

# **Interreg South Baltic Programme 2014-2020**

## **Programme Manual**

**Version 3.0**

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Approved by the Monitoring Committee  
of the Interreg South Baltic Programme 2014-2020 on 12 October 2016



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## I GENERAL PROGRAMME INFORMATION

### 1 Introducing the South Baltic Programme 2014-2020

With the launch of the 2014-2020 period, the second generation of the South Baltic Programme was started. After its first, in many ways testing generation, the Programme is a well recognized financial instrument for cooperation across the southern shores of the Baltic Sea.

In 2014-2020 EU funded programmes have to take a more strategic and focused approach in order to support the Europe 2020 Strategy by contributing to smart, sustainable and inclusive growth, while promoting the harmonious development of the European Union and reducing regional disparities. This means that the South Baltic Programme had to narrow its scope and concentrate on a limited number of key priorities that are most significant to the Programme area and shared by the majority of stakeholders. This is reflected in the new strategic outline of the Programme by supporting the green and blue growth in the South Baltic area.

In the light of the reduction of the administrative burden the South Baltic Programme introduces new tools to better support the project applicants and implementers during the whole project cycle (for example, new support services for project development, an electronic reporting system, use of flat rates, etc.)

In the following pages of the Programme Manual the project applicants and implementers will receive comprehensive guidance on the South Baltic Programme 2014 - 2020 requirements from the development of a project idea through to project closure.

### 2 Strategic orientation of the South Baltic Programme

The central location of the sea basin, the maritime character of historical trade relations, the joint asset of extensive and relatively undisturbed natural areas, and the shared importance of economy branches utilising the rich natural resources (both land- and sea-related) are illustrative of the essential role of the blue and green economy for the sustainable regional growth in the South Baltic area. The potential of cooperative networks between the areas' knowledge-intensive services and research-intensive industries, the availability of business organisations investing in and promoting clean and energy efficient technologies, and the untapped resource of tertiary education graduates are exemplary assets shared by the Programme regions that may be better deployed for the prosperity of blue and green economy sectors.

At the same time, the South Baltic Regions show considerable disparities in socio-economic characteristics, exemplified by urban-rural and west-east divides in the economic attainment of the SME sector, innovation capacity, demographic, migration and labour market trends or mobility patterns that need to be addressed by joint actions across borders.

These issues are at the core of the strategic intervention by the South Baltic Programme, driven by the overall objective: **"To increase the blue and green growth potential of the South Baltic area through cross-border cooperation"**.

**"Green growth"** is a term to describe a path of economic growth that utilises natural resources in a sustainable manner. It implies fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which the well-being of the current and future generations relies.

In line with policy and research definitions, the South Baltic Programme encompasses the following sectors of the **"green economy"**: (1) renewable energy; (2) green construction; (3) clean transportation; (4) environmental management; (5) agriculture, forestry and land management; (6) food manufacturing and processing; (7) sustainable (green/eco) tourism.

The above sectors cover: manufacturing, production, trading, public services, governmental and regulatory framework, as well as research, design and consulting.

The similar and interchangeable term "**green technologies**" relates to environmentally friendly (clean) inventions that promote the sustainable management of resources and take into account: energy efficiency, recycling, safety and health concerns, etc. The term relates to methods, approaches, solutions, materials, devices, products and services applied in a wide range of activities. These usually include: production and transmission of renewable energy, water purification, air purification, sewage treatment, environmental remediation, solid waste management, energy conservation and life-cycle solutions, chemistry, food manufacturing and processing, housing, and many more.

"**Blue Growth**" is part of the Europe 2020 strategy and addresses the economic potential of the oceans, seas and coasts for sustainable growth and jobs. It is to be developed in harmony with the marine environment and through cooperation between public and private partners, including SMEs. In concordance with the European Commission's Communication on "Blue Growth - Opportunities for Marine and Maritime Sustainable Growth", the term "blue economy" can be related to the following sectors: blue energy – offshore wind power, tidal and wave power, ocean thermal energy conversion; aquaculture; maritime, coastal and cruise tourism; deep-sea and short-sea shipping; marine mineral resources (seabed mining); marine biotechnology (e.g. resources in the pharmaceutical and cosmetic industries); desalination; coastal protection; maritime security & surveillance and environmental monitoring.

Applied to the sectors most relevant to the South Baltic area, the blue and green growth context is consequently visible in the profile of the chosen thematic objectives and intervention priorities; translated to the programme priority axes and specific objectives.

### **An overview of relations between the priority axes and specific objectives of the South Baltic Programme (ERDF thematic objectives and investment priorities) and selected strategic reference documents**

Programme priority axis	ERDF thematic objective	ERDF investment priority	Programme specific objective	Europe 2020 flagship initiatives	EU Strategy for the Baltic Sea Region	Integrated Maritime Policy
PA 1: Strengthening international activeness and innovation capacity of the South Baltic blue & green economy	TO 3 – Enhancing the competitiveness of SMEs	3 (b) – developing and implementing new business models for SMEs, in particular with regard to internationalisation	Increase the presence of blue and green sector SMEs from the South Baltic area on international markets through joint cross-border actions	An industrial policy for the globalisation era	PA Innovation – Exploiting the full potential of the region in research, innovation and SME, utilising the Digital Single Market as a source for attracting talents and investments	Blue growth
		3 (d) - supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in growth and innovation processes	Improve the transfer of innovation for the benefit of blue and green sector SMEs through joint cross-border actions	Innovation Union	PA Innovation – Exploiting the full potential of the region in research, innovation and SME, utilising the Digital Single Market as a source for attracting talents and investments  PA SME – Promote entrepreneurship and strengthen the growth of SMEs	Blue growth

Programme priority axis	ERDF thematic objective	ERDF investment priority	Programme specific objective	Europe 2020 flagship initiatives	EU Strategy for the Baltic Sea Region	Integrated Maritime Policy
PA 2: Exploiting the environmental and cultural potential of the South Baltic area for the blue and green growth	TO 6 – Protecting the environment and promoting resource efficiency	6 (c) – conserving, protecting, promoting and developing natural and cultural heritage	Increased development of the South Baltic area's natural and cultural heritage assets into sustainable tourist destinations	Resource-efficient Europe	PA Tourism – Reinforcing cohesiveness of the macro-region through tourism PA Culture - Culture & creative sectors	Blue growth, Maritime Spatial Planning
		6 (f) promoting innovative technologies to improve environmental protection and resource efficiency in the waste sector, water sector and with regard to soil, or to reduce air pollution	Increased use of green technologies in order to decrease the pollution discharges in the South Baltic area	Resource-efficient Europe	PA Bioeconomy - Agriculture, forestry and fisheries PA Hazards – Reducing the use and impact of hazardous substances PA Nutri – Reducing nutrient inputs to the sea to acceptable levels PA Energy - BEMIP Action Plan (for competitive, secure and sustainable energy)	Blue growth, Maritime Spatial Planning
PA 3: Improving cross-border connectivity for a functional blue and green transport area	TO 7 - Promoting sustainable transport and removing bottlenecks in key network infrastructures	7 (c) – developing and improving environment-friendly (including low-noise) and low-carbon transport systems, including inland waterways and maritime transport, ports, multimodal links and airport infrastructure, in order to promote sustainable regional and local mobility	Improve the quality and environmental sustainability of transport services in the South Baltic area	Resource-efficient Europe An industrial policy for the globalisation era	PA Transport – Improving internal and external transport links PA Ship – Becoming a model region for clean shipping	Blue growth, Maritime Spatial Planning
PA 4: Boosting human resource capacities for the area's blue and green economy	TO 8 – Promoting employment and supporting labour mobility	8 (ETC) – promoting sustainable and quality employment and supporting labour mobility by integrating cross-border labour markets, including cross-border mobility, joint local employment initiatives, information and advisory services and joint training	Increase the share of skilled labour force working in the blue and green economy sectors of the South Baltic area through joint cross-border actions	An agenda for new skills and jobs Youth on the move	PA Innovation – Exploiting the full potential of the region in research, innovation and SME, utilising the Digital Single Market as a source for attracting talents and investments PA Education – Education, research and employability	-
PA 5:	TO 11 – Enhancing	11 (ETC) - enhancing	Improve the	An agenda for	PA Culture - Culture	-

Programme priority axis	ERDF thematic objective	ERDF investment priority	Programme specific objective	Europe 2020 flagship initiatives	EU Strategy for the Baltic Sea Region	Integrated Maritime Policy
Increasing cooperation capacity of local actors in the South Baltic area for the blue and green growth	institutional capacity and an efficient public administration	institutional capacity of public authorities and stakeholders and efficient public administration by promoting legal and administrative cooperation and cooperation between citizens and institutions	cooperation capacity of local South Baltic area actors through participation in cross-border networks	new skills and jobs	& creative sectors HA Capacity – Capacity building and involvement	

### 3 Relationship of the South Baltic Programme to the European Union Strategy for the Baltic Sea Region

In the policy framework, macro-regional strategies are regarded as broad-based integrated instruments covering several Member States and regions that focus on the alignment of policies and funding to increase policy coherence and overall impact of public spending. The European Union Strategy for the Baltic Sea Region (EUSBSR) - the first macro-regional strategy in Europe - aims to reinforce cooperation between 8 EU Member States (Sweden, Denmark, Estonia, Finland, Germany, Latvia, Lithuania and Poland) and the EU neighbouring countries in order to jointly address several common challenges and to coordinate appropriate policies to achieve sustainable development. Detailed information on the EUSBSR can be found online - <http://www.balticsea-region-strategy.eu/>.

The latest EUSBSR Action Plan from June 2015 distinguishes three objectives (Save the Sea; Connect the Region; Increase the Prosperity) and is more streamlined and focused than before, consisting of 13 policy areas and 4 horizontal actions, in total 17 thematic areas of macro-regional significance. It also includes a new chapter on the role of regional organisations/networks and their added-value within the EUSBSR.

In general, there is a clear thematic connection between the priorities and measures of the South Baltic Programme 2014-2020 and the strategy; the South Baltic Programme seeks to contribute actively to the EUSBSR and its action plan through the implementation of its projects. The existence of the EUSBSR gives new opportunities for projects with a local origin but a strategic potential, especially with regard to visibility, dissemination, capitalisation, political lobbying, follow up activities and the mainstreaming of jointly developed solutions. For these projects, the connection to the EUSBSR is a desirable and clear asset. They are therefore required to use this leverage and synergy potential pro-actively, supported and guided by the Programme authorities (see [Chapter III, Section 7.1 "Relations of the South Baltic projects to the EUSBSR and its Action Plan"](#) for further details). However, the South Baltic Programme also supports many regional and local needs, which might not have any direct links to the EUSBSR or only limited benefits from such a connection (e.g. small-scale capacity building projects).

The approach of the South Baltic Programme authorities, therefore, is to guide projects and to encourage them to connect to the EUSBSR, the Strategies' Action Plan and the relevant Policy Area Coordinators/Horizontal Action Coordinators where appropriate and on a case-by-case basis. In this way, the Programme creates concrete ties between the supported projects and the implementation of the Strategy, ensuring own impetus for partners and with benefits for all parties.

### 4 South Baltic Programme area

The eligible area of the South Baltic Programme covers the coastal territory of five EU Member States: to the north-west of the programme area, Denmark and Sweden; on the southern rim, Germany and Poland; and on the eastern shore, Lithuania.



The Programme eligible area consists of the following NUTS III units:

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**Eligible area:**

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**Denmark:** Bornholm, Østsjælland, Vest-og Sydsjælland

**Sweden:** Skåne län, Blekinge län; Kalmar län, Kronobergs län

**Germany:** districts (Landkreise) Nordwestmecklenburg, Rostock, Vorpommern-Rügen, Vorpommern-Greifswald and district-free city (kreisfreie Stadt) of Rostock;

**Poland:** Miasto Szczecin, Szczeciński, Stargardzki, Koszaliński, Słupski, Starogardzki, Gdański, Trójmiejski and Elbląski <sup>1</sup>

**Lithuania:** Klaipėdos apskritis, Tauragės apskritis, Telšių apskritis

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In comparison to the period 2007-2013 there are two significant changes to the Programme eligible area. Firstly, there is no division between the core and adjacent territories of the Programme. This means that all included territories are now governed by the same Programme rules. Secondly, due to an administrative reorganisation of districts and district free cities introduced in Mecklenburg-Vorpommern (DE) in 2011, the total area covered by the Programme has been enlarged, with the former district (Landkreis) Güstrow now being a part of the district (Landkreis) Rostock for the programming period 2014-2020.

The eligible area of the South Baltic Programme indicates the territorial focus for the period 2014-2020. It is expected that future co-financed projects will bring benefits within the above-defined geographical scope and that the partnerships implementing those projects are established mainly by organisations located in the South Baltic Region. Organisations located outside the eligible area, as well as those outside the EU, may also participate in projects co-financed by the South Baltic Programme, but under specific conditions. In this regard, co-operation with stakeholders from the Kaliningrad region is welcomed. For further information on project partnerships, including specific conditions for the organisations located outside the eligible area please see Chapter III ([Section 2 "Partnership principles in the South Baltic Projects"](#)).

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<sup>1</sup> Following the NUTS revision of 2013 in Poland (in force since 1 January 2015) the number of sub-regions was further increased. From 1 January 2015 sub-regions in the eligible area of the Programme in Poland are as follows: Miasto Szczecin, Szczeciński, Szczecinecko-pyrzycki, Koszaliński, Chojnicki, Słupski, Starogardzki, Gdański, Trójmiejski and Elbląski, whereas the eligible area of the Programme has not been changed.



## 5 Financing of the South Baltic Programme

The South Baltic Programme is co-financed by the European Regional Development Fund (ERDF). The remainder of the Programme budget is covered by the financial resources of the participating Partners, what is known as an "own contribution".

The total ERDF funding allocated to the South Baltic Programme for the period 2014-2020 is EUR 82.9 million. The total estimated Programme budget is over EUR 103 million together with the funds put into the Programme by the potential Partners.

**The ERDF funding is divided between six Programme priorities:**

PRIORITY AXES	Allocation	Share of the Programme budget
PRIORITY AXIS 1 - SME Competitiveness	9 972 000,00	12%
1.1 Internationally active blue and green SMEs	4 986 000,00	6%
1.2 Innovative blue and green SMEs	4 986 000,00	6%
PRIORITY AXIS 2 - Sustainable use of common resources	39 773 703,00	48%
2.1 Natural and cultural heritage	19 886 852,00	24%
2.2 Green technologies	19 886 852,00	24%
PRIORITY AXIS 3 - Sustainable transport	15 789 000,00	19%
PRIORITY AXIS 4 - Skilled labour forces	8 310 000,00	10%
PRIORITY AXIS 5 - Improved cooperation capacities	4 155 354,00	5%
PRIORITY AXIS 6 (Technical Assistance)	4 978 727,00	6%
TOTAL	82 978 784	100%

The Technical Assistance budget is not available to the projects as it provides funding for the preparation, management, monitoring, evaluation, information, and control activities of the Programme and is used only by organisations responsible for the above-mentioned tasks.

## 6 Co-financing rates

Depending on the location, the South Baltic Programme provides different ERDF co-financing rates for organisations participating in projects.

Partners from Poland, Lithuania and Germany can receive up to 85% ERDF co-financing. Partners from Denmark and Sweden can receive up to 75% ERDF co-financing for eligible costs generated within a project approved by the South Baltic Programme. The remaining part of the costs has to be contributed by the partners from their own resources, constituting the national co-financing. This also applies to partners located within the Programme Member States, but outside the Programme eligible area (see requirements in [Chapter III, Section 2 "Partnership principles in the South Baltic Projects"](#)).

For partners located in EU Member States other than the Programme Member States the applicable ERDF co-financing is a maximum of 75%.

It must be emphasised that co-financing rates for particular project partners may be reduced in case activities are subject to the state aid rules. For more information, see Chapter IV, Section 8 "State aid". It must also be noted that a different ERDF co-financing rate applies to the activities performed under the Priority on Technical Assistance (Priority Axis 6).

## II DETAILED DESCRIPTION OF PRIORITY AXES

Analysis and background information on the selection of the Programme priority axes can be found in Section 2 of the Cooperation Programme document (see on [www.southbaltic.eu](http://www.southbaltic.eu)).

### Priority Axis 1

#### Strengthening international activeness and innovation capacity of the South Baltic blue & green economy

The lists of exemplary actions, outputs and result indicators are non-exhaustive and other types of actions and activities can be proposed by the project.

The ERDF co-financing allocated to the priority axis 1 is EUR 9 972 000.00.

Programme level		Project level			
<p><b>Specific objective 1.1</b>  <b>Increase the presence of blue and green sector SMEs from the South Baltic area in international markets through joint cross-border actions</b></p>		<p>The following sections present examples of project actions, activities and outputs that projects could develop to achieve their objectives and results. In addition to the contribution to the programme output indicators, the projects are free to define their own activities and outputs, as long as the project follows the strategic orientation of the South Baltic Programme and addresses the relevant specific objective according to the Programme requirements.</p> <p><b>Please note that provided examples are of general nature (and not necessarily related to the exact problems in the South Baltic area) to illustrate the link between the programme and project objectives. The project challenges should be identified according to the specificity in your thematic field. It is recommended to avoid copying provided examples to your project descriptions.</b></p>			
Main challenges in the programme area	Low internationalisation capacity of SMEs from the South Baltic area, in particular representing the Programme regions in Poland and Lithuania as well the rural areas in each region		Example no 1	Example no 2	Example no 3
	In some Programme regions there is insufficient organisational support by intermediary structures and low availability of international business advisory services and matchmaking actions for expansion of the SMEs to international markets within and beyond the South Baltic area	Project's main challenge	There are many similar SMEs acting in South Baltic country x, y and z which offer complementary products but spend a lot of money for purchasing components from suppliers coming from other countries. These high costs create an obstacle for further growth of SMEs.	There are SMEs from specific blue economy sector in South Baltic countries x, y however there is a lack of multilateral contacts in South Baltic area to cooperate and create joint products for foreign markets.	The green economy SMEs from South Baltic area cannot access foreign markets due to the non-compliance with specific standards.

