency into Euros** and these converted figures are used by the Lead Partner to fill in the Financial Report. In this case, partners again have several options for converting their expenses to Euros:
 - they can use the average monthly exchange rate set by the Commission of either the month the invoice was paid or the month the costs were re-reported to the Lead Partner,
 - they can use the 6-months average rate of the average monthly exchange rate,
 - they can use the market exchange rate of the day the invoice was paid,
 - They can use the market exchange rate of the last day of the reporting period.
- **Partners send their figures to the Lead Partner in their national currency and the Lead Partner converts these figures into Euros** to complete the Financial Report (to be specified in the Partnership Agreement). In this case, the Lead Partner must use the average monthly exchange rate set by the Commission of the last month of the reporting period or the market exchange rate of the last day of the reporting period.

The partners must use the same system during the whole implementation period. The Lead Partner must inform the JTS of the chosen option, and it must be used for the entire duration of the project (to be specified in the Partnership Agreement)

d) Payment system

EU-partners:

The ERDF payments within MED Programme are only made on a reimbursement basis without any advance payments. Payment claims are transmitted by the Lead Partner to the Managing Authority on behalf of the partners. The structure which asks for the subsidy must have sufficient financial resources to be able to advance own funding while waiting for the ERDF payment.

WARNING : The using of « assignment of subsidy » by a partner or a lead partner is forbidden in the MED Programme. In the framework of the ERDF financial system, only partners from the project (ultimate beneficiaries of ERDF funds) must collect the funds granted.

Assignments of subsidy like Dailly (France) or any similar european convention remain strictly forbidden in the med Programme.

Any partner may instead seek a loan from a credit agency with reimbursement after reception of ERDF.

In this case, (the loan transaction conducted by the beneficiary to an external agency), each interest generated by the operation remain ineligible for a ERDF reimbursement and would therefore be wholly at the expense of the concerned beneficiary.

Payments will be made as soon as possible to the Lead Partner's account by the Certifying Authority of the programme. Payments are made in Euros only. The partners decide between themselves who will bear the exchange-rate risk.

It is the responsibility of the Lead Partner to distribute the funding among the partners according to the expenses presented by each partner. From the date the funds are received, the Lead Partner must pay its partners **within 1 month maximum**. He should also ensure that the maximum ERDF co-financing rates are observed per partner.

The method of transfer of funds with the partners not belonging to the euro area must be specified before the starting of the project and applied throughout the project. The financial reports transmitted by the Lead Partner to the Joint Technical Secretariat must be made out in Euros.

It is highly recommended that a contract be drawn up between the Lead Partner and other partners. This should be specified in the Partnership Agreement.

IPA partners:

All IPA partners have a separated IPA subsidy contract with the Managing Authority; however, following the Lead Partner principle, they submit certifications of expenditures to the Lead partner of the project, as part of the overall Progress Report of the project . After the approval of the payment claim by the Managing Authority, the payment will be made directly to the IPA partners' account by the Certifying Authority.

Since the payments of IPA are carried out in euro, the applicable method for the calculation of the exchange rate is detailed in the Subsidy Contract.

e) Archiving

For EU Partners

Each Partnership Agreement will have to specify how the filing of the accounting records, technical documents and materials (reports, analyses, communication documents...) is organised. These documents must be available and easily usable in case of control.

The Partnership Agreement must specify where the documents are filed, who is in charge of them, what is the common classification system used by the partners, which documents are filed, etc.

The Lead Partner and the partners have to make sure that all the documents related to the project are kept in safety and in a chronological order until the end of 2020

For IPA partners:

Applications must clearly distinguish between activities – and their costs – taking place on the EU side with ERDF funds and those taking place on the candidate/potential candidate side with IPA funds

f) Financial management system (audit trail)

PRESAGE CTE connects all of the management organisations (the Managing Authority and the Joint Technical Secretary, the Certification Authority, the national authorities, the First Level Controllers – article 16, the beneficiaries) It is the operations management and monitoring tool, is used for the analysis and evaluation of community programmes and is, above all, a control tool. It is used to monitor all operations at all stages, from the proposition of a project until it ends.

For ERDF and IPA partners

The projects must present a financial management system on the model of the system presented below for the whole of the programme. Each project has the possibility to elaborate its own system insofar as it serves in the best way the objectives of the project and the partnership and as it proves to be the most efficient. This procedure must be done as well through the monitoring tool of the Programme.