<b>Specific objective 1.1</b> <b>Increase the presence of blue and green sector SMEs from the South Baltic area in international markets through joint cross-border actions</b>		<b>Project's specific objective</b>	<b>Initializing the close cooperation among SMEs from countries x,y,z which will let them purchase complementary goods from each other and save money for investments.</b>	<b>Establish specific blue economy SME cluster for countries x,y,z in order to promote their products in foreign markets</b>	<b>To promote the compliance of green economy SMEs with international standard allowing them to compete in international markets</b>
<b>Expected programme result</b>	Increased presence of blue and green sector SMEs from the South Baltic area in international markets	Exemplary project results (to be decided by the partnership)	New cross-border relations between SMEs in the South Baltic area  New support structures fostering relations between SMEs in the South Baltic area	Blue sector SME products sold in foreign markets	Products complying with specific standards (allowing green economy SMEs to compete in foreign markets).
<b>Programme output indicators</b>	Number of cross-border support services/programmes delivered to blue and green sector SMEs to foster their internationalisation  Number of enterprises receiving support	Exemplary project outputs (to be decided by the partnership)	New investment proposals/concepts prepared in the project lifetime  Intermediary support structures for SME internationalisation created or extended in the project lifetime  SMEs involved in intermediary support structures	Established blue economy SME clusters  Blue economy SMEs involved in cluster	Services provided for SMEs in order to make their products compliant with international standards  Green economy SMEs which adopted international standards

<b>Exemplary project actions</b>	<p>Joint development and pilot implementation of innovative business models for the internationalisation of blue and green sector SMEs</p> <p>Market research for blue and green sector SMEs, their clusters and business support institutions in relation to the introduction of new services and products in international markets</p> <p>Organisation of activities (e.g. fairs, exhibitions, marketing and joint branding campaigns etc.) promoting products and services of blue and green sector SMEs from the South Baltic area in international markets</p> <p>Provision of products and services (e.g. cross-border training programmes, counselling, language courses, investment strategies, legal advice, business partner search, business cooperation forums, business missions etc.) to improve the capacity of blue and green sector SMEs from the</p>
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### 13 | II Detailed description of Priority Axes

	<p>South Baltic area to operate in international markets</p> <p>Development of internet-based tools to provide targeted information (e.g. through databases and information directories) and to facilitate regulatory procedures for the activities of blue and green sector SMEs in international markets (e.g. in public procurement, employment law, social security, taxation and standardisation)</p> <p>Awareness raising campaigns and general promotion actions encouraging international trade and business activities of blue and green sector SMEs from the South Baltic area – as an alternative/addition to national operations</p>
<p><b>Exemplary</b> types of project activities</p>	<p>Transfer of knowledge and exchange of good practices</p> <p>Information and promotion activities</p> <p>Educational and training activities</p> <p>Business partner search activities</p>
<p>Other exemplary project outputs (to be decided by the partnership)</p>	<p>Number of conceptual documents prepared by the project (e.g. feasibility studies, thematic expertise reports, local/regional concepts and action plans, business plans, branding and marketing concepts/strategies, good practice brochures/handbooks/examples, educational/training curricula, planning/decision support tools, databases and other ICT tools etc.)</p> <p>Number of project workshops/seminars/conferences/exhibitions</p> <p>Number of participants in events organised by the project, including politicians and decision-makers</p>
<p>Exemplary project results (to be decided by the partnership)</p>	<p>Number of cross-border relations between SMEs in the South Baltic area</p> <p>Number of new support services fostering relations between SMEs in the South Baltic area</p> <p>Number of new support structures fostering relations between SMEs in the South Baltic area</p> <p>Number of cross-border co-operation networks based on formal agreements created or extended in the project lifetime</p> <p>Number of SMEs/entrepreneurs taking part in the cross-border networks based on formal agreements</p> <p>Number of intermediary support structures for SME internationalisation created or extended in the project lifetime</p> <p>Number of investment declarations submitted by companies outside the Programme area</p> <p>Number of investment proposals/concepts prepared in the project lifetime</p>

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**14 | II Detailed description of Priority Axes**

	Number and value of pilot investments carried out in the project lifetime
<b>Exemplary</b> types of partners	Local and regional authorities and their associations Formal associations, clusters and networks of SMEs (having legal personality) Chambers of commerce, business support organisations and development agencies NGOs and R&D organisations providing international promotion and marketing, research and services (e.g. training)
Main target groups	SMEs representing blue and green sectors of economy and interested in expanding their business operations to international markets (including other South Baltic Regions, other European countries and third markets, e.g. the Far East)

<b>Programme level</b>		<b>Project level</b>			
<p><b>Specific objective 1.2</b></p> <p><b>Improve the transfer of innovation for the benefit of blue and green sector SMEs through joint cross-border actions</b></p>		<p>The following sections present examples of project actions, activities and outputs that projects could develop to achieve their objectives and results. In addition to the contribution to the programme output indicators, the projects are free to define their own activities and outputs, as long as the project follows the strategic orientation of the South Baltic Programme and addresses the relevant specific objective according to the Programme requirements.</p> <p><b>Please note that provided examples are of general nature (and not necessarily related to the exact problems in the South Baltic area) to illustrate the link between the programme and project objectives. The project challenges should be identified according to the specificity in your thematic field. It is recommended to avoid copying provided examples to your project descriptions.</b></p>			
<p><b>Main challenges in the programme area (specific objective 1.2)</b></p>	<p>Varying SME innovation capacities between the Programme regions as a factor that weakens the competitiveness of the area's blue and green economy as well as the convergence processes between the regions</p> <p>Unexploited potential for innovation transfer through cross-border networking and clustering between the more and less innovation capable regions in the South Baltic area</p> <p>High share of upper-secondary and tertiary education graduates across the South Baltic area as an asset to be better exploited for international triple helix cooperation and innovation transfer for the local SMEs</p>	<p>Project's main challenge</p>	<p>Example no 1</p> <p>There are many similar SMEs acting in South Baltic country x, y and z which offer products but do not have a lot of money to invest into developing new skills in innovation management. These high costs make the SMEs unable to get any additional competitive advantage in market.</p>	<p>Example no 2</p> <p>There are SMEs from specific blue economy sector in South Baltic countries x, y however there is a lack of multilateral contacts in the South Baltic area to serve as a basis for SME cooperation and transfer of innovation.</p>	<p>Example no 3</p> <p>The green economy SMEs from South Baltic area do not have an access to innovative design and innovative production processes due to the lack of availability of funding.</p>
<p><b>Specific objective 1.2</b></p> <p><b>Improve the transfer of innovation for the benefit of blue and green sector SMEs through joint cross-border actions</b></p>		<p><b>Project's specific objective</b></p>	<p><b>Training of SMEs representatives from countries x,y,z and provision of consultations regarding innovations which will let get additional skills in innovation management and save money for investments for capacity building of personal.</b></p>	<p><b>Establish specific blue economy SME cluster for countries x,y,z in order to transfer innovation</b></p>	<p><b>To adopt new innovative production methods and innovative designs for blue and of green economy SMEs</b></p>

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Expected programme result	Improve the transfer of innovation for the benefit of blue and green sector SMEs through joint cross-border actions	Exemplary project results (to be decided by the partnership)	New cross-border relations between SMEs and research institutions in the South Baltic area  New support instruments fostering relations between SMEs and research institutions in the South Baltic area	Innovative products developed by blue sector SME	Products produced using innovative methods and applying innovative design.
Programme output indicators	Number of established or enhanced cross-border clusters, networks and triple-helix models  Number of cross-border services/programmes delivered to blue and green sector SMEs to foster their innovation capacity  Number of enterprises cooperating with research institutions	Exemplary project outputs (to be decided by the partnership)	Cross-border relations between SMEs in the South Baltic area  Conceptual documents prepared by the project (e.g. feasibility studies, thematic expertise reports, local/regional concepts and action plans, business plans, branding and marketing concepts/strategies, good practice brochures/handbooks/examples, educational/training curricula, planning/decision support tools, databases, GIS systems and ICT tools, etc.).  Project workshops/seminars/conferences/exhibitions  Participants in events organised by the project, including politicians and decision-makers	Established cross border blue economy SME clusters  SMEs/entrepreneurs taking part in the cross-border networks based on formal agreements Number of R&D institutions taking part in the cross-border networks based on formal agreements  Participants in events organised by the project, including politicians and decision-makers	Technical solutions applied in practice in the project lifetime  Investment proposals/concepts prepared in the project lifetime  Pilot investments carried out in the project lifetime  Project workshops/seminars/conferences/exhibitions

Exemplary project actions	<p>Provision and testing of cross-border training and capacity-building services for blue and green sector SMEs in order to improve their innovation capacity (e.g. in innovation management etc)</p> <p>Provision of business advisory services (e.g. training, market research, counselling etc.) to blue and green sector SMEs from the South Baltic area on the introduction of new services and products in the South Baltic market through cross-border ventures</p> <p>Organisation of cross-border events to enable the exchange of experience and stimulate innovation transfer between blue and green sector SMEs from the South Baltic area</p>
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	<p>Development and testing of cross-border smart specialisation strategies and joint branding concepts for new products and services in the blue and green sectors of the South Baltic economy</p> <p>Development and testing of cross-border triple-helix cooperation models, platforms and networks with the participation of enterprises, research institutions, universities and public administration, dedicated to the better transfer and absorption of innovation by blue and green sector SMEs from the South Baltic area</p> <p>Cross-border development and prototyping/pilot testing of innovative products/services in the blue and green sectors of the South Baltic economy</p>
<p><b>Exemplary</b> types of project activities</p>	<p>Transfer of knowledge and exchange of good practices</p> <p>Information and promotion activities</p> <p>Educational and training activities</p>
<p>Other exemplary project output indicators (to be decided by the partnership)</p>	<p>Number of conceptual documents prepared by the project (e.g. feasibility studies, thematic expertise reports, local/regional concepts and action plans, business plans, branding and marketing concepts/strategies, good practice brochures/handbooks/examples, educational/training curricula, planning/decision support tools, databases, GIS systems and ICT tools, etc.).</p> <p>Number of project workshops/seminars/conferences/exhibitions</p> <p>Number of participants in events organised by the project, including politicians and decision-makers</p>
<p>Exemplary project result indicators (to be decided by the partnership)</p>	<p>Number of cross-border relations between SMEs in the South Baltic area</p> <p>Number of SMEs/entrepreneurs taking part in the cross-border networks based on formal agreements</p> <p>Number of R&amp;D institutions taking part in the cross-border networks based on formal agreements</p> <p>Number of intermediary support structures for SMEs created or extended in the project lifetime (different than clusters, networks and triple-helix models)</p> <p>Number of technical solutions applied in practice in the project lifetime</p> <p>Number of investment proposals/concepts prepared in the project lifetime</p> <p>Number and value of pilot investments carried out in the project lifetime</p>

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<b>Exemplary types of partners</b>	Formal associations, clusters and networks of SMEs (having legal personality) Chambers of commerce, business development agencies, business incubators, technology parks and other business support and finance organisations Local and regional authorities Higher education and R&D institutions NGOs providing promotion and services focused on innovation aspects
<b>Main target groups</b>	SMEs representing blue and green sector and developing/transferring innovative products and services within the South Baltic area

## Priority Axis 2

### Exploiting the environmental and cultural potential of the South Baltic area for blue and green growth

The ERDF co-financing allocated to the priority axis 2 is EUR 39 773 703.00.

Programme level		Project level			
<p>Specific objective 2.1</p> <p>Increased development of the South Baltic area's natural and cultural heritage assets into sustainable tourist destinations</p>		<p>The following sections present examples of project actions, activities and outputs that projects could develop to achieve their objectives and results. In addition to the contribution to the programme output indicators, the projects are free to define their own activities and outputs, as long as the project follows the strategic orientation of the South Baltic Programme and addresses the relevant specific objective according to the Programme requirements.</p> <p><b>Please note that provided examples are of general nature (and not necessarily related to the exact problems in the South Baltic area) to illustrate the link between the programme and project objectives. The project challenges should be identified according to the specificity in your thematic field. It is recommended to avoid copying provided examples to your project descriptions.</b></p>			
<p>Main challenges in the programme area</p>	<p>Unbalanced seasonal patterns and tourism intensity in the South Baltic area.</p> <p>High potential of green areas in the South Baltic territory to provide opportunities for active holiday and leisure activities.</p> <p>High quality of natural and cultural heritage sites, with unexplored opportunities for cross-border services and products in blue and green tourism.</p>		Example no 1	Example no 2	Example no 3
		<p>Project's main challenge</p>	<p>There are many natural heritage assets (e.g. forest) in different regions of the South Baltic. There is a potential to develop them into touristic destinations.</p>	<p>Local actors responsible for management of the natural and cultural heritage sites are lacking knowledge and capacity to develop or promote them as tourism destinations. In the South Baltic area there are though good practices examples in regions x, y and z.</p>	<p>There is a high potential for offseason coastal tourism in the South Baltic area, but it is unexplored</p>

<b>Specific objective 2.1</b> <b>Increased development of the South Baltic area's natural and cultural heritage assets into sustainable tourist destinations</b>		<b>Project's specific objective</b>	<b>Developing touristic offers based on the similar natural assets (forest) by cooperation of tourism organisations, local authorities and forest agencies for tourists coming to the South Baltic area and local tourists.</b>	<b>Increasing capacity and knowledge of local actors to sustainably manage natural and cultural sites by cooperation and experience exchange with relevant partners from x, y and z regions.</b>	<b>Developing and promoting tourist routes adjusted for different seasons for walkers and ramblers of a different age in the South Baltic area</b>
<b>Expected programme result</b>	Increased popularity of natural and cultural heritage areas/sites as sustainable tourism destinations	Exemplary project result indicators (to be decided by the partnership)	Number of tourist products created in the project lifetime Number of cooperation networks based on formal agreements created or extended in the project lifetime	Number of institutions responsible for management of natural and cultural heritage sites in South Baltic area with improved capacities Number of durable tourism programmes/ courses created in the project lifetime	Number of developed routes for walkers and ramblers Size of the audience of promotion, marketing and awareness raising actions
<b>Programme output indicators</b>	Size of pilot investments co-financed by the Programme in blue and green tourism infrastructure and services Number of delivered blue and green tourism services, products and tools Increase in expected number of visits to supported sites of cultural and natural heritage and attractions	Exemplary project outputs (to be decided by the partnership)	Common methodology how to develop natural assets into attractive tourist destinations Network of institutions involved Tourism offers created	Cross-border workshops on knowledge and experience exchange with partners from regions x, y and z Programme for sustainable management of natural and cultural heritage site tested and implemented in n partner locations	Pilot investments in x, y and z regions (signs, resting places, info boards) Cross-border marketing campaign informing about the routes for walkers and ramblers Routes for walkers and ramblers in x, y and z regions

<p><b>Exemplary project actions</b></p>	<p>Preparation and implementation of small-scale pilot investments that enhance blue and green tourism infrastructure and services (e.g. cross-border chains of marinas and small ports, etc)</p> <p>Joint events (e.g. events, fairs, marketing campaigns), publications, studies, and creation of cross-border strategies and products promoting the South Baltic area as a blue and green tourism destination</p> <p>Inclusion of natural and cultural heritage sites in the networks and chains of blue and green tourism in the South Baltic area (e.g. by including beaches and marinas in international certification systems i.e. International Blue Flag Programme)</p> <p>Joint marketing of the South Baltic area as a blue and green tourism destination and the promotion of cultural and natural assets of the South Baltic area, including land and underwater sites under formal protection (e.g. national parks, landscape parks and nature reserves protecting land and underwater habitats, UNESCO World Heritage Sites, World Biosphere Reserves, NATURA 2000 sites, cultural sites etc)</p> <p>Capacity-building actions and joint campaigns enhancing the management of natural and cultural heritage sites on a cross-border scale, including the exchange of experiences, transfer of knowledge and the creation of network cooperation among authorities and administrations responsible for the management of natural and cultural heritage sites in the South Baltic area</p> <p>Development of joint cross-border ICT tools for blue and green tourism attractions and accommodation facilities in the Programme area</p> <p>Exchanging know-how and promotion of Eco-Management and Audit Scheme as well as joint eco-labelling actions for environmentally friendly products</p> <p>Actions to protect and reinforce biodiversity and nature</p>
<p><b>Exemplary types of project activities</b></p>	<p>Preparation and implementation of infrastructure investments</p> <p>Small-scale investments (e.g. tourist facilities)</p> <p>Transfer of knowledge and exchange of good practice</p> <p>Information, promotion and marketing activities</p> <p>Educational, training and awareness-raising activities</p>
<p><b>Other exemplary project output indicators (to be decided by the partnership)</b></p>	<p>Number of conceptual documents prepared by the project (e.g. feasibility studies, thematic expertise reports, local/regional concepts and action plans, business plans, branding and marketing concepts/strategies, good practice brochures/handbooks/examples, educational/training curricula, planning/decision support tools, databases, GIS systems and ICT tools etc.)</p> <p>Number of project communication instruments (information portals, project homepages, brochures and leaflets)</p>

	<p>Number of project workshops/seminars/conferences/exhibitions</p> <p>Number of participants in events organised and attended by the project, including politicians and decision-makers</p>
<p>Exemplary project result indicators (to be decided by the partnership)</p>	<p>Number of institutions responsible for management of natural and cultural heritage sites in South Baltic Area with improved capacities</p> <p>Number of political declarations and long-term co-operation agreements signed within the project lifetime in effect of project activities</p> <p>Number of co-operation networks based on formal agreements created or extended in the project lifetime</p> <p>Number of business organisations taking part in the cross-border networks based on formal agreements</p> <p>Number of non-governmental organisations involved in the cross-border networks based on formal agreements</p> <p>Number of durable tourism programmes/courses created in the project lifetime</p> <p>Size of the target audience of promotion, marketing and awareness raising actions implemented in the project lifetime</p> <p>Number of tourist products created in the project lifetime</p> <p>Number of investment proposals/concepts prepared in the project lifetime</p> <p>Number and value of pilot investments carried out in the project lifetime</p>
<p>Exemplary types of partners</p>	<p>Local and regional authorities and their associations</p> <p>Formal associations, clusters and networks of SMEs (having legal personality)</p> <p>Chambers of commerce, business development agencies, tourist agencies and other business support and financial organisations</p> <p>NGOs providing promotion and marketing services linked directly or indirectly to the tourism and cultural sector</p> <p>Institutions of natural, culture and national heritage protection</p> <p>Forest management institutions</p> <p>R&amp;D and educational institutions</p>

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<p>Main target groups</p>	<p>Visitors (tourists and inhabitants) to natural and cultural heritage areas/sites in the South Baltic area</p> <p>Managers of regional/local tourist agencies</p> <p>Managers of natural and cultural heritage sites</p>
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<b>Programme level</b>		<b>Project level</b>			
<b>Specific objective 2.2: Increased use of green technologies in order to decrease the pollution discharges in the South Baltic area</b>		<p>The following sections present examples of project actions, activities and outputs that projects could develop to achieve their objectives and results. In addition to the contribution to the programme output indicators, the projects are free to define their own activities and outputs, as long as the project follows the strategic orientation of the South Baltic Programme and addresses the relevant specific objective according to the Programme requirements.</p> <p><b>Please note that provided examples are of general nature (and not necessarily related to the exact problems in the South Baltic area) to illustrate the link between the programme and project objectives. The project challenges should be identified according to the specificity in your thematic field. It is recommended to avoid copying provided examples to your project descriptions.</b></p>			
<b>Main challenges in the programme area</b>	Environmental pressures resulting from concentration of population and economic activities in urban centres and coastal areas		Example no 1	Example no 2	Example no 3
	<p>Higher eutrophication and biodiversity loss hazards as a consequence of nutrient discharges in the South Baltic catchment areas</p> <p>Noxious air quality problems resulting from factors including the use of fuels of inadequate quality, waste combustion in unsuitable boilers and the use of old high-emission heat sources</p> <p>High potential of the South Baltic area to develop green technology sectors based on vast natural resources, incl. renewables</p>	Project's main challenge	There is high level of specific X pollutant in South Baltic catchment areas and traditional methods of detecting and removal of the pollutants have not been successful so far.	One category of municipalities in South Baltic area faces the specific problem of waste management, however testing and implementing new solution is too expensive for one separate municipality.	There has been a common problem with inefficient heating systems for public buildings in South Baltic area. One South Baltic country has piloted a new solution that could be adapted in other countries.
<b>Specific objective 2.2: Increased use of green technologies in order to decrease the pollution discharges in the South Baltic area</b>		<b>Project's specific objective</b>	<b>To test innovative pollutant testing technology to detect and treat X pollutant in South Baltic catchment areas</b>	<b>To increase number of municipalities using X solution to increase efficiency of waste management</b>	<b>Improved heating solution adapted in X% of public buildings in project area.</b>



<p>Expected programme result</p>	<p>Increased use of green technologies by South Baltic area stakeholders benefiting from cross-border cooperation</p>	<p>Exemplary project result indicators (to be decided by the partnership)</p>	<p>Number of institutions with improved capacities of ready to use green technologies</p>	<p>X% of relevant municipalities in the South Baltic area trained to uptake improved waste management solution</p>	<p>X% of public building owners addressed in the adaption of new heating solution for the South Baltic area</p>
<p>Programme output indicators</p>	<p>Size of pilot investments co-financed by the Programme in the uptake of green technologies Number of delivered green technology services, products, standards and tools</p>	<p>Exemplary project outputs (to be decided by the partnership)</p>	<p>X EUR of pilot investments for testing Pollutant testing technology roadmap</p>	<p>Piloted and developed solution on specific waste management element</p>	<p>New heating solution developed, adapted and piloted for the cross-border uptake</p>
<p>Exemplary project actions</p>		<p>Developing, demonstrating and implementing small-scale green technology investments (pilot projects) in waste management (e.g. re-use, recycling, recovery etc), water management, heating, air protection, production of energy from renewable sources (e.g. wave, wind and solar energy, biomass, geothermal energy, etc.) and renewable energy storage</p> <p>Developing and testing of innovative cross-border solutions aimed at improving and coordinating sustainable energy networks (e.g. development and reorganisation of smart grids, virtual power plants, heating supply, integration of storage, maritime transmission grids)</p> <p>Joint cross-border studies, strategies and action plans to mitigate water and air pollution in the South Baltic area through the application of innovative green technologies</p> <p>Elaboration and testing of common cross-border standards in waste and water management, heating and air protection by public entities, in cooperation with universities, research centres, companies and cooperatives of farmers and residents</p> <p>Development and testing of innovative cross-border solutions aimed at decreasing the outflows of nutrients from small and diffuse sources in catchment areas</p> <p>Development of green policy strategies and patterns to overcome challenges and mobilise regional opportunities for renewable energies and energy efficiency, including models for cooperation with energy service companies on comprehensive energy solutions</p> <p>Capacity building actions, transfer of knowledge and exchange of experiences about innovative green technology solutions to improve efforts of different organisations to protect the water and air environment, contingency planning and promoting resource</p>			

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	<p>efficiency</p>
Types of project activities	<p>Preparation and implementation of infrastructure investments</p> <p>Small-scale investments (e.g. technical installations or energy saving installations)</p> <p>Transfer of knowledge and exchange of good practice</p> <p>Information and promotion activities</p> <p>Educational, training and awareness raising activities</p>
Other exemplary project output indicators (to be decided by the partnership)	<p>Number of conceptual documents prepared by the project (e.g. feasibility studies, thematic expertise reports, local/regional concepts and action plans, business plans, branding and marketing concepts/strategies, good practice brochures/handbooks/examples, educational/training curricula, planning/decision support tools, databases, GIS systems and ICT tools etc.)</p> <p>Number of project communication instruments (information portals, project homepages, brochures and leaflets)</p> <p>Number of project workshops/seminars/conferences/exhibitions</p> <p>Number of participants in events organised and attended by the project, including politicians and decision-makers</p>
Exemplary project result indicators (to be decided by the partnership)	<p>Number of institutions with improved capacities of ready to use green technologies</p> <p>Number of improved methods/instruments aimed at decrease of the pollution discharges</p> <p>Number of political declarations and long-term co-operation agreements signed within the project lifetime in effect of project activities</p> <p>Number of co-operation networks based on formal agreements created or extended in the project lifetime</p> <p>Number of business organisations taking part in the cross-border networks based on formal agreements</p> <p>Number of non-governmental organisations (e.g. ecological) taking part in the cross-border networks based on formal agreements</p> <p>Number of small and diffuse sources with decreased outflows of nutrients</p> <p>Number of technical solutions applied in practice in the project lifetime</p> <p>Number of investment proposals/concepts prepared in the project lifetime</p>

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	Number and value of pilot investments carried out in the project lifetime
Exemplary types of partners	<p>Local and regional authorities and their associations</p> <p>Public or private (having either public or non-profit character) companies dealing with communal and municipal environmental and energy management (such as waste and water, heating, air protection)</p> <p>Formal associations, clusters and networks of SMEs (having legal personality)</p> <p>Chambers of commerce, business development agencies and other business support and finance organisations</p> <p>NGOs active in the environmental protection and management sector</p> <p>Schools, higher education and R&amp;D institutions</p> <p>Cooperatives of farmers and residents (having legal personality)</p>
Main target groups	Public institutions and equivalent public entities in the South Baltic area

### Priority Axis 3

#### Improving cross-border connectivity for a functional blue and green transport area

The ERDF co-financing allocated to the priority axis 3 is EUR 15 789 000.00.

<b>Programme level</b>		<b>Project level</b>			
<b>Specific objective 3: Improve the quality and environmental sustainability of transport services in the South Baltic area</b>		<p>The following sections present examples of project actions, activities and outputs that projects could develop to achieve their objectives and results. In addition to the contribution to the programme output indicators, the projects are free to define their own activities and outputs, as long as the project follows the strategic orientation of the South Baltic Programme and addresses the relevant specific objective according to the Programme requirements.</p> <p><b>Please note that provided examples are of general nature (and not necessarily related to the exact problems in the South Baltic area) to illustrate the link between the programme and project objectives. The project challenges should be identified according to the specificity in your thematic field. It is recommended to avoid copying provided examples to your project descriptions.</b></p>			
<b>Main challenges in the programme area</b>	Predominant car-based mobility pattern, with high reliance on cars and trucks in inter-regional travel, due to insufficient intermodal services in freight and passenger transport		Example no 1	Example no 2	Example no 3
	<p>Unsatisfactory direct connectivity of the Programme regions due to drawbacks in maritime, railway and air passenger services</p> <p>North-south freight traffic and quickly growing east-west freight flows across the South Baltic area in need of greening measures and service efficiency solutions</p>	Project's main challenge	Number several cities in the South Baltic Programme area face a challenge of poor municipal transport planning, thus people are choosing private cars, instead of municipal transport. However, they have identified that in the Programme area good experience exists in few comparable cities.	There is a big exchange of passengers between X, Y, Z South Baltic regions, however transport planning of different transport nodes lack behind to facilitate the passenger flow.	Several coastal municipalities have identified in their plan that lack of modern ferry connection hinders their development potential.
<b>Specific objective 3: Improve the quality and environmental sustainability of transport services in the South Baltic area</b>		<b>Project's specific objective</b>	<b>To improve municipal transport planning in South Baltic cities via adapting good cross-border practice examples</b>	<b>To improve cross-border transport planning of several transport nodes</b>	<b>To improve existing connection between X, Y, Z South Baltic coastal municipalities</b>

Expected programme result	Improved and more environmentally sustainable passenger and intermodal cargo services in the South Baltic area	Exemplary project results (to be decided by the partnership)	Additional passengers using public transportation, instead of private means transport	Decrease in travel time between X, Y, Z South Baltic regions when using several transport nodes	Improved frequency and passenger amount of the ferry connections between X, Y, Z coastal municipalities
Programme output indicators	Size of pilot investments in transport services co-financed by the Programme Number of delivered strategies, measures and tools aimed at improving the standard, efficiency, interoperability and/or environmental performance of transport services	Exemplary project outputs (to be decided by the partnership)	Municipalities implemented improved municipal plans Improved municipal transport plans	Harmonised transportation schedules Pilot investments in the transport planning infrastructure Transport operators involved in improving transport planning	Cooperation agreements signed between ferry operators and municipalities Joint strategy on maintaining sustainable ferry connection
Exemplary project actions	<p>Preparation and deployment of cross-border transport greening measures, including small-scale (pilot) investments, to lower the environmental impact (footprint) of transport services and to increase their quality and interoperability</p> <p>Joint development of smart mobility concepts decreasing the reliance on cars and trucks and better utilisation of public transport services (e.g. through mobility management schemes for less accessible areas and for areas suffering from negative demographic changes etc.)</p> <p>Joint development of solutions aimed at using more environmentally friendly means of transport</p> <p>Provision of solutions to improve the sustainability, density and quality of air and sea transport services (ferries) in the South Baltic area, including facilitation of new links between the Programme regions</p> <p>Preparation of studies addressing deficiencies in intermodal passenger and cargo services across the borders of the Programme regions</p>				
Types of project activities	<p>Preparation and implementation of infrastructure investments</p> <p>Small-scale investments (e.g. hardware and software installations)</p> <p>Transfer of knowledge and exchange of good practice</p> <p>Information and promotion activities</p>				
Other exemplary project output indicators (to be decided by the partnership)	Number of conceptual documents prepared by the project (e.g. feasibility studies, thematic expertise reports, local/regional				

	<p>concepts and action plans, business plans, branding and marketing concepts/strategies, good practice brochures/handbooks/examples, educational/training curricula, planning/decision support tools, databases, GIS systems and ICT tools etc.)</p> <p>Number of relevant stakeholders involved in the development of strategies, measures and tools aimed at improving the standard, efficiency, interoperability and/or environmental performance of transport services</p> <p>Number of project communication instruments (information portals, project homepages, brochures and leaflets)</p> <p>Number of project workshops/seminars/conferences/exhibitions</p> <p>Number of participants in events organised and attended by the project, including politicians and decision-makers</p>
<p>Exemplary project result indicators (to be decided by the partnership)</p>	<p>Number of air and sea transport services (ferries) with improved sustainability, density and quality in the South Baltic area</p> <p>Number of facilitated new transport links between the Programme regions</p> <p>Number of additional passengers travelled at facilitated connections</p> <p>Number of additional passengers using more environmentally friendly means of transport</p> <p>Number of prepared and agreed solutions focusing on cross-border transport greening measures</p> <p>Number of developed and/or implemented solutions aimed at using more environmentally friendly means of transport</p> <p>Number of political declarations and long-term co-operation agreements signed within the project lifetime in effect of project activities</p> <p>Number of co-operation networks based on formal agreements created or extended in the project lifetime</p> <p>Number of business organisations taking part in the cross-border networks based on formal agreements</p> <p>Number of durable transport education and training programmes/courses created in the project lifetime</p> <p>Number of technical solutions applied in practice in the project lifetime</p> <p>Number of investment proposals/concepts prepared in the project lifetime</p> <p>Number and value of pilot investments carried out in the project lifetime</p>

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<b>Exemplary types of partners</b>	Local and regional authorities and their associations Public transport companies Transport infrastructure administration Formal associations, clusters and networks of SMEs (having legal personality) working with transport greening solutions Chambers of commerce, business development agencies and other business support and finance organisations Higher education and R&D institutions
<b>Main target groups</b>	Transport infrastructure managers and users Public transport users (passengers)

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## Priority Axis 4

### Boosting human resource capacities for the area's blue and green economy

The ERDF co-financing allocated to the priority axis 4 is EUR 8 310 000.00.