Step 1:

- The partners collect the invoices and the accounting files of the expenditure and payments

Step 2:

- All partners must use the PRESAGE CTE application to enter all activities completed and expenditure made in the relevant period.
- The Lead Partner controls that expenses are coherent with the initial distribution per activity and per budgetary heading
- The Lead Partner ensures that the expenditure presented by the beneficiaries participating in the operation has been incurred for the purpose of implementing the operation and corresponds to the activities agreed between those beneficiaries

Step 3:

- Once the partner has entered in PREAGE tool all the activity and financial data related to the relevant period, it must notify it to its Lead partner for validation on PRESAGE and to its First Level Controller
The partner sends the proof of payments and the related documents and reports (activity report and financial report) to the first level control according to the national procedure which has been defined (centralized or decentralized)

Step 4:

- The first level control returns to the partner, **within 3 months maximum (art.16.2 of the Regulation CE 1080/2006 for ERDF partners and art. 108 of the Regulation CE 718/2007, as modified by Regulation CE 80/2010, for IPA partners)** and after presentation of complete and correct documentation, the confirmation with indication of the validated amounts and the amounts possibly excluded.

Step 5:

- Once the confirmation of the expenditures has been obtained, the partner transmits it to the Lead Partner together with the copy of related forms and copy of the proofs of payment.

Step 6:

- The Lead Partner collects and keeps all the certifications of expenses and the copy of supporting documents of its partners
- It verifies that the expenditure presented by the beneficiaries participating in the operation has been validated by the controllers.
- The Lead Partner writes a payment claim containing copies of the certifications provided by the partners as well as a report containing information on the activities corresponding to the amount of expenditures. It is sent to the Managing Authority accompanied by a progress report
- If a partner can not transmit to the Lead Partner its confirmation of the expenditures in due time, it should transmit it within the following progress report

Step 7

- The Managing Authority verifies that payment claims correspond to the activities of the project specified application form as integral part of the ERDF Subsidy Contract signed between the Lead Partner and the Managing Authority and IPA Subsidy Contract signed between each IPA partner and the Managing Authority
- The Managing Authority transmits a "recommendation for payment" to the Certifying Authority **within 15 working days** from the reception of the payment claim. Any problem concerning the payment claim can postpone the deadline.

Step 8:

- The Certifying Authority controls the recommendation for payment and proceeds as soon as possible to the payment of the whole ERDF amount to the Lead Partner and of the relevant IPA quota to each IPA partner

Step 9:

- From the reception of the funds, the Lead Partner must pay its partners **within a period of 1 month maximum**. The Lead Partner transmits to the JTS (and to the relevant National Contact Point, and/or national controllers or approbation bodies) the detail of these payments. The Lead Partner must justify in the progress report that all the payments of the former period have carried out. If not, the progress report cannot be approved.

Audit, Financial Control and Anti-fraud measures

Attention: The following paragraphs are exclusively to the attention of IPA Countries:

For Croatia:

6.1 *Audit, Financial Control and Anti-fraud measures*

The accounts and operations of all parties involved in the implementation of this programme, as well as all contracts and agreements implementing this programme, are subject to, on the one hand, the supervision and financial control by the Commission (including the European Anti-Fraud Office), which may carry out checks at its discretion, either by itself or through an outside auditor and, on the other hand, audits by the European Court of Auditors. This

includes measures such as ex-ante verification of tendering and contracting carried out by the Delegations in the Beneficiary Countries.

In order to ensure the efficient protection of the financial interests of the Community, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96¹³.

The controls and audits described above are applicable to all contractors, subcontractors and grant beneficiaries who have received Community funds.

6.2 *Financial adjustments*

In Croatia, the national authorising officer, who bears in the first instance the responsibility for investigating all irregularities, shall make the financial adjustments where irregularities or negligence are detected in connection with the implementation of this programme, by cancelling all or part of the Community assistance. The national authorising officer shall take into account the nature and gravity of the irregularities and the financial loss to the Community assistance.

In case of an irregularity, including negligence and fraud, the national authorising officer shall recover the Community assistance paid to the beneficiary in accordance with national recovery procedures.

6.3 *Audit trail*

In Croatia, the national authorising officer shall ensure that all the relevant information is available to ensure at all times a sufficiently detailed audit trail. This information shall include documentary evidence of the authorisation of payment applications, of the accounting and payment of such applications, and of the treatment of advances, guarantees and debts.

6.4 *Preventive measures*

Croatia shall ensure investigation and effective treatment of suspected cases of fraud and irregularities and shall ensure the functioning of a control and reporting mechanism equivalent to that provided for in Commission Regulation 1828/2006¹⁴. All suspected or actual cases of fraud and irregularity as well as all measures related thereto taken must be reported to the Commission services without delay. Should there be no suspected or actual cases of fraud or irregularity to report, the Beneficiary Country shall inform the Commission of this fact within two months following the end of each quarter.