Programme level		Project level			
<p><b>Specific objective 4: Increase the share of skilled labour force working in blue and green economy sectors of the South Baltic area through joint cross-border actions</b></p>		<p>The following sections present examples of project actions, activities and outputs that projects could develop to achieve their objectives and results. In addition to the contribution to the programme output indicators, the projects are free to define their own activities and outputs, as long as the project follows the strategic orientation of the South Baltic Programme and addresses the relevant specific objective according to the Programme requirements.</p> <p><b>Please note that provided examples are of general nature (and not necessarily related to the exact problems in the South Baltic area) to illustrate the link between the programme and project objectives. The project challenges should be identified according to the specificity in your thematic field. It is recommended to avoid copying provided examples to your project descriptions.</b></p>			
Main challenges in the programme area	<p>Mismatch of education and the needs of employers in knowledge-intensive services and research-intensive industries of the South Baltic area</p> <p>Difficulties in attracting qualified labour</p> <p>High unemployment in many Programme regions driven by dynamic population trends (e.g. negative net migration balance in some regions, demographic change and disparities in the population density between urban and rural areas, rural decline challenges, increasing long-term unemployment etc.)</p>		Example no 1	Example no 2	Example no 3
		Project's main challenge	There is a lack of qualified labour force in the specific sector of blue economy X	Rural areas have a common problem of increasing unemployment and youth migration	Higher education graduates in a specialized green economy profiles (X, Y, Z) rarely find employment related to their professional background



	<b>Specific objective 4.1: Increase the share of skilled labour force working in blue and green economy sectors of the South Baltic area through joint cross-border actions</b>	<b>Project's specific objective</b>	<b>Developing employment services for the blue economy sector X and joint training providing specialized qualification in this sector.</b>	<b>Developing training programme for self employment in the sectors X and Y based on the best practices from South Baltic region</b>	<b>Creating possibilities for students and graduates in the green economy profiles (X, Y, Z) to gain practical experience related to their professional background</b>
<b>Expected programme result</b>	Better prepared labour force for workplaces in blue and green sector companies in the South Baltic area.	Exemplary project result indicators (to be decided by the partnership)	Number of people benefiting from the employment services in the blue economy sector X  Number of people completing specialized joint training in the sector X	Number of established small business in a rural areas	Number of students/graduates in a specialized green economy profiles (X, Y, Z) gaining practical experience in a given field of green economy
<b>Programme output indicators</b>	<p>Number of delivered cross-border employment schemes (i.e. services, model solutions, tools and programmes) and joint training supporting employment in the blue and green economy of the South Baltic area</p> <p>Number of stakeholders involved in the implementation of cross-border employment schemes and joint training</p> <p>Number of participants in joint local employment initiatives and joint training</p> <p>Number of participants in joint education and training schemes to support youth employment, educational opportunities and higher and vocational education across borders</p>	Exemplary project outputs (to be decided by the partnership)	<p>Number of delivered employment services in the blue economy sector X</p> <p>Number of delivered specialized joint training in the sector X</p> <p>Number of institutions (scientific units, educational organizations) involved in the implementation of employment services and joint training</p> <p>Number of participants in specialized joint training</p>	<p>Number of delivered training programme supporting self employment in the sectors X and Y</p> <p>Number of participants in joint training</p>	<p>Number of delivered cross-border internship programme in a given field of green economy</p> <p>Number of institutions (companies, educational organization) involved in the implementation of cross-border internship programme in a given field of green economy</p> <p>Number of students/graduates completing cross-border internships in a given green economy field</p>

<p><b>Exemplary project actions</b></p>	<p>Development, modification and testing of joint cross-border services connecting vocational and tertiary education graduates as well as employers in blue and green economy sectors (e.g. cross-border job search platforms, multi-lingual job applications, cross-border employment fairs, employment advice centres, dedicated [post-graduate] study profiles for blue and green sector companies, etc)</p> <p>Provision of cross-border training programmes (e.g. in languages of Programme countries or vocational English and cross-cultural skills) and qualification courses for the labour force, including tertiary and vocational education graduates, to suit employment needs in blue and green economy sectors</p> <p>Provision of tools or schemes for the harmonisation and international recognition of professional or vocational qualifications in blue and green economy sectors</p> <p>Preparation and deployment of cross-border internships, apprenticeships and different forms of exchanges for the labour force aimed at acquiring qualifications necessary for blue and green sector professions in the Programme regions</p> <p>Joint development of models and solutions supporting self-employment of university and college graduates in blue and green economy sectors</p> <p>Transfer of knowledge and exchange of experience to improve efforts of labour market stakeholders in stimulating employment in blue and green economy sectors of the South Baltic area</p> <p>Information and advisory services for potential cross-border workers on legal requirements and working conditions in other countries of the South Baltic Region</p>
<p><b>Exemplary types of project activities</b></p>	<p>Transfer of knowledge and exchange of good practices</p> <p>Information and promotion activities</p> <p>Educational and training activities</p> <p>Small-scale investments (e.g. hardware and software installations)</p>
<p><b>Other exemplary project output indicators (to be decided by the partnership)</b></p>	<p>Number of conceptual documents prepared by the project (e.g. feasibility studies, thematic expertise reports, local/regional concepts and action plans, business plans, branding and marketing concepts/strategies, good practice brochures/handbooks/examples, educational/training curricula, planning/decision support tools, databases, etc.)</p> <p>Number of project workshops/seminars/conferences/exhibitions</p>

<p>Exemplary project result indicators (to be decided by the partnership)</p>	<p>Number of integrated/common services and offers of labour market institutions tested and/or implemented in the South Baltic area</p> <p>Number of new structures established fostering labour force for workplaces in blue and green sector companies in the South Baltic area</p> <p>Number of practical solutions improving the accessibility of educational offers across borders and in remote areas</p> <p>Number of political declarations and long-term co-operation agreements signed within the project lifetime in effect of project activities</p> <p>Number of co-operation networks based on formal agreements created or extended in the project lifetime</p> <p>Number of new workplaces established in blue and green economy sectors</p> <p>Number of SMEs/business organisations taking part in the cross-border networks based on formal agreements</p> <p>Number of educational organisations taking part in the cross-border networks based on formal agreements</p> <p>Number of durable education and training programmes/courses created in the project lifetime</p> <p>Number of target representatives (e.g. small and medium size entrepreneurs, unemployed persons, parental leave persons, etc.) enrolled in created durable education and training programmes/courses</p> <p>Number of technical solutions applied in practice in the project lifetime</p> <p>Number of investment proposals/concepts prepared in the project lifetime</p> <p>Number and value of pilot investments carried out in the project lifetime</p>
<p>Exemplary types of partners</p>	<p>Local and regional authorities and their associations</p> <p>Labour offices and labour market administration</p> <p>Labour unions and employer organisations</p> <p>Educational and R&amp;D institutions</p> <p>Formal associations, clusters and networks of SMEs (having legal personality)</p> <p>Chambers of commerce, business development agencies and other business support organisations</p> <p>NGOs involved in the training and qualifications of the labour force</p>

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36 | II Detailed description of Priority Axes

<p>Main target groups</p>	<p>Vocational school graduates, university and college graduates entering the South Baltic labour market</p> <p>Labour force for workplaces in blue and green economy sectors</p> <p>Employers in blue and green economy sectors</p>
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## Priority Axis 5

### Increasing cooperation capacity of local actors in the South Baltic area for blue and green growth

The ERDF co-financing allocated to the priority axis 5 is EUR 4 155 354.00.

Programme level		Project level			
<p><b>Specific objective 5: Improve the cooperation capacity of local South Baltic area actors through participation in cross-border networks</b></p>		<p>The following sections present examples of project actions, activities and outputs that projects could develop to achieve their objectives and results. In addition to the contribution to the programme output indicators, the projects are free to define their own activities and outputs, as long as the project follows the strategic orientation of the South Baltic Programme and addresses the relevant specific objective according to the Programme requirements.</p> <p><b>Please note that provided examples are of general nature (and not necessarily related to the exact problems in the South Baltic area) to illustrate the link between the programme and project objectives. The project challenges should be identified according to the specificity in your thematic field. It is recommended to avoid copying provided examples to your project descriptions.</b></p>			
<p><b>Main challenges in the programme area</b></p>	<p>Extensive network of partners, organisations and institutions in the South Baltic area, but with a limited number of organisations taking part in joint activities and reaping the benefits of cross-border cooperation for local development policies</p> <p>Distinct maritime context of development in the South Baltic area determined by the sea basin location and long tradition of trade exchange across the sea – but with low recognition of the common South Baltic identity in the local and regional communities</p> <p>A need to increase the capacity and know-how of local organisations in the South Baltic area to make them more active in cross-border cooperation networks</p>		Example no 1	Example no 2	Example no 3
		<p>Project's main challenge</p>	<p>Small municipalities in South Baltic area would like to address certain challenges via cross-border cooperation; however they have insufficient knowledge to be involved in the cross border cooperation.</p>	<p>Local NGOs dealing with an issue know that there is a valuable experience in the other South Baltic regions; however they lack the relevant experience in establishing international contacts and working in international consortiums.</p>	<p>Several cities of the South Baltic area have international cooperation departments; however they have very different practices in terms of efficient work organisation.</p>

<b>Specific objective 5: Improve the cooperation capacity of local South Baltic area actors through participation in cross-border networks</b>		<b>Project's specific objective</b>	<b>To improve capacity of small municipalities to cooperate in addressing challenges in the field of X</b>	<b>To improve cooperation capacity of local NGOs for finding solutions of X challenge</b>	<b>To improve efficiency of cooperation practices in South Baltic cities</b>
<b>Expected programme result</b>	Improved involvement of local community organisations in cross-border cooperation networks	Exemplary project results (to be decided by the partnership)	Municipalities with capacities ready to prepare cross-border cooperation projects	NGOs involved in cooperation networks	Cities with more efficient international cooperation departments
<b>Programme output indicators</b>	Number of local actors involved in cross-border activities Number of joint capacity-building activities/events involving local actors	Exemplary project outputs (to be decided by the partnership)	Cross-border capacity training programme Municipalities trained	Cooperation networking activities NGOs involved in networking	Staff exchange programme on international cooperation

<b>Exemplary project actions</b>	<p>Actions aimed at cross-border transfer of knowledge and exchange of experience regarding cooperation between citizens and institutions and local development challenges</p> <p>Joint activities of local self-government administration/agencies and other institutions (e.g. NGOs) contributing to influencing regional, national and EU level policies and decisions affecting the local development</p> <p>Joint awareness-raising actions among local groups to promote the cooperation culture, heritage and common identity of the South Baltic area</p> <p>Preparation and implementation of joint initiatives (cross-border programmes, trainings, workshops etc.), aimed at strengthening the networking and cooperation capacity of local organisations</p> <p>Preparation and deployment of measures increasing the involvement of local organisations (e.g. small municipalities, NGOs, schools, cultural institutions etc.) in project development and intercultural dialogue</p>
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<b>Exemplary</b> types of project activities	<p>Transfer of knowledge and exchange of good practice</p> <p>Information, promotion and marketing activities</p> <p>Educational, training and awareness raising activities</p> <p>Arrangement of joint events</p>
Other <b>exemplary</b> project output indicators (to be decided by the partnership)	<p>Number of conceptual documents prepared by the project (e.g. thematic expertise reports, local/regional concepts and action plans, business plans, branding and marketing concepts/strategies, good practice brochures/handbooks/examples, educational/training curricula, planning/decision support tools, databases, etc.)</p> <p>Number of project workshops/seminars/conferences/exhibitions</p> <p>Number of participants in events organised and attended by the project, including politicians and decision-makers</p>
<b>Exemplary</b> project result indicators (to be decided by the partnership)	<p>Number of durable cross-border integration programmes/courses/initiatives created in the project lifetime</p> <p>Number of local institutions (e.g. local authorities, NGOs) involved in intensified intercultural dialogue</p> <p>Number of people involved in intensified cross-border (intercultural) dialogue</p> <p>Number of people from the general public involved in cross-border activities</p> <p>Number of political declarations and long-term co-operation agreements signed within the project lifetime in effect of project activities</p> <p>Number of co-operation networks based on formal agreements created or extended in the project lifetime</p>
<b>Exemplary</b> types of partners	<p>Local and regional authorities and their associations</p> <p>NGOs involved in networking activities across national borders</p> <p>Chambers of commerce, business development agencies and other business support organisations</p> <p>Institutions of natural, culture and national heritage protection</p>

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<p>Main target groups</p>	<p>Small local and regional organisations – for example: Local municipalities NGOs public service providers (e.g. schools, cultural institutions, hospitals, police forces, fire and rescue service etc.)</p>
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### **Specific nature of Priority Axis 5**

Local stakeholders and institutions are the key for success of cross-border cooperation. They bring in practical experience and perspectives, reach out to final target groups (e.g. citizens, companies, practitioners, etc.) and ensure that the funded project activities translate into tangible impacts "on the ground". At the same time, however, limited capacities and/or resources may still prevent local actors from taking full advantage of the cooperation business. In the spirit of strengthening multi-level governance, Priority Axis 5 thus aims at offering complementary support to the thematic Priorities of the Programme, in particular by helping small and inexperienced organisations to get prepared for the exciting challenge of cross-border cooperation. Consequently, the projects funded under this Priority shall invest in capacity building measures for the benefit of local organisations which will further allow them to develop cross-border cooperation. In this context, it must be noted that Priority Axis 5 is specifically designed to support capacity building provisions for organisations and networks and therefore project proposals should not address individuals as their final beneficiaries.

### III SPECIFIC FEATURES OF THE SOUTH BALTIC PROJECTS<sup>2</sup>

#### 1 Project phases and project types

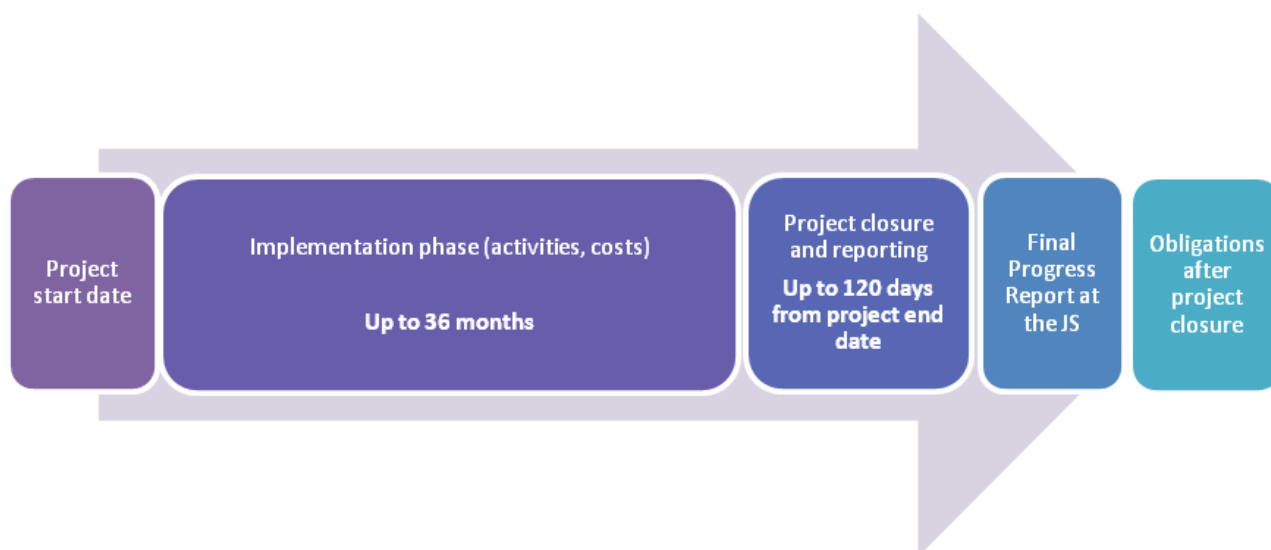
The project duration, budget and management practices are determined by the complexity of the project. Finding a balance between the project scope, costs and time, and ensuring the quality of the project results and outputs is one of the crucial tasks ahead of the project developers.

Any project in the South Baltic Programme can generally be divided into three main phases: **preparation, implementation and closure**.

The **preparation phase** covers all activities implemented in order to develop a project and to submit an Application Form to the South Baltic Programme. It always concludes with the end date of the call for proposals to which the Application Form was submitted (see chapter [V "Project preparation, application and selection"](#)).

The **implementation phase covers** all activities planned for the project during the preparation phase. All projects must finish within the implementation phase, leading to delivery of all main outputs, and achievement of the project's specific objectives (see chapter [VI "Project implementation"](#)).

The **closure phase** starts the day after the end of the implementation phase (defined in the Subsidy Contract) and lasts until the submission of the final project progress report to the Joint Secretariat (in total, up to 120 days). This time is fully dedicated to administration of the project settlement and concentrates on preparing the final project progress report and submitting it to the JS (for further details please see chapter VII "Project closure and time beyond").



<sup>2</sup> Different arrangements for projects under Priority Axis 6 (Technical Assistance) may apply.

### Start and end date of the project

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The start and end dates of different project phases are connected to eligibility of costs related to those phases.

Whenever this or other Programme documents refer to a **start date or an end date of the project**, it means the **start date or the end date of the project implementation phase**. The start date and end date of the project implementation are set in the Application Form, and can be changed during the clarification process.

The earliest start date of the project can be the day after the end date of the call for proposals. However, before approval of the project by the Monitoring Committee, all activities are implemented at the project's own risk. At the latest, the implementation phase is required to start three months after the decision of the Monitoring Committee. This does not apply to projects on the reserve list (see Chapter V, Section 5 "Selection of projects and complaint procedure"). At some point in the final stage of the Programme implementation all applying projects will have to respect a specific end date for the project implementation to allow time for Programme closure. This date will be announced by the Programme in advance.

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The South Baltic Programme recognises two main types of projects: **regular and small scale projects**.

**Regular projects** - this group constitutes the majority of projects implemented under the Programme. In general, the expected impact of regular projects will be greater than those of small scale projects. The same applies to the size of the project and its duration. The total budget recommended for regular projects is between EUR 1 000 000 and EUR 2 000 000 and the duration should be defined carefully according to the project needs, but not exceeding 36 months. At the same time, larger or smaller projects may also be approved by the Monitoring Committee. In particular, projects containing small-scale pilot investments under priority axes 2 and 3 may justify a higher total cost of up to EUR 2 000 000.

It must be stressed that the budget and duration need to correspond to the planned activities and that they will be assessed against the expected results (**value for money**). The possibility to extend the duration of projects beyond their defined closure date will be strictly limited to exceptional and duly justified cases, i.e. cases affected by unforeseeable external factors.

**Small scale projects** – are allowed to be implemented under all specific objectives. However, it is expected that, due to the specificity of priority axis 5 (i.e. focus on local organisations), these types of projects will constitute the major share of projects implemented under this priority axis. To facilitate the implementation of small scale projects, simplification measures will be offered by the Programme (for example, smaller partnerships, less work packages, etc.). The detailed Programme requirements will be outlined in the Terms of Reference for the respective call for proposals. In order for a project to be designated as a small scale project, the total budget cannot exceed EUR 300 000 (EUR 500 000 for the Priority 5) in total and with a duration of up to 24 months.

Furthermore, a **seed money** scheme is intended, which would allow for potential South Baltic partnerships to develop projects of higher quality and submit them within regular calls for proposals. At the same time, the scheme can serve as an incentive for potential beneficiaries to convince their local decision makers to start developing the project, as the costs of those activities would be covered. However, due to the specificity of these kinds of activities (i.e. different rules to be applicable) a separate "terms of reference" decided by the Monitoring Committee will regulate the implementation of this scheme.

## 2 Partnership principles in South Baltic Projects

The project partnership in the South Baltic Programme consists of partners coming from the eligible area of at least two Programme Member States, with the exception of European Grouping of Territorial Cooperation. If European Grouping of Territorial Cooperation is set up by public authorities or bodies from at least two Programme Member States, it can implement a project individually (as defined in Art. 12(3) of the Regulation (EU) 1299/2013). Bilateral projects eligible in other ETC programmes should be given priority only if they have a high model value and/or if organisations from additional Member States are invited

to participate as, for example, associated partners (see Section 7.2 “Relations of the South Baltic Programme projects to other EU-funded interventions”).

Multilateral cooperation is the main focus of the South Baltic Programme and, in order to solve the problems identified, projects are encouraged to group adequate organisations from different sectors. The combination of different types of competences (business, culture, educational organisations, public administration and NGOs) adds to the project strengths. Such a cross-sector approach can improve the innovativeness and quality of the results. Having said this, it has to be underlined that only the most relevant organisations should be grouped for the project partnership. For practical reasons related to project implementation it is strongly recommended that partnerships are not too big, experience from the 2007-2013 perspective shows that most of the projects consisted of about 7- 8 partners. It should be underlined that it is the relevance of the partnership and not its size that is being assessed during the evaluation of project ideas. Only in well justified cases the number of partners in one project should exceed 10.

From the very beginning of the project preparation potential partners should aim to identify common interests, needs and motivations. They also need to learn about each other's capacities (financial, organisational), cultural and structural aspects. The aim is to build a high quality partnership step by step; identifying and accommodating all the skills and competences that are required for successful implementation, and then defining respective roles in the project.

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#### Example for cross-sector approach

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A project aims to equip maritime-related businesses with knowledge and competence on LNG (liquefied natural gas) technologies to enable them to be contracted for operating and maintaining the planned LNG terminal investments in Lithuania and Poland. With this competence the companies can specialise and form cross-border supply chains in the South Baltic. Such supply chains formed of highly specialised businesses can also compete in LNG-related tenders on the global market.

The cross-sector approach in this project is applied by involving different institutions in collaboration (as project partners and as target groups). The business support institutions help organise the supply chain, along with the academic institutions which are responsible for collecting and transferring the know-how through training. It is also carried out with the support and active involvement of the public authorities which own the terminal investments. A target group actively involved in this process consists of maritime-related businesses, which participate in training and receive the know-how.

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In the South Baltic Programme the project partnership can consist of three types of partners:

- lead partner (LP);
- project partner (PP);
- associated partner (AP).

While all types of partners are expected to commit themselves to the delivery of the project, only the first two types of partners mentioned above directly benefit from ERDF funding and have to provide their own contribution as a counterpart to the Programme co-financing.

### 2.1 Lead partner

Each project is required to follow the lead partner principle. This means that one of the project partners is appointed as a lead partner and takes overall responsibility for project coordination in terms of content, administration and financial flows.

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#### Definitions of the lead partner

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In order to act as a lead partner in the South Baltic Programme project an organisation must have a legal personality and fall into one of the categories:

- national, regional and local authorities;
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- bodies governed by public law (as defined in Art 2(1) of Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94, 28.3.2014). This means body fulfilling all three conditions:
  - established under public or private law for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character, and
  - having legal personality, and
  - 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.
- associations of one or several regional or local authorities;
- associations of one or several bodies governed by public law;
- European Grouping of Territorial Cooperation (EGTC) (as defined in the Regulation (EC) No 1082/2006 as amended by Regulation (EU) No 1302/2013).

Regardless of the category, an organisation has to make the results of the project available to the general public.

Bodies listed above can act as lead partner only if their financial and organisational capacities allow that. These will be assessed on a case by case basis during the quality assessment of applications. Therefore, such organisations, especially NGOs, should be able, on short notice, to present and provide the JS with three year's balance sheets and employment records in order to prove their ability to cover for potential irregularities during project implementation.

In principle, to become a lead partner, an organisation has to be located (what is decisive is the legal address of the organisation) in the South Baltic Programme eligible area. In exceptional cases, where explicitly justified by the project's character, organisations of national or regional level that are located outside the eligible area, but have a branch office in the eligible area (e.g. Marshal Office of Warmia-Mazury), may also become lead partners. In such cases it is strongly recommended that the JS is contacted in advance to confirm eligibility. The national/regional authorities which have territorial jurisdiction over a Programme region (independent from the existence of a branch office) also can become lead partners. In such case, the general requirement for the organisations outside the eligible area shall be applied, i.e. their participation has to be explicitly justified by the project's character and the relevant Programme Member State (Programme region) will take over the financial responsibilities related to the participation in the project.

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In practice, the lead partner principle imposes some **obligations on the lead partner** in each of the project phases.

In the **project preparation phase** (see Chapter [V "Project preparation, application and selection"](#)) the LP is usually responsible for coordinating the efforts of organisations involved in the project development and the process of preparing the Application Form. During the project preparation the LP ensures that all project partners, associated partners, as well as the lead partner prepare Project Partner Declarations/Letters of Commitment in line with the formal requirements.

An authorised representative of the LP signs the Application Form, confirming that the information included in it is accurate and true to his/her best knowledge. The LP organisation is responsible for submitting the Application Form together with all required documents to the JS within the deadline for a given call for proposals. After the submission of the Application Form the LP becomes the only institution representing the project to contact the Programme authorities throughout the project lifetime (except for direct contacts between project partners and First Level controllers). The LP, on behalf of the project, organises the clarification of any formal errors found by the JS in the application documents.

If the project is subsequently approved by the Monitoring Committee, it enters the **implementation phase** (see Chapter [VI "Project implementation"](#)). The LP corresponds with the JS on behalf of the whole project, in order to meet all requirements set during the project selection:

- an authorised representative of the LP signs the Subsidy Contract for the project with the Managing Authority;
- the LP signs the Partnership Agreements with the project partners agreeing on the division of tasks, responsibilities and financial obligations and liabilities, and ensures that these signed agreements are enclosed with the first progress report.

One of the key tasks for the LP is to set up an efficient management and coordination system (see [Chapter III, Section 8 "Project management and coordination"](#)). The lead partner coordinates all project activities. The lead partner also forwards the information received from the JS to the partners on the Programme rules (including rules for promotion and for visibility of EU co-financing), responds to issues reported by project partners, and facilitates the reporting and monitoring process:

- the LP has to ensure that all project partner expenditure corresponds to the activities and tasks as agreed in the Application Form, and that all expenditure has been certified by respective First Level controllers;
- the LP also compiles the project progress reports based on inputs from partners, and ensures the communication during the clarifications;
- the LP receives ERDF reimbursement from the Programme and transfers funds to the other project partners in compliance with the procedures stipulated in the Partnership Agreements;
- the LP recovers funds directly from the project partner where an irregularity is detected.

Throughout the project implementation the LP liaises with the Programme authorities. In this respect the role of the LP is to inform the JS of any changes in the project set-up. Immediate information is expected, in particular if the legal status of any of the project partners has changed.

In the implementation phase, and also after **the project closure**, the LP has to ensure that all project partners fulfil their obligations related to storage and availability of documents for audit trail purposes and for the ownership and maintenance of project results. For further information on the obligations of project partners after project closure, please see Chapter VII "Project closure and the time beyond".

## 2.2 Project partners

The project partners are eligible to receive ERDF funding in the South Baltic Programme projects.

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### Definitions of the project partners

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In order to act as a project partner in a South Baltic project an institution must have a legal personality and fall into one of the following categories:

- national, regional and local authorities;
  - bodies governed by public law (as defined in Art 2(1) of Directive 2014/24/EU);
  - associations of one or several regional or local authorities;
  - associations of one or several bodies governed by public law;
  - European Grouping of Territorial Cooperation (EGTC) (as defined in the Regulation (EC) No 1082/2006 as amended by Regulation (EU) No 1302/2013).
  - SME associations and clusters;
  - chambers of commerce, trade unions and NGOs.
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- other entities established under public or private law operating for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character<sup>3</sup>;

The following entities may not be financed by the Programme:

- profit-oriented companies of strictly industrial or commercial character, not operating for the purpose of meeting needs in general interest.

Regardless of the category the entity falls under, it has to make the results of the project available to the general public.

The involvement of an organisation as a project partner will not be used as a means to avoid public procurement. Furthermore, sub-contracting among the project partners is not allowed.

Entities can act as partners only if their financial and organisational capacities allow that. These may be assessed on a case by case basis during the quality assessment of the project applications. Therefore, organisations should be able, on short notice, to present and provide the JS with supporting documents (for example, balance sheets and employment records) in order to prove their ability to cover for potential irregularities during project implementation.

In principle, to become a project partner, an organisation has to be located (what is decisive is the legal address of the organisation) in the eligible area of the South Baltic Programme. As a rule, organisations located outside the Programme's eligible area are recommended to be involved in the projects as associated partners.

Only in exceptional cases can they can act as regular project partners (geographical eligibility of project partners is limited to the EU) and directly benefit from ERDF funding. Their participation will be explicitly justified by the project's character and the relevant Programme Member State (Programme region) will take over the financial responsibilities in accordance with Art. 27 (3) of the Regulation (EU) 1299/2013.

Applicants located within EU Member States other than the Programme Member States are entitled to receive a maximum of 75% of ERDF co-financing. Such applicants may become partners only under special conditions. Potential applicants from other EU Member States are encouraged to contact the JS before applying in order to get more information on the formal and legal requirements.

Before applying to the Calls for Proposals in the South Baltic Programme such applicants must agree with respective authority (-ies) in their EU Member State, that it will take full responsibility for the said applicant as described in the ETC Regulation and General Regulation, and confirm that it will follow the South Baltic Programme rules as described in the Programme and the Programme Manual. For applicants to participate as the project partner, the signing of an agreement between the MA and the respective authority in the applicant's country is necessary (as stipulated in art. 20 (2) (c) of ETC Regulation).

That is to say, such organisations have to prove that their involvement as a project partner strongly contributes to the implementation of the project objectives, and without its contribution the project would have difficulty in achieving its results and objectives. This will be assessed on a case by case basis during the project selection process.

One of the implications of such a project set-up, involving project partners from outside the Programme area, can be a longer clarification and contracting process. Furthermore, such organisations cannot realize small scale or pilot investments in their own area (outside the Programme area).

Nevertheless, should a potential applicant be unsure as to whether it can act as a project partner it is strongly recommended to contact the relevant national authorities and the JS in advance and during the preparatory phase of a project development.

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<sup>3</sup> This group may also cover private entities which have been authorised by law or a public body to operate for the specific purpose of meeting needs in the general interest: Such entities must prove their public service mission by sending a legally binding document confirming that the entity operates for the specific purpose of meeting needs in general interest. Examples of the documents can be:

- Statutes;
- the entity may be authorized to operate for the specific purpose of meeting needs in general interest by law. In such case, the entity should indicate the appropriate regulation.
- Alternatively, the authorisation may be granted to the entity by a body governed by public law. Then, the entity should present a document which confirms such delegation.
- If the presented documents are not sufficient, additional documents may be required to justify such authorisation.

Although the lead partner bears overall responsibility for ensuring the implementation of the whole project, there are also specific **obligations of project partners**, which they will need to fulfil during all project phases.

In the **project preparation phase** (see chapter V "Project preparation, application and selection") the partners should actively collaborate in the joint development of the project, defining their contribution to the delivery of the objectives, and the respective resources needed for this. Each project partner prepares the Project Partner Declaration to be sent together with the Application Form to the JS.

Normally, at the beginning of the **implementation phase**, (see Chapter VI "Project implementation") all project partners sign Partnership Agreements (or a single Partnership Agreement) with the lead partner. Upon signing it, they commit to active contribution to delivery of the approved activities and outputs and to fulfilling their financial responsibilities (see Chapter VI, Section 1.3 "Partnership agreements" for more details). Throughout the implementation phase all partners are responsible for implementing the project as defined in the Application Form and the Partnership Agreement, as well as reporting on the project implementation in accordance with the rules of the Programme and in agreement with the lead partner.

Each project partner is responsible for reporting the expenditure, obtaining certification in due time in accordance with the Programme rules and providing information in case of clarifications. After receipt of ERDF reimbursement, all project partners will inform the lead partner. In case irregularities are detected during or after the implementation phase of the project, the respective project partner is responsible to pay back the amount of the irregularity, including penalty interest, to the LP in line with the provisions of the Partnership Agreement.

During the implementation phase, and also after the **project closure**, relevant partners are responsible for ensuring durability and maintenance of the project results in line with both the Partnership Agreement and Application Form. It is the responsibility of each partner to store and retain documents in a safe and proper manner in line with the requirements set by the Programme. For further information on the obligations of project partners after project closure, please see Chapter VII "Project closure and the time beyond".

### 2.3 Associated partners

Organisations that are not able to comply with the requirements needed for project partners (or are not willing to become financially involved in the project for other reasons) can take part in the projects on the basis of associated partners.

Most commonly, associated partners represent important stakeholders/key target groups /end users of the project results. The most welcome associated partners in the South Baltic Programme are SMEs and entities from Kaliningrad. However, organisations from other regions and countries outside the EU can also become associated partners, if it is beneficial for the project and the South Baltic area (e.g. a tourism association in China that helps to promote the South Baltic area to Chinese tourists). The associated partners are obliged to describe their role and tasks in the project in the Letters of Commitment. The LP sends these letters together with the Application Form to the JS.

Associated partners dedicate their own resources to the project (e.g. working time, costs related to organising and hosting conferences, dissemination activities, delegating volunteers, providing venues or equipment for project work etc.). However, associated partners cannot directly claim ERDF co-financing for their activities.

However, any of the project partners receiving ERDF co-financing can cover travel and accommodation expenditure relating to the associated partner involvement from their ERDF budget, on condition that it is essential to the achievement of the project's objectives



and does not infringe the state aid rules. These costs have to be included in the Application Form.

Associated partners must not generate any revenues (i.e. payments from third parties outside the partnership that constitute income to the organisation as a result of its involvement in the project activities) out of the project implementation and its outcomes.

The associated partners **cannot be subcontracted by the project partners** to carry out parts of their activities in a project due to the potential risks relating to the conflict of interest and infringement of the fair competition rules.

#### Summary of requirements for different types of partners in South Baltic Programme

	Lead partner	Project partner	Associated partner
Location	<p>Programme area</p> <p>In exceptional cases - in the area of the Programme Member State</p>	<p>Programme area</p> <p>In exceptional cases - outside the Programme area, but within the EU</p>	Anywhere
Formal status requirements	<p>Legal personality</p> <p>National/regional/local authorities or bodies governed by public law or associations of any of those bodies</p>	<p>Legal personality</p> <p>National/regional /local authorities or bodies governed by public law or associations of any of those bodies</p> <p>SME associations and clusters or chambers of commerce, trade unions and NGOs or other entities established under public or private law operating for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character</p>	No limitations to legal personality

## 2.4 Geographical location of the project activities

As a general rule, activities within the South Baltic Programme should be implemented in the Programme eligible area. In exceptional cases, if for the benefit of the Programme eligible area and the Programme's objectives, some activities may be implemented outside the Programme eligible area or even in the territories of other EU Member States.

For those exceptional cases the EU created a possibility and legal framework under Art. 20 item 2(b) of regulation No. 1299/2013. This rule, known as the 20% eligibility rule, allows accepting that some project activities are being implemented outside the Programme eligible area.

The 20% eligibility rule is monitored at the Programme level. Projects are allowed to use funds that are subject to the rule only if the limit of 20% of total ERDF allocation at Programme level is not reached. Therefore, they are asked to define a budget for these activities in the Application Form and to report these costs separately in their progress reports. Information on the remaining budget in the Programme for costs that are subject to the 20% eligibility rule will be published at the opening of each call for proposals. Individual projects can be allowed to have a higher share of these costs in the project budget as long as the overall limit at the Programme level is not reached.

The attribution to the 20% eligibility rule depends on the location of the activities. However, when it comes to the administration and staff costs, the location of the partner's institution will be taken into consideration:

Partners located in the Programme eligible area	Partners located outside the Programme eligible area
When implementing activities outside the Programme eligible area, costs should be reported according to the 20% rule (e.g. seminar, conference located outside the Programme area)	When implementing activities in the Programme eligible area, related costs should be reported as regular costs (not subject to 20% rule)  Project running costs (i.e. administration and staff costs) for the organisations located outside the Programme eligible area should be reported under the 20% rule

Specific rules apply also to the travel and accommodation costs. With respect to the 20% eligibility rule, costs related to travel outside the Programme eligible area should follow the rules:

Expenditure subject to 20% Eligibility rule	Expenditure not subject to 20% Eligibility rule
Daily allowances, tickets (plane, train, ferry etc.) and accommodation (hotel outside the Programme area) paid by the Partner institution from outside the Programme area  Costs of accommodation (if not part of daily allowances) for the hotel in the eligible area, borne by the Partner from outside the eligible area	Daily allowances, tickets (plane, train, ferry etc.), accommodation paid by the Partner institution located in the Programme area, regardless of the destination (outside the Programme area)

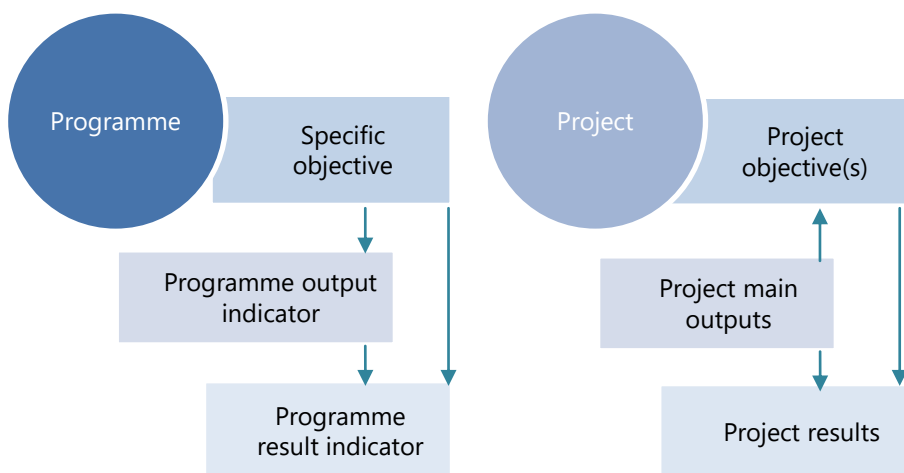
### 3 Contribution to the objectives of the South Baltic Programme

The South Baltic Programme requires that all projects directly contribute to the objectives of the South Baltic Programme.