Irregularity shall mean any infringement of a provision of applicable rules and contracts, resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure to the general budget.

Fraud shall mean any intentional act or omission relating to: the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Union or budgets managed by, or on behalf of, the European Union; non disclosure of information in violation

of a specific obligation with the same effect; the misapplication of such funds for purposes other than those for which they are originally granted.

The Beneficiary Country shall take any appropriate measure to prevent and counter active and passive corruption practises at any stage of the procurement procedure or grant award procedure, as well as during the implementation of corresponding contracts.

Active corruption is defined as the deliberate action of whosoever promises or gives, directly or through an intermediary, an advantage of any kind whatsoever to an official for himself or for a third party for him to act or to refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties in a way which damages or is likely to damage the European Communities' financial interests.

Passive corruption is defined as the deliberate action of an official, who, directly or through an intermediary, requests or receives advantages of any kind whatsoever, for himself or a third party, or accepts a promise of such advantage, to act or to refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties in a way which damages or is likely to damage the European Communities' financial interests.

The authorities of the beneficiary country, including the personnel responsible for the implementation of the programme, shall also undertake to take whatever precautions are necessary to avoid any risk of conflict of interest, and shall inform the Commission immediately of any such conflict of interest or any situation likely to give rise to any such conflict.

6.5 *Financial corrections*

In order to ensure that the funds are used in accordance with the applicable rules, in Croatia the Commission shall apply clearance-of-accounts procedures or financial correction mechanisms in accordance with Article 53c (2) of the Financial Regulation and as detailed in the Framework Agreement concluded between the Commission and Croatia or, where the latter does not exist, in the Financing Agreement implementing this programme concluded with Croatia.

A financial correction may arise following:

- (i) identification of a specific irregularity, including fraud; or
- (ii) identification of a weakness or deficiency in the management and control systems of the beneficiary country.

If the Commission finds that expenditure under this programme has been incurred in a way that has infringed applicable rules, it shall decide what amounts are to be excluded from Community financing.

The calculation and establishment of any such corrections, as well as the related recoveries, shall be made by the Commission following the criteria and procedures provided for in the IPA Implementing Regulation.

For Montenegro:

The accounts and operations of all parties involved in the implementation of this programme, as well as all contracts and agreements implementing this programme, are subject to, on the one hand, the supervision and financial control by the Commission (including the European Anti-Fraud Office), which may carry out checks at its discretion, either by itself or through an outside auditor and, on the other hand, audits by the European Court of Auditors. This includes measures such as ex-ante verification of tendering and contracting carried out by the Delegations in the Beneficiary Countries.

In order to ensure the efficient protection of the financial interests of the Community, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96¹³.

The controls and audits described above are applicable to all contractors, subcontractors and grant beneficiaries who have received Community funds.

For Bosnia-Herzegovina:

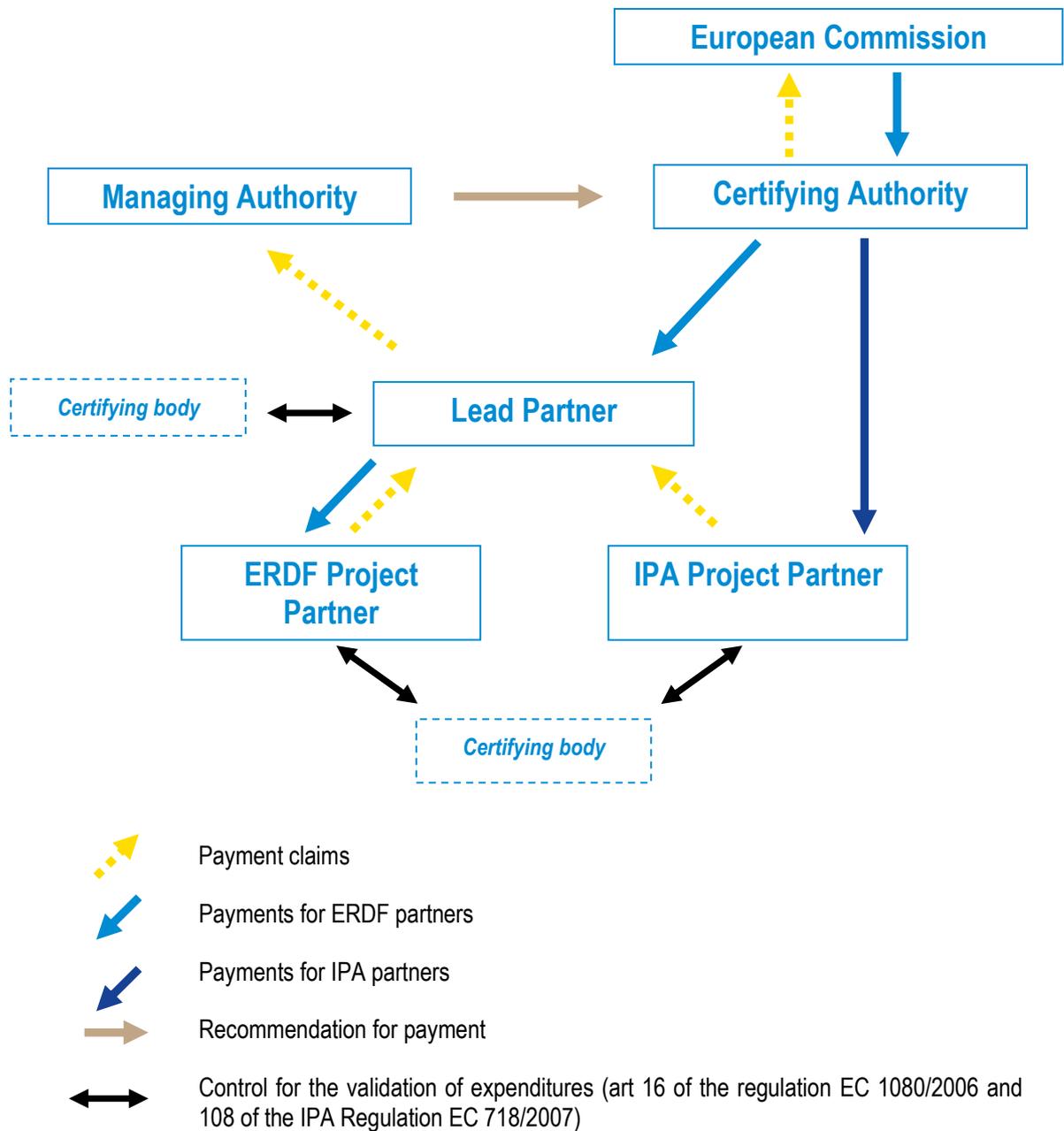
The accounts and operations of all parties involved in the implementation of this programme, as well as all contracts and agreements implementing this programme, are subject to, on the one hand, the supervision and financial control by the Commission (including the European Anti-Fraud Office), which may carry out checks at its discretion, either by itself or through an outside auditor and, on the other hand, audits by the European Court of Auditors. This includes measures such as ex-ante verification of tendering and contracting carried out by the Delegations in the Beneficiary Countries.

In order to ensure the efficient protection of the financial interests of the Community, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96¹³.

The controls and audits described above are applicable to all contractors, subcontractors and grant beneficiaries who have received Community funds.

For Albania: contact the National Contact Point

ERDF AND IPA financial flows



10. Monitoring, evaluation and control

a) Start-up report¹²

Within three months following the signature of the Subsidy Contract, the Lead Partner sends to the Joint Technical Secretariat a start-up report attesting the beginning of the activities and detailing the structures of management that ensures the good performance of the project (rules of procedure of the Steering Committee

b) Preparation expenses claim¹³

This report contains a description of the preparation expenses of the project as well as the financial report, checked and signed by the selected independent controller. This claim must be sent with the first progress report.

c) Progress report¹⁴

The implementation of the projects is based on 6 month periods according to the fixed semesters and related deadline for the submission of the progress reports as set out in the ERDF Subsidy Contract. IPA subsidy contract(s) confer to ERDF Subsidy Contract on this matter. The Managing Authority can however derogate from these dates in the interest of the programme.

The Lead partner is the sole responsible for the correct and complete submission of the Progress reports.

The Lead Partner has 2 months time, following the end of the 6 month implementation period, to verify the expenditures of the other partners, fill in the progress report through PRESAGE system, submit the progress report and the request for reimbursement to the JTS (together with the copies of the confirmations of the first level controller on the validated amounts.

This report will include the management report as well as the financial reporting checked and signed by the Lead Partner. It should also be accompanied by concrete outputs of the project, by communication documents or other documents published during this period.

- The Activity Report includes information on the general operation's progress, as well as a comparison between the objectives initially envisaged and the objectives already achieved. It also includes any part corresponding to technical realisations.
- The Financial Report contains a retrospective accounting of expenditure paid out during the reporting period. The report will have to contain information on all the expenditures, cash as well as in kind. Only reimbursement is authorised and only for the expenses effectively committed during the period concerned by the report, already paid and justified by invoices or documents of equal value of proof.