#### Linking Programme and project intervention logic

Project intervention logic is relationship between project objectives, main outputs and results. It provides necessary information to assess how project will achieve its objectives and results and how the project will contribute to the Programme objectives, output indicators and results.

Therefore the Programme and project intervention logics are closely interlinked 'mirrors', as illustrated below:



### Linking Programme and project intervention logic

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- **Objective** - set the project objective (what is to be achieved) explain how this objective will contribute to one of the seven Programme priority specific objective;
  - **Expected results** - define expected project results (effect of products/ services developed within the project) that also contributes to the Programme result indicator (specific for each specific objective);
  - **Main outputs** - define project main outputs that will allow to achieve expected project results. Project main outputs must be used by the target groups.
  - **Programme output indicators** – Project main outputs have to contribute to the Programme output indicators,
- 

### Programme intervention logic and indicators

The Programme consists of five priority axes which are divided into seven specific objectives. Programme specific objectives respond to the key assets and challenges at the Programme level.

The Programme intervention logic is structured as below:

- programme priority specific objective;
- programme result indicator;
- programme actions to be supported;
- programme output indicators.

For each Programme priority specific objective the main expected results that the Programme seeks to achieve through the implementation of projects. These changes are measured through the respective Programme result indicator.

Programme output indicators describe the 'physical' products of spending resources in projects. Last but not least, for programme actions to be supported, specific for each specific objective, examples of supported actions are provided. The priority axes, their specific objectives, expected results and output indicators are described in the Chapter II "Detailed description of priority axes".

Each project has to comply with the selected specific objective of the Programme and has to contribute to its achievement. This achievement will be measured by the Programme authorities by monitoring the project's contribution to Programme output indicators (defined for each specific objective). **Each project must contribute to at least one Programme output indicator.**

Achievement of the Programme output indicator(s) is reported with the final project progress report. Output indicators are aggregated from projects at Programme level and contribute to the Programme specific result indicator (defined by specific objective). During the mid-term project review the project will inform the JS on the achievement of the Programme output indicators, especially about potential risks which may influence the project performance, if applicable.

### Project intervention logic

Projects have to apply a result-oriented approach and clearly define the expected results (i.e. changes) and link them with the territorial challenges and needs. The contribution of the project to the relevant Programme specific objective is a pre-condition for a project to be funded.

The project intervention logic consists of:

- project objective(s);
- project result;
- project main outputs.

The project objective is a statement describing the change that the project is trying to achieve. The **project objective is measured through the project's outputs.**

### Project indicators

The progress of implementation and the project achievements are measured through a system of indicators.

There are three levels of project indicators:

- deliverables;
- outputs;
- results.

**Deliverables** are intermediate steps of the project. They can be tangible or intangible (for example, methods, methodologies, road maps etc.). They are set in the work plan and contribute to delivery of the main outputs and thus the achievement of the project objective. Thus, **deliverables are used to assess how the project will deliver its outputs and results and whether it is progressing according to the work plan.**

Projects, as a general rule, shall not define more than 10 deliverables. Deliverables must be reported with each project progress report and are monitored by the Programme authorities. Generally, the Programme allows projects to be flexible in relation to the achievement of the target values of the indicated deliverables. However, if the project intends to alter the way of achieving the activities and deliverables and it has an influence on the main outputs or their cross-border character, changes are required within the project according to the rules described in Chapter VI, Sections 6.2 and 6.3.

**Main outputs** measure the achievement of the project's specific objectives and are directly linked to the Programme output indicators. A main output represents the main achievement of a set of project activities: the main product and the main effect of the product.

**Projects, as a general rule, will choose up to 4 main outputs.** Main outputs must be easily attributable to concrete work packages.

Main outputs shall be described according to their character. It is a requirement to define and describe the **exact end user involvement** for the main outputs (for example, participants in a training scheme; enterprises involved in the network).

- Main outputs have to be quantified and at least one must contribute to the chosen Programme output indicator(s). They should have the same units, in order to be easily transferred into the chosen Programme output(s).

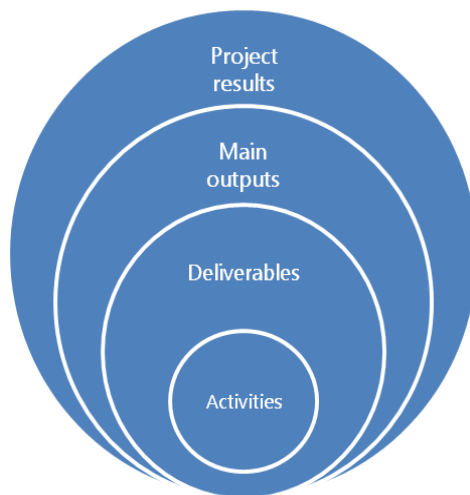
Each output will contribute to the intended change only if it can be used properly by the relevant target groups of the project. Following the principle of demand orientation, **defining a main output thus also means defining its future usability and coherence with the project objective** (reaching the envisaged quantity of the planned outputs alone is not sufficient). It means that each output should clearly meet the demands of the identified target group(s), thus ensuring its usability; examples: developed support tools/services actively used by SMEs, implemented investments in cross-border transport services used/appreciated by travelers, strategies developed taking into account actual circumstances and feeding into local/regional policy-making, developed standards promoted or adapted to the relevant target groups, etc.

Consequently, in the light of the strategic Programme objective to achieve durable results and tangible impacts on the ground, all projects should ensure ongoing contacts and exchanges with their target group(s) and **are required to describe the impact of the developed product(s)/service(s) on their target group(s)**. In order to receive structured feedback from the target group(s) involved in the project activities, the Programme thus recommends each partnership carries out a self-evaluation (or any comparable survey methodology) towards the end of the project’s lifetime. The results of the performed impact assessment will be described in the final progress report of the project (see Chapter VI, Section 7 "Monitoring and reporting"), thus giving the Programme the opportunity to assess the achieved changes and the impact at Programme level.

Main outputs are reported and monitored with each project progress report. Significant underachievement in this category of indicators might lead to financial consequences - see Chapter VI, Section 6.8 "Consequences of not meeting output, result indicator and spending targets".

**Project results** measure the benefit or change which can be attributed to the project. Project results demonstrate the advantage of carrying out the project and indicate the change and the real benefit the project is aiming for. When developing project results it is recommended to use SMART method, which implies that project results should be:

- **specific** – clear, concise and detailed;
- **measurable** – in qualitative and quantitative terms;
- **achievable** – realistic in terms of work load, financial resources planned;
- **relevant** – sufficient contribution to the Programme objectives has to be ensured;
- **time-related** – specific time frame.



It is important to clearly distinguish between **project’s result** being an effect of the project from using the main outputs, and **main outputs** being the product of the activities funded and telling what has actually been produced for the money attributed to the project.

Project results	Project outputs
Higher quality and/or lower costs of cross-border travelling	Multimodal cross-border ticket

Reduced air and water pollution discharges	Pollution prevention schemes implemented on the farms
Increased popularity of South Baltic tourism destinations	South Baltic Heritage Route (brand, e-tool)

#### 4 Durability and impact

The South Baltic Programme 2014-2020 seeks to develop and maintain a strong culture of result-orientation. Project partnerships will strive for durable outputs whose short and long-term exploitation will result in tangible impacts for the benefit of individuals, businesses, communities and the environment. Consequently, the structures, outputs and results achieved by each partnership will be sustained and exploited beyond the lifetime of the funded implementation periods.

In this context, **every output and result must clearly reveal its cross-border context**, e.g. the transfer of good practices across borders, joint cross-border expertise resulting in tangible impacts in individual regions, locally tested innovative solutions which can be applied or mainstreamed across the borders, jointly implemented pilots leading to spin-offs and/or follow-up investments in the participating regions, common cross-border identity and community building, cross-border industrial synergies or cross-border destination building; see Chapter III, Section 6 "Cooperation in South Baltic: Cross-border approach, innovativeness and additional character of projects".

All outputs developed within the lifetime of a South Baltic project will serve the public interest.

The nature of a particular project will define its catalogue of tangible and durable outputs and results; a few examples are listed below:

Tangible and durable services/products	Example
Marketable product	A multimodal cross-border ticket
Market scheme	Public service obligations
Governance scheme	Legislation changes, local traffic reorganisation
Institutionalisation	Sustainable Mobility Coordinator post in the cities BIO/ECO business support contact points network
Decision support systems	Cross-border freight transport planning
New business model	Public transport supply diversification
Investments	Photovoltaic park as a result of a cross-border feasibility study
New university curricula	Alignment of education and demands of the maritime industry

**In the light of the Programme's durability and impact requirements, partnerships are strongly advised to start developing their project concepts by defining the outputs and results which they aim to achieve through cross-border cooperation.** As the next step, each project will describe the means by which it will ensure that project outputs and results will have a lasting effect beyond the project's duration. Concrete measures (including institutional structures, financial resources for mainstreaming activities etc.) taken during and after project implementation to ensure and/or strengthen the durability

of the project outputs and results must be described in the Application Form. If relevant, responsibilities and/or ownership of results and outputs should be addressed.

During the implementation phase of the project, each partner will pay particular attention to monitoring tangible impacts and tracking ripple effects (e.g. by means of statistics, individual success stories, testimonials of end users or endorsements by reputable figures); see Chapter VI, Section 5 "Communication and management of outputs and results". Impact investigation and reporting is a duty of every project partner.

At the same time, taking into account that the long-term results of the funded cross-border activities on the envisaged target groups may only occur after the administrative closure of the project, post-closure monitoring activities will be conducted by the Programme bodies; see Chapter VII, Section 5 "Durability of the project".

## 5 Project activities and work packages

The term "activity" in relation to the South Baltic Programme project is understood as a group of tasks performed by project partners, which lead to the achievement of the deliverables and main outputs and are necessary for the proper implementation of the project and the achievement of the project objectives. It is necessary to list and describe the project activities in a way that the responsibilities and working steps of each Partner are clear and transparent. The Programme, however, does not request provision of further detail at specific task level.

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### Example

A project includes the activity "regular publication of an e-newsletter". It is listed in the "activity and financial timetable" of the application. It requires tasks such as "providing contents", "providing contacts to mailing list", "preparing layout", etc. However, the latter do not have to be given in the application.

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Activities that will be carried out within a project must be logically organised into the work packages, and hence build a project structure. In other words, work packages are tools for structuring the project's content. They allow grouping of activities that are of a similar nature and purpose, and that aim to achieve a specific set of objectives. It is not the location, the type of expenditure or the chronology of activities within the project that determine their belonging to a certain work package.

For the implementation of the South Baltic Programme project, up to six work packages can be planned.

Two work packages are compulsory<sup>4</sup>:

- Work package 1 "Management and coordination". Activities related to the internal communication and coordination between project partners should be included in Work Package 1;
- **NB! The experience of the South Baltic Programme shows that, in general, the costs planned for the management and coordination (WP1) usually does not exceed 20% of the total project budget.**
- Work package 2 "Communication and dissemination".

At least one, but a maximum of four work packages must be content-related. The scope and names of work packages 3 to 6 can be defined by the project according to the specific

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<sup>4</sup> Does not apply to Priority Axis 6 (Technical Assistance)

subject and composition of the project (e.g. “strengthening the capacity of risk management organisations”, “pilot actions in cross-border risk management”).

In addition, projects that wish to claim a lump sum for the project preparation are obliged to provide required information in work package 0 “Preparation” (see also Chapter V, Section 6 “Costs incurred during the project preparation, application and selection”).

The Programme will provide guidelines on filling in and submitting the Application Form (including work packages) with each call for proposals.

## 6 Cooperation in South Baltic: Cross-border approach, innovativeness and additional character of projects

All the project features described in this section are subject to the quality assessment under the cooperation character criterion. For further information on quality assessment please see Chapter V, Section 4 “Assessment of applications”.

Cross-border cooperation among different organisations is the core of the South Baltic Programme. The projects are expected to apply it throughout their lifetime, demonstrating compliance with **four cooperation criteria**: joint development, implementation, staffing and financing.

This starts with **joint development**, where partners from different Member States together shape an initial project idea into a project proposal. Such an approach allows for consideration of the concrete circumstances and differing conditions in the participating regions. It also helps to accommodate the expertise, needs and motivations of partners to the project's methodology. Furthermore, it increases commitment to and ownership of project results, as the whole partnership is involved in shaping the objectives and outcomes, budget, timing and responsibilities. Bilateral and multilateral project preparation meetings and workshops play an important role in the project preparation phase.

The cross-border approach must also be ensured through **joint implementation** of the project, achieved through active collaboration between the different participating organisations in the delivery of the project outputs. Although each of the partners is responsible for different tasks to realise the project objectives, the implementation of activities should build on experience and exchange with the others. Accordingly, it is expected that several partners contribute to each activity, thus allowing for the development of a truly cross-border solution.

All partners are expected to contribute their staff (**joint staffing**) to fulfil their roles and tasks in the project and in close cooperation, to allow exchange of expertise and to avoid duplication of efforts. This means that the project has only one project manager, who acts on behalf of all partners. Responsibilities for particular work-packages or activities are also shared among the partners, usually by appointing work package or activity leaders who supervise the implementation of particular activities on behalf of the entire project partnership.

The project partners are also expected to contribute financially to the project budget (**joint financing**), with the exception of associated partners. The budgets of particular partners should reflect their responsibilities and involvement in the project.

In addition to the close cooperation characterised above with the four cooperation criteria, it is important to ensure that the project demonstrates the **added value of a cross-border approach**. The main question to be answered here is why implementation of the project in a cross-border setting is better than a stand-alone project:

- Does the nature of the challenge, problem or opportunity ahead of the project really require cross-border cooperation? Can the results be achieved without applying a joint international approach? If yes, how will the joint implementation and exchange of experience contribute to the quality of results?



- What benefits will the outputs and results of project implementation offer to the partners and target groups if the activities are implemented by cooperation across borders? What positive impacts can be expected in the whole project or Programme area?
- Does joint implementation aim at further integration of the South Baltic area? Does it allow for the building of further cross-border initiatives in the area/field?

Usually, two kinds of projects are considered as adding cross-border value: ones in which the project problem is genuinely cross-border in nature and ones in which the cross-border cooperation strongly enhances the solutions jointly developed by many partners sharing the same problems in their respective regions.

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#### Cross-border approach in the projects

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**Example 1:** A project aims at inducing intermodal passenger traffic across borders. It should be possible for passengers to arrive by public transport at the ferry, to take the ferry for crossing the sea to another country, and continue the journey with public transport on the other side.

The solution to the problem makes it necessary for the interfaces between different transport modes to be improved on both sides of the borders (for example timetables of the ferry operator and public transport providers are harmonised). This requires coordinated actions on both sides of the border. If only one side would be improved, there would be a risk of passengers not being able to continue their journey smoothly.

The aim of establishing a cross-border passenger traffic link could hardly be achieved. The project, therefore, addresses a genuine cross-border problem that cannot be solved without cross-border actions.

**Example 2:** A project aims at inventing innovative waste water treatment procedures. They can enhance the performance of existing municipal facilities in different countries, and in this way improve the water quality of the Baltic Sea in the long term.

The point of departure is a technological device that has been successfully invented in a municipal facility in one of the countries, and which raised the interest of other municipalities across borders. In the first step, experts from all participating countries jointly review the device and its use. Then the partners adjust the technology to the differing technological standards of each of the countries incorporating the recommendations of the international expert group.

In the next step, the adjusted and advanced technology is introduced and tested in one pilot facility in each of the participating countries. The test runs are conjointly evaluated. Based on this, recommendations are given for transferring the device to further waste water treatment facilities in the South Baltic area. A handbook, transfer workshops and on-the-spot consultations introduce the project's results and the developed devices to other interested municipalities.

The project, therefore, improves local actions by making the most of exchange and transfer of successful practices across borders. The targeted dissemination ensures impact and relevance for the whole South Baltic area.

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In the context of cooperation, two other important aspects of the South Baltic projects are their desired additional and innovative character.

By **additional character** it is meant that projects do not concentrate on delivering the statutory tasks of the participating organisations. The cross-border cooperation projects should be used to explore new areas of activity, gather new ideas and inspiration, exchange know-how and best practices and learn from one another. Therefore, the tasks of the participating organisations performed on a regular basis, will not be financed. A cross-border project may, however, lead to improvement of the statutory areas of operation, or processes within the municipality.