The Lead Partner will have to make sure that the expenditures noted in the financial report were not included in a financial report submitted previously.

¹² This report is not a financial reporting and thus it doesn't grant any right to a financial refunding

¹³ This report grants only the right to the Preparation's expenses refunding

¹⁴ This report grants only the right to refunding the expenses concerning the implementation of the project

d) Final report and closure of the project

A **Final Report** must be submitted to the Joint Technical Secretariat United after the closure of the project. This report must provide information on the achievements, the results and the impacts of the project, as well as the final detailed financial information. This report has to be submitted within two months after the end of the project.

Deadline for the eligibility of expenditure:

From the date of signature of the Subsidy Contract, traditional projects should not exceed **36 months** duration, **excluding preparation costs**. This period must include all the technical AND financial activities.

The date of the end of the project is stated in the Application Form. All operational expenditure must be engaged and paid out before the date of the end of the project. In case these costs cannot be paid out within the delay, they may be paid out within two months after this date. Closure administrative expenditure (First Level Control and staff costs) may be engaged and paid out within two months after the date of project closure.

According to article 56(1) of the Regulation (EC) 1083/2006, the MED Programme has to end on 31 December 2015. Therefore, this additional delay of two months does not apply for operations which finish on the 30th June 2015. In this case, all administrative expenditure (including expenses related to the closure of the project) engaged, invoiced or paid out after the official ending date of the project is not eligible.

Projects may be selected for checking even after the end of the project. **That is why it is necessary that the Lead Partners and their partners ensure a clear and safe storage of all project documents at least until 2020.**

Applications must clearly distinguish between activities – and their costs – taking place on the EU side with ERDF funds and those taking place on the candidate/potential candidate side with IPA funds

e) Evaluation during the programming period

For EU partners:

Pursuant to articles 33 and 48-3) of EU regulation 1083/2006, the Managing Authority, under the guidance of the Monitoring Committee, undertakes evaluations linked to the monitoring of the operational programme in particular where that monitoring reveals a significant departure from the goals initially set or where proposals are made for the revision of the operational programme. The results of these evaluations are sent to the Monitoring Committee and to the Commission¹⁵.

Evaluations may be of a strategic nature in order to examine the evolution of the Programme in relation to the Programme priorities, as well as Community, national or of operational nature priorities in order to support programme monitoring. An evaluation is foreseen in 2010 for the MED Programme.

For IPA partners:

When such evaluations are conducted, every effort should be made to evaluate also the elements concerning the participation of candidate/potential candidate countries in the transnational programme. This programme shall be subject to evaluations in accordance with articles 57 and 82 of the IPA implementing Regulation, with an aim to improve the quality, effectiveness and consistency of the assistance from Community funds and the strategy and implementation of the programme. The Commission may also carry out strategic evaluations

f) Ex-post evaluation

According to article 49(3) of the Regulation (EC) 1083/2006, the Commission shall carry out an ex post evaluation for each objective in close cooperation with the Member State and the Managing Authority.

¹⁵ Article 48(3) of the EU Regulation 1083/2006

This evaluation examines the extent to which resources were used, the effectiveness and efficiency of Fund programming and the socio-economic impact. It shall aim to draw conclusions for the policy on economic and social cohesion.

It shall identify the factors contributing to the success or failure of the implementation of operational programmes and identify good practice. Ex post evaluation shall be completed by 31 December 2015.

g) Choice of output and result indicators

The evaluation of transnational cooperation programmes and projects is an important and challenging task. It is important because, during the implementation of the Programme, the usefulness and efficiency of transnational cooperation will have to be clearly demonstrated. It is also challenging as, compared to other programmes of European regional policy, the achievements of transnational cooperation are often less direct and less tangible. This is also the reason why the monitoring system focuses primarily on outputs and results, which are defined below.

Output indicators relate to activity, tangible goods and services produced (number of documents published, number of events and meetings, number of studies realised, etc.). Indicators must be used to specify the outputs achieved for each component and for the whole project.

Result indicators relate to direct and immediate effects of the outputs on direct beneficiaries of the programme (number of conventions and agreements signed, number of strategies implemented, number of common norms adopted, number of people having improved or diversified their competences, etc.)

To be able to carry out the monitoring and the evaluation of the projects, the partners must use indicators which give information on the way the projects are achieving the objectives and with the general requirements of the programme.

The suggested indicators must be referred to as a priority, but the partners have the possibility to add more specific realisation and results indicators according to their specific objectives and field of intervention.

The following list is provided as example:

AXIS 1 (Number of...)	
<i>Output indicators</i>	<i>Result indicator</i>
New Networks appropriate to the technology transfer	Permanent networks made up: <i>indicate the number</i>
Joint studies aiming joint strategies, instruments, methods or plans	Joint implementations of schemes of work or strategies
Joint strategies and agreements	
SMEs involved in transnational activities <ul style="list-style-type: none"> • Directly: <i>indicate the number</i> • Not directly: <i>indicate the number</i> 	New transnational activities initiated by SME: <i>indicate the number</i>
New structures of transnational support for the innovation	Durable structures of transnational support: <i>indicate the number</i>
Seminars and forum at transnational level	Structures involved: <i>indicate the number</i>
Experimental activities (pilot)	Which structures, among the following ones, were involved in the activities of the project? : <i>indicate the type (see annex 1), number and how they are involved (300 characters</i>

	maximum)
AXIS 2 (Number of...)	
<i>Output indicators</i>	<i>Result indicator</i>
New Networks of authorities/qualified structures	Permanent networks made up: <i>indicate the number</i>
Plans, methods, tools and joint guidelines	Joint implementations of schemes of work or strategies
Joint strategies and agreements	
Transnational activities for sensitizing	Structures involved : <i>indicate the number</i>
Seminars and forum at transnational level	Structures involved : <i>indicate the number</i>
Experimental activities (pilot)	Which structures, among the following ones, were involved in the activities of the project? : indicate the type (see annex 1), number and how they are involved (300 characters maximum)
AXIS 3 (Number of...)	
<i>Output indicators</i>	<i>Result indicator</i>
New Networks of authorities/qualified structures implying private actors	Permanent networks made up: <i>indicate the number</i>
Numerical and on line services for accessibility	Transnational agreements for new applicable services
monitoring systems and databases for the accessibility and/or the prevention of the risks	
Activities to promote the accessibility of the Islands	New connections for the isolated zones
Activities for the maritime security	
Plans, methods, tools and joint guidelines	Joint implementations of schemes of work or strategies
Experimental activities (pilot)	Which structures, among the following ones, were involved in the activities of the project? : indicate the type (see annex 1), number and how they are involved (300 characters maximum)
AXIS 4 (Number of...)	
<i>Output indicators</i>	<i>Result indicator</i>
New Networks of cities or local authorities for the polycentrism	Permanent networks made up: <i>indicate the number</i>

Joint studies aiming of the strategies or the plans, the methods or the tools on transnational level	Joint implementations of schemes of work or strategies
Joint strategies and agreements	
Local authorities involved in transnational activities	New transnational activities initiated by local authorities: <i>indicate the number</i>
Authorities of isolated zones implied in transnational activities	New initiatives or structures of support promoted by authorities of isolated zones: <i>indicate the number</i>
Experimental activities (pilot)	Which structures, among the following ones, were involved in the activities of the project? : indicate the type (see annex 1), number and how they are involved (300 characters maximum)

Communication activities and tools	
Tools:	
<i>Output</i>	<i>Results</i>
Number of Communication tools created among the following: brochures, DVD, CD Rom, videos, Newsletters, guides, etc.	Number of Communication tools created among the following: brochures, DVD, CD Rom, videos, Newsletters, guides, etc.
Number of web site created	Number of web site created
Number of data bases created	Number of data bases created

Actions:

<i>Outputs</i>	<i>Results</i>
Number of targeted Communication activities organised by the partnership among the following list : exhibitions, seminars, conferences, Information campaigns, etc.	Number and types of structures touched by the Communication activities among the list "Type of structures involved".
Number of press visits on project site, of press workshops and/or Press conferences organised, number of Press articles sent.	Number of Press articles published in the written Press, on the radio or on TV.
<i>Types of Structures involved: indicate the type (see annex 1), number and how they are involved (300 characters maximum)</i>	

h) Monitoring system of the environmental impact

For EU partners:

The possible negative impacts on the environment (economic activities, transport, tourism...) are anticipated with the projects selection criteria as well as with the **monitoring system** setup to evaluate the effects of the implementation of the programme on the environment.

This monitoring system must especially allow adjustments if necessary the orientations of the MED Programme and to modify the indications given to the projects partners on the objectives and the general implementation provisions to be taken into account.