The **innovative character** of a project does not necessarily mean an innovative theme or final output of the project. It may be represented by approaching a challenge, problem or opportunity in a non-schematic and original way that offers significant advantages compared with the usual problem-solving strategies employed in the South Baltic area. It can also be innovative if a project promotes the application of scientific research among practitioners and/or if it brings a successful methodology to new user groups in other countries. The impact of the innovation should be as widespread as possible by envisaging efficient dissemination. A means to ensure innovativeness from this perspective is to carefully check and compare not only other projects within the South Baltic Programme,

but also other international projects that have been implemented in the South Baltic area. The main questions in this context are:

- Were or are there other projects in the specific thematic area implemented in the South Baltic area?
- How can their outcomes, results or experience be used in the planned project?
- In comparison to the other project, how is the planned project innovative, and how will it represent a "next step"?

Applicants are encouraged to consult the JS to find out more about other projects that were or are currently being implemented in their area of interest. In this respect, the Smart Alliance tool and the knowledge bank of the projects implemented in the 2007-2013 programming period can also be valuable sources of information.

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#### **Additionality and innovation in the project**

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A project deals with waste management. For the participating local municipalities, it is not possible to co-finance the costs of waste disposal performed on a regular basis. The activities they can co-finance through the project must have additional character: it can for example be the preparation and pilot implementation of a municipal strategy for involving citizens in the process of pre-sorting waste, building on the experiences of cross-border partners. Elements of such a strategy, which constitute a common practice in Sweden and are applied and pilot-tested in other countries during the project, are examples of innovation through knowledge/methodology transfer (bringing a successful methodology to new user groups in other countries).

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## 7 Description of potential connection of the projects to the EUSBSR and its Action Plan and complementarities to other EU-funded interventions

### 7.1 Relations of the South Baltic projects to the EUSBSR and its Action Plan

The general connection between the Programme priorities and the EUSBSR Policy Areas (PA) and Horizontal Actions (HA) is presented in the table of Chapter I, Section 2 "Strategic orientation of the South Baltic Programme".

#### Projects with direct connections to the EUSBSR

Projects are encouraged to create connections to the European Union Strategy for the Baltic Sea Region (EUSBSR) and its Action Plan where possible. In particular, potential links to the Strategy's Policy Areas and Horizontal Actions that include Actions and Flagships should be carefully looked at and considered. The South Baltic Programme welcomes proposals that are regarded as Flagships or constitute parts of Flagships of the EUSBSR Action Plan. The Action Plan, relevant contact details as well as further information and materials on the EUSBSR, can be accessed via the Strategy's official website: <http://www.balticsea-region-strategy.eu>.

The connection to the EUSBSR can be especially beneficial to projects that have a local or regional origin but also strategic potential in a cross-border perspective. The link to the EUSBSR can create new opportunities with regard to, for example, visibility dissemination, capitalisation, political lobbying, follow up activities and the mainstreaming of jointly developed solutions. If a project identifies potential for connections to the EUSBSR process, a dialogue with the competent Policy Area Coordinator/Horizontal Action Coordinator will be established to jointly discuss the relevance of the project for the Policy Area/Horizontal Action as well as possible synergies with other projects promoted hereunder. In the case that such links and synergies are identified, projects should include respective activities in the work plan, herewith giving evidence for active liaison with the implementation process of the EUSBSR and concrete benefits to the project.

A Flagship or part of a Flagship of the EUSBSR Action Plan should consult the Policy Area Coordinator/Horizontal Action Coordinator already in the initial phase of the project development. Agreed liaisons with the EUSBSR process have to be backed up by the Letter of Support from the EUSBSR Policy Area Coordinator/Horizontal Action Coordinator, and signed by the coordinator of the relevant Policy Area/Horizontal Action. Whereas this document is obligatory for Flagship or part of Flagship, Policy Area Coordinators/Horizontal Action Coordinator may also decide to express their commitment to other projects with high relevance to the Policy Area/Horizontal Action by providing such a letter (see Guidelines for filling in the Application Form available at [www.southbaltic.eu](http://www.southbaltic.eu) for further details).

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#### Example for a project that pro-actively connects with the EUSBSR:

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A project invents a new approach for coastal municipalities that reduces nutrient inflows to the Baltic Sea from diffuse sources, and thus combats eutrophication. It has the potential to be used in 80% of the coastal areas of the South Baltic area, including the shores of all five Member States. Within the project, conceptual pre-work and pilot investments are implemented in a number of model municipalities. Based on these, action plans are drafted for a full-scale implementation of the concept in the model municipalities. Furthermore, the results of the pilot activities are used to outline recommendations which allow other coastal municipalities in the participating countries to apply the same concept. However, such transfer and a full coverage of the coastal areas require public investments with a value of several hundred millions of EUR, which cannot be funded by the South Baltic Programme. During its preparation, the project discovered a connection to the Policy Area "Nutri" of the EUSBSR Action Plan. As a result, working contacts with the Policy Area Coordinator were established and the work plan of the project was been extended by a number of feedback meetings with the Policy Area Coordinator and relevant Flagship leaders. During the final stage of project implementation, the Policy Area Coordinators or the Flagship leader assisted the project with contacting relevant national bodies. On this basis, the incorporation of the developed approach for the reduction of nutrient inflows to the Baltic Sea from diffuse sources into national funding schemes should be facilitated, allowing coastal municipalities in all 5 countries to acquire funds for follow-up activities and the mainstreaming of the South Baltic-funded pilot solutions through further public investments.

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### Projects with no direct link to the EUSBSR

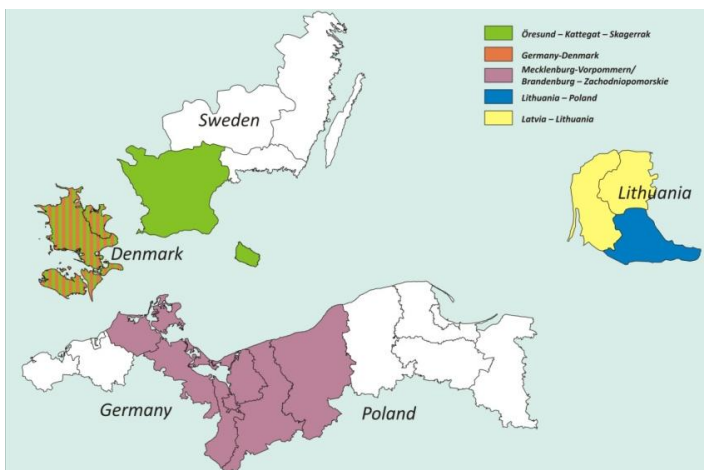
The South Baltic Programme also supports projects that might have no direct links to the EUSBSR or only limited benefits from such a connection to it (e.g. small-scale capacity building projects). A pro-active connection to the Strategy does not have to be demonstrated in such cases. In particular, should the project clearly contribute to the objectives, priorities and measures of the South Baltic Programme, the general compliance with the thematic and horizontal priorities of the EUSBSR can also be confirmed. The project can thus still be regarded as being in line with the EUSBSR, although specific references may not have been provided in the Application Form and/or a direct connection to a flagship and/or policy area is not clearly seen.

The JS provides support and guidance to the partners on the possibilities and requirements for projects to connect with the EUSBSR, the Strategy's Action Plan and the liaison with relevant Policy Area Coordinators/Horizontal Action Coordinators. The most appropriate opportunities/platforms for this are individual project consultations with the JS. These should take place during a later phase of the project development when the proposal is fully developed, in order to allow for the most useful advice.

### 7.2 Relations of the South Baltic Programme projects to other EU-funded interventions

In order to achieve good visibility, the South Baltic Programme seeks to ensure coherence, complementarity and synergies with other EU-funded programmes operating in the same geographical space. This includes a large number of the INTERREG programmes, programmes under the ENPI, national funding instruments as well as relevant sectoral initiatives.

Map presenting South Baltic areas covered by other cross-border programmes



In the funding period 2014-2020, the South Baltic Programme geographically overlaps with the transnational Baltic Sea Region Programme (BSR Programme). It also shares parts of the Programme area with five cross-border programmes on internal EU borders, namely:

- Öresund – Kattegat – Skagerrak,
- Germany-Denmark,
- Mecklenburg-Vorpommern/Brandenburg – Zachodniopomorskie,
- Lithuania – Poland,
- Latvia – Lithuania.

Project applicants might look into different synergies with projects supported under other EU-funded interventions, for example, projects funded under the Baltic Sea Region Programme may provide inputs for the South Baltic Programme project by setting a transnational framework for cross-border actions and by rendering solutions developed within the transnational framework for testing on the local ground. Similarly, synergies between projects under the cross border cooperation programmes can be sought.

Bilateral projects eligible in other ETC programmes should be given priority under the South Baltic Programme only if they have a high model value and/or if institutions from additional Member States are invited to participate in the capacity of, for example, associated partners.

The projects can also look for synergies beyond the South Baltic Programme area – complementary projects might contribute to the genuine cross-border issues of a broader scale. For instance, to implement common actions within co-operation networks at sub-national level that exceed the geographical limits of one of the programmes (e.g. the Union of Baltic Cities network) or to achieve an increased impact of successful projects through the "transfer" and implementation of innovative methodologies with a new partnership in the other programme area. For example, in the Baltic Sea area synergies with projects from the Central Baltic Programme can be sought as a wider maritime cooperation character of both programmes has already led to complementary priorities and profiles.

The South Baltic Programme corresponds directly with programmes of Investment in Growth and Jobs. On the one hand, being oriented at cooperation activities it can contribute to the preparation of investments responding to specific development needs of the South Baltic area. For example, infrastructure investments decided and prepared by projects in the South Baltic Programme may be forwarded for funding from national and/or regional programmes or taken over by a public-private consortium. On the other hand, South Baltic projects may serve as testing fields for new innovative approaches (on a small scale) and upon achieving success might become part of wider regional policies. Projects of which the work plan will include such interlinks are highly appreciated and would be most welcomed by the Programme.

Further information about possible relations to European Structural and Investment Funds can be found in the "Guidance for Beneficiaries of European Structural and Investment Funds and related EU Instruments", available [online](#).

## 8 Project management and coordination

Each project co-financed by the Programme is required to establish a **proper management and coordination system** in order to ensure efficient implementation. Such a system has to cover three main areas of project management, reflected by three management roles: project manager, finance manager and information manager. These roles can be performed either by the staff of the organisations participating in the project or by appointed external experts. Depending on the size and complexity of the project, all roles can be performed by one person (small projects), or each role can be performed individually.

The **project manager** role involves the overall management of the project implementation and is concentrated on the delivery of project main outputs. This role should establish the set of rules for project implementation and guide all partners throughout the project. In particular, a project manager is responsible for communication between the project and the Programme institutions (mainly the JS); monitoring project progress against plans; managing changes and rescheduling the implementation plan if necessary; managing risks, problems and other issues reported by partners and ensuring good information flows within the partnership. It is also usually the responsibility of the project manager to compile activity reports based on inputs provided by the project partners. The person in this role is also expected to act as a driving force and mobilise the partnership in order to deliver the

outputs and to achieve the objectives presented in the Application Form. Ideally the person in this position should be qualified in the management of EU-funded projects and should have experience working in an international team.

The **finance manager** role concentrates on budgetary and financial issues related to the implementation of the project. The person in this role has to ensure that these aspects of the project are in line with the Programme and national rules. The usual responsibilities of the finance manager cover the cooperation with the project manager in the financial aspects of project implementation; advising partners in terms of cost eligibility on Programme level, monitoring if the project spends in line with the declared activities, the spending plan, budget, and flexibility limits; compiling the financial part of the progress reports; and managing the budgetary changes and any other financial issues in the project. This role may also require liaison with First and Second Level controllers if needed. In order to ensure that these functions are carried out correctly, the financial manager should be familiar with accounting rules, EU and national legislation for the management of the ERDF, public procurement and financial control.

In order to comply with the EU requirements on information and promotion the project should also appoint an **information manager**<sup>5</sup>. The main responsibilities of this role are to coordinate the planning and implementation of the project's communication activities, particularly the ones related to communication with target groups, end users and other external stakeholders of the project; to liaise with pan-Baltic or Europe-wide organisations relevant to the project theme and with the JS in the area of project promotion; and to monitor if the project's written communication is branded in accordance with EU and Programme requirements. For further information on cooperation with the JS on project promotion please see Chapter VI, Section 5 "Communication and management of outputs and results".

Since English is the official and working language of the South Baltic Programme, it is necessary that the above mentioned post holders possess very good knowledge in English (both spoken and written).

Apart from the aspects listed under each management role, the coordination system could consider such issues as decision-making processes, resolving disputes among partners, reporting problems and issues. To support the management and coordination, the projects often use tools such as:

- project management structures: Steering Groups, Work package groups, etc.,
- self-developed guidelines and procedures for project partners (on processes of internal reporting and communication; on administrative and financial issues; on the Programme specific rules; on monitoring of risk factors in the project),
- mid-project self-evaluation exercise,
- IT tools facilitating project implementation, such as an intranet part of the website including all necessary information/documents and for example a forum for project partners, instant messaging and online communication tools; project implementation software.

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<sup>5</sup> Does not apply to Priority Axis 6 (Technical Assistance)

## IV GENERAL RULES ON ELIGIBILITY OF COSTS AND BUDGET STRUCTURE

This chapter gives a brief outline of the main financial requirements applicants have to consider when developing project proposals, as well as when implementing their projects.

### 1 General rules on cost eligibility<sup>6</sup>

All costs must follow the principles of sound financial management. The rules for eligibility, as all programme rules, apply to all types of partners, regardless of their legal status.

Three levels of rules apply to the eligibility of expenditure within the framework of the South Baltic Programme:

- **EU rules.** Taking into account that the Programme is co-financed from the ERDF, all general rules concerning eligibility of expenditure regarding structural funds are applicable.

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#### EU regulations to be followed:

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- Regulation (EU, Euratom) No 966/2012 providing the financial rules applicable to the general budget of the Union;
- Regulation (EU) No 1303/2013 where Articles 6 and 65 to 71 give specific provisions on applicable law as well as on eligibility of expenditure;
- Regulation (EU) No 1301/2013 where article 3 gives specific provisions on the eligibility of activities under the ERDF;
- Regulation (EU) No 1299/2013 where Articles 18 to 20 give specific provisions on eligibility of expenditure applicable to programmes of the European Territorial Cooperation goal;
- Commission Delegated Regulation (EU) No 481/2014 containing specific rules on eligibility of expenditure for cooperation programmes.

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- **Programme rules.** Additional rules on eligibility of expenditure for the Programme as a whole, as described in the Programme Manual.
  - **National (including institutional) eligibility rules.** Apply to matters not covered by eligibility rules laid down in the abovementioned EU and the Programme rules.

At the stage of assessment of the project application, the eligibility of costs included in the application is verified. During project implementation, the eligibility of expenditure incurred is verified by the First Level controller (and other institutions) through assessment of Progress Reports and project controls.

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<sup>6</sup>For Polish bodies implementing activities under Priority Axis 6 (Technical Assistance), the eligibility of costs will be subject to additional provisions specified in the document 'Specific terms and conditions of using Technical Assistance funds within the framework of the Interreg V-A 2014-2020 Programmes' (Annex to the Project Agreement of the TA Project).

**Eligible expenditure is the expenditure that meets all of the following conditions:**

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- it was incurred in line with the provisions of the Subsidy Contract and the approved Application Form;
- it complies with the rules laid down in the Programme and the Programme Manual;
- it complies with the applicable EU law and national law;
- it has been actually incurred within the period specified in the subsidy contract (with an exception for preparation and closure costs - see respective sections in the Programme Manual (see Chapter V, Section 6 "Costs incurred during the project preparation, application and selection" and Chapter VII, Section 2 "Eligibility of costs in the project closure phase");
- it has been incurred in relation to the project implementation and it is necessary for project implementation;
- it has been made rationally and effectively, in line with the principle of achieving the best results from a given input;

Publicity rules must be followed for incurred costs, particularly events, equipment and publications. Please see details in Chapter VI, Section 5.2 "Project's publicity duties";

- it has been appropriately documented;
  - it has been appropriately entered in the accounting system;
  - it has been specified in the payment claim.
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Expenditure eligible for co-financing is the expenditure actually incurred by the project partner. A paid invoice or other accounting document of equal probative value (e.g. payroll, settlement of business trips along with annexes) together with the attached proof of payment constitutes the proof of payment.

The term '**expenditure actually incurred**' should be understood as expenditure incurred in cash terms, i.e. as disbursement of cash from a cash register or a bank account of the project partner.

The exceptions to the above rule include:

- contribution in-kind (the Programme allows only voluntary work as a contribution in-kind, see Section 3.1 "Staff costs" for details);
- expenditure settled using lump sums for project preparation costs (see Chapter V, Section 6 "Costs incurred during the project preparation, application and selection") and flat rates for staff costs (see Section 3.1 "Staff costs") and office and administration costs (see Section 3.2 "Office and administration");
- depreciation costs;
- settlements based on an internal debit note;
- compensation of amounts due. For example, the project partner has provided services outside the project to the contractor (invoice A) in amount of 800 EUR (contractor owes the amount to the partner). As part of the project, the contractor has provided external services and the project partner owes the contractor 1000 EUR. As a result (if it is allowed according to the national laws) the project partner can pay the contractor only 200 EUR, but can still claim 1000 EUR (200 EUR of actual payment and 800 EUR of compensation of amounts due) for reimbursement from ERDF.