For IPA partners:

All investments shall be carried out in compliance with the relevant Community environmental legislation. The procedures for environmental impact assessment as set down in the EIA-directive fully apply to all projects under IPA. If the EIA-directive has not yet been fully transposed, the procedures should be similar to the ones established in the above mentioned directive. If a project is likely to affect sites of nature conservation importance, an appropriate nature conservation assessment shall be made equivalent to that provided for in Article 6 of the "Habitats" directive must be documented.

i) Control at the level of the project partners (article 16 of the EU Regulation 1080/2006 and article 108 of the EU Regulation 718/2007, as modified by EU Regulation 80/2010)

In order to allow the Lead Partner to draft each progress report and transmit it to the JTS, it is necessary that the activities and expenditures of each ERDF and IPA partner are checked and approved by one or several auditors according to the first level control system in place in the Member States and in Candidate and Potential Candidate Countries.

The Lead Partner:

- ensures that the expenditure presented by the beneficiaries participating in the operation has been incurred for the purpose of implementing the operation and corresponds to the activities agreed between those beneficiaries
- verifies that the expenditure presented by the beneficiaries participating in the operation has been validated by the auditors

For ERDF Partners:

In principle there are 4 general models:

- Centralised control at MS level through a public administrative body,
- Centralised control at MS level through a private audit firm,
- Decentralised control through auditors selected by the project partner from a national shortlist,
- Decentralised control through an internal or external auditors selected by the project partner and approved at the national level

Audit costs may be considered as eligible costs (internal independent audit should be included under the budget line "staff costs"; external independent audit in the budget line "external expertise"). It is therefore advised to set aside a budget for these controls depending on the control arrangements applicable in the relevant Member State for each of the project partners.

The controllers' task is to verify that:

- the costs are eligible,
- the conditions of the Programme, approved Application Form and Subsidy Contract have been observed and followed,
- the invoices and payments are correctly recorded,

- the activities have actually taken place and that sub-contracted supplies and services have been delivered or carried out
- the subsidies foreseen in the financial plan have been paid to the partners
- the community and national rules have been respected especially with regard to information and publicity, public procurement, equal opportunities and protection of the environment,
- the respect of national rules for public procurement

Please, in any case refer to the information which will be provided by the national organizations for the detailed procedure

For IPA Partners:

IPA Countries participating in MED Programme have set up a centralised control system.

The appointed Ministries/Directorates are in charge of this task.

The controllers employed in the Ministries/Directorates carry out verification of expenditures and are responsible of issuing validations of expenditure.

Control activities are partly financed by national governmental resources and partly from the Technical Assistance budget of the Programme. Control activities are then free of charge for IPA project partners.

The controller:

- Receives the partner report and all invoices with supporting documents
- Checks the activity report: controls the proper implementation part by the content as approved in the subsidy contract and in the application form.
- Checks the financial report: the requested payments are within the budget lines of the approved application, comparing the projects' expenses with the activities of the project,
- Checks the invoices (expenditures are eligible and paid, the invoices are formally compliant to relevant national regulations)
- Checks – based on check-lists whether the reported activities comply with national and joint eligibility rules, whether state aid and public procurement rules are respected and checks the fulfilment of requirements related to publicity
- Declares the total eligible expenditure (IPA contribution, national contribution, own contribution of the project part)
- Issues the declaration on validation of expenditures

j) Sample check

Every year **sample checks** on projects will be carried out by the relevant programme Authorities to verify that projects have correctly declared expenditure in the progress reports. These checks will be done **under the responsibility of the Audit Authority** assisted by a group of auditors with one representative from each participating country.

The purpose of these checks is to detect mistakes in the accounting records at the level of individual projects. The overall objective is to obtain a global picture of whether the management and control procedures and documents set up at Programme level are being applied and that they allow the prevention and correction of potential weaknesses, errors or irregularities.

Should the project be selected for a sample check, both the Lead Partner and the other partners are requested to cooperate with the auditing bodies, to present any documentary evidence or information deemed necessary to assist with the evaluation of the accounting documents as well as to give access to their business premises.

Besides the sample checks explained above, other responsible Programme bodies such as the European Commission's audit services, the European Court of Auditors, national bodies, JTS/Managing Authority, Certifying Authority may carry out audits to check the quality of the project implementation and in particular its financial management regarding compliance with EU and national rules.

Projects may be selected for control even after the project has ended. **For this reason, is necessary that the Lead Partners and their partners ensure a clear and safe storage of all project documents at least until 2020.**

k) Decommitment rule

Pursuant to the article 93 of regulation (EC) 1083/2006, the Commission automatically decommits any part of a budget commitment in an operational programme that has not been used for payment of the pre-financing or interim payments or for which an application for payment has not been sent in conformity with Article 86 by 31 December of the **third year** following the year of the annual budget commitment from 2007 to 2010 under their operational programmes.

In case of an automatic de-commitment of IPA funds, in accordance with Art. 137 of IPA Implementing Rules (regulation No 718/2007), both Community and national co-financing of the Participating Candidate and Potential Candidate Countries will be reduced pro rata according to their shares compared to the total IPA programme budget.

Any part of commitments still open on 31 December 2015 shall be automatically decommitted if the Commission has not received an acceptable application for payment for it by 31 March 2017.

11. Communication, dissemination of information and capitalisation

a) Content and objectives of the communication plan

Pursuant to article 2 of the regulation (EC) 1828/2006, a communication plan, as well as any major amendments to it, shall be drawn up by the Managing Authority for the operational programme for which it is responsible. Article 3, 4 and 5 of this regulation specify the conditions of conformity, implementation and monitoring of this plan.

All projects must comply with the publicity and information requirements laid down in the national rules and in the articles 8 and 9 of the Commission Regulation (EC) No 1828/2006.

Each project will have to define a Communication plan for the publicity and information activities in order to ensure a good dissemination of its activities, towards other structures potentially interested in Europe and the general public.

The use of the EU emblem is obligatory on all communication materials and tools produced for the co financed operation. Examples of emblems are available on the web site of the MED Programme (www.programmemed.eu).

It is also necessary to indicate on all communication materials a reference to the contribution of the ERDF and the statement chosen by the Managing Authority to highlight the added value of the intervention of the European funds.

Project-related websites must contain reference to the contribution of the European Union and of the ERDF and hyperlinks to other related Commission websites and websites of the MED Programme and related projects.

Use of the EU logo is also obligatory when using any other emblem. The EU emblem should be at least the same size as the other emblems being used (like the MED Programme's or the project's own logo).

It is essential that the projects use the graphic logos of the MED OP. The MED logos are available for download on the Programme's website.

b) Definition of the objectives of the transnational partnership conference

The Monitoring Committee can establish a **transnational partnership conference** that brings together representatives of European, national, regional and local institutions that are concerned with the implementation of the programme.

This conference aims at supporting the bottom up / top down partnership approach adopted at the transnational level for the development of the operational programme. It aims at encouraging transnationality, at exchanging experience and best practice and building upon the results from cooperation projects and programmes in the Mediterranean context.

APPENDIX

Appendix 1: Indicative list of partners which can take part to the projects as beneficiary or as associated partners

European institutions

European Agencies cannot be beneficiaries. They can only participate to the MED Programme as associated partners

- European Environment Agency
- European Maritime Safety Agency (EMSA)
- European Railway Agency
- European Space Agency (ESA)
- ...

State administration

- Ministries and government departments in charge of :
Economy ; research ; employment ; trade and industry ; training and qualifications ; environment ; transport ; infrastructures ; maritime affairs ; agriculture and fishery ; civil security ; town and country planning ; territorial development ; culture and heritage ; ...
- Government agencies in charge of control, certification and standardisation :
Environment ; risks ; construction ; pollution ; energy ; transports ; agriculture ; agribusiness ; new technologies ; services ; sustainable development ; ...
- National agencies and national institutes :
Research ; economic prospective ; environment ; evaluation ; innovation ; transports ; agronomy ; quality ; water ; ...
- Statistics departments
- ...

Local and regional authorities:

- Regions ; autonomous regions ; autonomous communities ; provinces ; departments ; districts ; counties ; metropolitan areas ; towns ; urban municipalities ; municipalities ; ...
- Structures for local and regional cooperation
 - Urban/territorial Agglomerations ;
 - Natural parks and natural reserves ;
 - ...
- Structures for interregional cooperation
- associations of local and/or regional authorities

Agencies and public bodies:

- Chamber of commerce / board of trade
- Regional development agencies
- Professional bodies
- Universities and research institutes
- Training institutes
- Town planning institutes and agencies
- Business innovation centres
- Regional innovation centres
- Technology transfer centres

- Scientific and Technological parks

Private sector:

- Cooperation bodies between SMEs
- Business networks
- Territorial networks: clusters, industrial districts, competitiveness poles, technological poles, cultural poles ...
- Professional bodies
- Training institutes
- ...

Non governmental sector:

- Associations for economic and territorial development
- Professional associations (agriculture, tourism, transports, ...)
- Association for employment, training and professional integration
- Associations for environmental protection
- Association for the protection of cultural heritage
- Association for the promotion of innovation...
- ...

Specific partners:

- Associations or international organisations of European Public Administrations (Cities, Regions, etc.)
- Conference of peripheral maritime regions (CPMR)
- Conference of Mediterranean Cities
- Mediterranean Institutes
- Euro info centres unless funded directly by the Commission
- ...

Appendix 2: EVALUATION CHART

The "Evaluation chart" will be published with the Call for Proposal