The eligibility of incurred expenditure is assessed in line with the **eligibility rules in force on the date when the expenditure was incurred**, however the following have to be taken into account:

- eligibility of expenditure resulting from a contract concluded as a result of the proceedings initiated by the partner is assessed according to the rules in force on the date of the start of those proceedings;



- if the Programme eligibility rules are made more favourable to the project partner and the expenditure is not certified by the First Level controller – the new more favourable rule applies.

### Dates of the expenditure

The date of expenditure should be defined in accordance with national rules. In case of questions in relation to the date of the expenditure, project partners are strongly advised to contact their First Level controller.

### Description of an accounting document

Accounting documents relating to project implementation should be provided in accordance with national rules and must allow attributing the expenditure to the project.

### Separate accounting records

Pursuant to subsidy contracts, the project partners have an obligation to maintain a separate accounting system or use a separate accounting code in the existing accounting IT system to enable identification of all transactions under the project (it does not concern expenditure settled using simplified methods).

The accounting records of expenditure incurred under the project should be kept in line with applicable national regulations and rules laid down in the accounting policy of the project partner, in a way that will make it possible to confirm the records with the original accounting documents.

### Advance payments

Advance payments (for a specific purpose) made to the contractor and based on an invoice/other document of equal probative value may be deemed eligible, if they had been paid in line with the contract between the project partner and the contractor and pursuant to the public procurement law.

### Double financing

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#### Double financing of expenditure is prohibited, in particular:

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- claiming the same expenditure under different projects co-financed from the EU funds and/or grants from national public funds;
  - receiving non-repayable financial assistance from several (national, EU or other) sources for expenditure under a given project or a part of the project in the total amount exceeding 100% of eligible expenditure of the project or a part of the project;
  - purchasing a fixed asset with co-financing from the EU funds and/or grants from national public funds and then claiming the depreciation costs of the fixed asset under the same project or under other projects co-financed from the EU funds.
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### Example of non-eligible expenditure in the Programme:

- fines, financial penalties and expenditure on legal disputes and litigation (including expenditure connected with preparing litigation and legal services);
- costs of gifts, except those not exceeding EUR 50 per gift where related to promotion, communication, publicity or information;
- cost of awards, except those not exceeding EUR 50 per award;
- costs related to fluctuation of foreign exchange rate;
- costs/expenditure resulting from statutory obligations of an institution and its current tasks (i.e. tasks which would have to be performed, even if the project was not implemented);
- costs of commissions incurred in relation to exchange operations;

- costs of loans or credits;
- success fee (bonus for the co-author of the Application Form, paid by the project partner after concluding the subsidy contract, apart from the remuneration for preparing the documentation necessary for application submission).

## 2 Project budget structure

Project budgets must be structured according to the following budget lines:

- 1 - staff costs;
- 2 - office and administration;
- 3 - travel and accommodation;
- 4 - external expertise and services;
- 5 - equipment;
- 6 - infrastructure and works.

In section below, specific rules on the eligibility of expenditure under individual budget categories are detailed. In addition, examples of eligible and non-eligible expenditure are provided. However, it should be noted that it is the objective of the project and the nature of actions under the project, as well as fulfilment of the above general eligibility rules that determine whether any given expenditure, submitted by the project partner in the payment claim, may be deemed eligible.

## 3 Budget lines

### 3.1 Staff costs

This budget line refers to the costs of staff employed by the lead partner or project partner for implementing the project. Staff can either be already employed by the project partner or contracted specifically for the project - for example, project coordinator, financial coordinator. **The project partner must choose from two options of direct staff costs calculation and the chosen option cannot be changed during project contracting or implementation<sup>7</sup>:**

- **simplified method** – a flat rate of 20% of the direct costs other than the staff costs of the project;

The flat rate for staff costs is calculated by applying a percentage (20%) to the direct costs (other than the staff costs) of the project partner. In the case of using flat rate for direct staff costs, the project partner is obliged to possess the documents confirming employment of staff working on the project. The documents will be proof of legitimacy of using a flat rate (the documents will not be used to compare the real salaries with the amount reimbursed using the flat rate but only to prove that the project has indeed such a category of costs, i.e. staff working on the project).

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<sup>7</sup> For projects implemented under Priority Axis 6 (Technical Assistance) the staff costs must be calculated as actual costs. No simplified method (flat rate) can be applied.

■ **actual incurred costs.**

An employment contract/appointment decision/civil law contract and the job description (or the scope of duties describing the tasks, working time and regulations on involvement of an employee in the project implementation) is crucial documents for ensuring the eligibility of staff costs.

Staff salaries are eligible, provided that their amount corresponds to the salary levels applied by the project partner on a regular basis, beyond projects co-financed from the structural funds and the Cohesion Fund, towards analogous positions or positions requiring analogous qualifications. This rule relates also to other components of staff remuneration, including rewards and bonuses. In order to claim actually incurred staff costs as eligible, staff data and the regulations of staff involvement in the project implementation must be recorded in the SL2014 IT system.

### Eligible costs

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**The following costs can be reported as eligible:**

- salaries fixed in an employment contract, an appointment decision (both hereinafter referred to as 'employment document') or by law, relating to responsibilities specified in the job description of the staff member concerned and related to activities which the project partner would not otherwise carry out if the project was not undertaken;
- any other costs directly linked to salary payments incurred and paid by the project partner (employer), such as income taxes and social security contributions, provided that they are:
  - fixed in an employment document or by law;
  - in accordance with the legislation referred to in the employment document and with standard practices in the country and/or project partner organisation; and
  - not recoverable by the employer.

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**Examples of eligible expenditure:**

- gross basic salary;
- advance payments for personal income tax;
- charges on health insurance and social security;
- additional yearly salary together with contributions paid by the employer;
- bonuses and rewards, as well as benefits related to salaries (functional, task-based ones), provided that they were granted in accordance with the applicable provisions of labour law, the salary regulations of the project partner institution and in relation to the project under implementation;
- compensation for unused paid leave pursuant to the provisions of the labour law;
- overtime, provided that its relation with the project has been documented and it is not possible to make up for the overtime without detriment to the project;
- value of voluntary work (in case direct staff costs are calculated as actually incurred costs. In case direct staff costs are calculated via flat rate, voluntary work is covered via flat rate and no additional voluntary work costs can be requested).

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**Examples of non-eligible expenditure:**

- jubilee awards;
  - benefits financed from the state budget;
  - costs of contributions and optional fees, which are not required by the applicable national law or internal regulation of a given institution;
  - costs of additional health care services covered by the employee through the employer;
  - severance pay;
  - pension severance pay.
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### Full time and part time work

The personnel may work for the project in any of the following ways:

- **full time:** there is no obligation to establish a separate work time registration system;
- **part-time: with a fixed percentage of time dedicated to the project per month** there is no obligation to establish a separate work time registration system;

In this case, the project partner issues a document for the employee that details the percentage of time to be worked on the project (e.g. employment contract/job description).

- **part time: with a flexible number of hours worked on the project per month** – will be based on the working time registration system covering 100% of working time of a given staff member.

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### Flexible number of working hours a month

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Eligible staff costs are calculated on an hourly rate basis determined by:

- dividing the monthly gross employment cost by the monthly working time fixed in the employment document expressed in hours;
- or
- dividing the latest documented annual gross employment cost by 1,720 hours - in case of employees being employed full-time by the project partner's organisation.

The hourly rate is then multiplied by the number of hours actually worked by the staff member on the project.

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- **work on an hourly basis.** As regards staff costs related to individuals who, according to their employment document, work on an hourly basis, such costs will be eligible by applying the number of hours actually worked on the project to the hourly rate agreed in the employment document, based on a working time registration system.

### Voluntary work<sup>8</sup>

Unpaid work of volunteers as a form of in-kind contribution will be reported in "Staff costs" budget line only if direct staff costs are calculated as actual incurred costs. In case direct staff costs are calculated via flat rate, voluntary work is covered via flat rate and no additional voluntary work costs can be requested. It cannot exceed 10% of eligible expenditure at project partner level nor 5% at the project level. It cannot be applied if the flat rate is used. To be deemed as eligible:

- it must be planned in the approved Application Form;
- the type of work performed by a volunteer must be defined (his/her position in the project);
- be essential to the project, strictly limited to project activities and related to the production of project outputs;
- be proven by properly filled timesheets;

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<sup>8</sup> Does not apply to projects under Priority Axis 6 (Technical Assistance).

- be based on an agreement that would have to be concluded before the start of project specific activity (it is recommended to conclude it even before signing the Subsidy Contract by the lead partner), which clearly defines the rules for the volunteer (to be concluded either in English or in national language);
- be objectively valued, reflecting an average salary rate for a similar kind of work in the project organisations or other similar institutions, or in the region, or calculated according to the rules applicable nationally;
- be listed in each progress report and supported by necessary documentation (timesheets or other forms of recording working time etc.);
- the work performed by employees of the project partner may not be considered as voluntary work.

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### Reporting and documenting unpaid voluntary work

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The following methods may be used for objectively valuing unpaid voluntary work:

- **Using minimum wages:** In this method, the minimum wage is used to calculate an hourly rate for voluntary work. However, it can be applied only if minimum wages exist in the country of the partner (e.g. Poland) and the economic sector, which the project work is of a similar nature (e.g. construction sector in Germany, industrial sector in Denmark). The advantage is that it requires least effort for the partner and First Level controller. On the other hand, some work (e.g. scientific input of retired professors, accountancy by a volunteer but qualified accountant) might be undervalued in case a general minimum wage is used.
  - **Case by case valuation:** According to this method, the partner and the First Level controller agree on hourly rates for the voluntary work with reference to the specific tasks to be carried out by the project staff and the qualification of the person involved. The basis for the valuation can be e.g. salaries paid by the partners or similar organisations for similar purposes/staff. The method requires a lot of effort from the partner and the First Level controllers in case no pre-work and basis for valuation can be found. This method is most appropriate for NGOs, which are often familiar with the approach from other programmes and might use previous calculations.
  - **National rates for voluntary work:** Member States have the possibility to define rates for voluntary work for partners located on their territory, based on market prices and according to nationally applicable rules.
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### Additional eligibility rules and guidance for Polish partners

The Polish lead partners and project partners are obliged to follow additional eligibility rules for staff costs (including rules for voluntary work), described in Annex 3 "Additional eligibility rules and guidance for Polish partners".

### 3.2 Office and administration

The budget line for office and administration covers indirect costs for operating and the administrative expenses of partners who support delivery of project activities. These costs are indirect costs as they are not or cannot be connected directly to an individual activity. In accordance with Article 68(1;b) of the regulation (EU) No 1303/2013, **The Programme uses a flat rate for calculating and reporting indirect costs of office and administrative expenditure<sup>9</sup>**. Costs under the office and administration budget line are calculated as a flat rate of 15% of eligible staff costs.

The calculation is done automatically in the Application Form and also during reporting. Partners do not need to provide documents with the progress reports that the expenditure on office and administration costs has been incurred and paid, or that the flat rate corresponds to the actual costs.

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## 70 | IV General rules on eligibility of costs and budget structure

Direct costs falling under this budget line are not eligible. An all-inclusive list of cost categories covered by the flat rate is defined below (these cost items cannot be reported under any other budget line) in accordance with Article 4 of the EU Regulation 481/2014:

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### Expenditure included in the flat rate for office and administration

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- office rent;
- insurance and taxes related to maintenance of the buildings where project staff are located and to the office equipment (e.g. fire insurance, theft insurance);
- utilities (e.g. electricity, heating, water);
- office supplies;
- general accounting provided inside the project partner organisation;
- archives;
- maintenance, cleaning and repairs;
- security;
- office and administration IT systems used to support the implementation of the project;
- communication (e.g. telephone, fax, internet, postal services, business cards);
- bank charges for opening and administering the account or accounts where the implementation of an operation requires a separate account to be opened;
- charges for transnational financial transactions.

**These cost items cannot be reported under any other budget line!**

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### 3.3 Travel and accommodation

Costs of (domestic and foreign) travel, necessary to reach the objective of the project and made by persons directly involved in the project implementation, are eligible.

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#### Travel and accommodation costs will be limited to the following elements:

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- travel costs (e.g. tickets, car mileage);
- costs of meals;
- accommodation costs;
- visa costs;
- daily allowances.

**Any cost item listed in first four bullet points and covered by a daily allowance will not be reimbursed in addition to the daily allowance.**

Moreover, in cases where the hotel or the organiser of a meeting/seminar/conference etc. covers a part of the costs of stay (e.g. by providing meals, transportation or hotel accommodation) the daily allowances, to which an employee is entitled, will be appropriately reduced in accordance with national law.

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Travel costs of the project partner employees not financed under the project can be eligible, if the travel is necessary to successfully implement the project and if justification of the travel is documented. The travel and accommodation expenses of guests from organisations acting as associated partners and target groups of the project, external experts and service providers will fall under the category "External expertise and services".

As a rule, the most economic form of transport and accommodation must be chosen. National regulations, as well as internal regulations of project partners concerning public travel costs financed by public funds, have to be followed.

#### Travel outside the area of participating Member States

Travel outside the area of the Programme Member States is eligible, provided that it was planned in an approved Application Form or with the consent of the Joint Secretariat. The

eligibility of the travel outside the area of participating Member States will be considered in principle, based on whether it is necessary for proper project implementation and whether it provides an advantage to the Programme eligible area.

#### Travel that has not happened

Expenditure related to the organisation of business trips that has not happened, covered by the project partner, may be regarded as eligible, under the following conditions:

- it was not the project partner's fault that the business trip has not taken place (e.g. the conference in which the project partner's employee should have taken part, had been cancelled, an employee became ill)

and simultaneously

- the project partner proves that the recovery of the costs incurred is impossible (e.g. costs of an airplane flight, because the deadline for cancellation/returning the ticket has expired before the official cancellation of the conference etc.).

The project partners will keep the documentation to support the expenditure, for example:

- agenda or similar (report) of the meeting/seminar/conference;
- paid invoices (e.g. hotel bills, travel tickets);
- daily allowance claims;
- proof of payment.

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#### Examples of non-eligible expenditure:

- airplane and train tickets in first class or business class with no justification;
  - daily allowances in full amount in cases when the hotel or organiser of a meeting/seminar/conference provided the participants with full board or half board (when the hotel/organiser provided half board, the relevant part of daily allowances will be due);
  - fixed allowance/bill for accommodation in the case when the organiser of a meeting/seminar/conference provided the participants with hotel accommodation;
  - periodic business car inspections and service checks of the project partner business cars;
  - travelling by taxi with no justification.
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#### Additional eligibility rules and guidance for Polish partners

The Polish lead partners and project partners are obliged to follow additional eligibility rules for travel and accommodation costs, described in Annex 3 "Additional eligibility rules and guidance for Polish partners".

### 3.4 External expertise and services

Costs under this budget line refer to external expertise and services provided by a public or private body or a natural person outside of the project partner organisation. The external experts and service providers are sub-contracted to carry out certain tasks or activities which are essential for the implementation of the project (e.g. studies and surveys, translation, promotion and communication, services related to meetings and events). External expertise and services costs are paid on the basis of contracts or written agreements and against invoices or requests for reimbursement.

**External expertise and services costs will be limited to the following items:**

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- studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
  - training;
  - translations;
  - IT systems and website development, modifications and updates - used solely and directly for project implementation;
  - promotion, communication, publicity or information linked to the project concerned;
  - project and financial management;
  - services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
  - participation in events (e.g. registration fees);
  - notarial services and legal consultancy related to project activities, technical and financial expertise, other consultancy and accountancy services;
  - intellectual property rights;
  - costs of project verifications carried out by First Level controllers;
  - guarantees issued by banks or other financial institutions where required by EU or national law or by a Programme document;
  - travel and accommodation for external experts, speakers, chairpersons of meetings and service providers, guests from organisations acting as associated partners and target groups of the project;
  - other specific expertise and services necessary for the implementation of the project.
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Eligibility of costs for external expertise and services is subject to the full respect of EU, Programme and national (including institutional) public procurement rules (please refer to Section 6 "Competition and public procurement" of this Chapter).

Partners are obliged to ensure the keeping of financial and bookkeeping documents in accordance with national requirements, as well as ensure the keeping of documents that support the incurred expenditure, for example:

- attendance list signed by participants of the meeting/conference/seminar;
  - plan/agenda of the meeting/conference/seminar which was held;
  - certificate/attestation of a completed course/training;
  - copy of promotional material (e.g. leaflet, poster, brochure, folder, inserts to newspapers or magazines, press advertisement promoting a project) or – in case of large promotional/information materials – photographs of these materials, of which at least one shows the proper marking of materials;
  - website address – where a website is developed as part of the project.
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**Examples of non-eligible expenditure:**

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- expert opinion, consultancy in the area of the project partner appeal against a decision of a national controller or of the Managing Authority;
  - costs of subcontracting other partners and associated partners of the same project and their employees in order to perform the tasks of the project;
  - costs of renting rooms owned by the project partner;
  - costs of the acquisition of copyrights for projects in which materials are intended for single use;
  - wages/compensation for professional artists and authors for entertainment purposes (sole exception - wages/compensation are eligible for professional artists and authors directly related to achieving project main outputs or deliverables);
  - expenditure for film making, commercials, audio material, advertisements the cost of which deviates to a large extent from the commonly binding market prices (i.e. because of a soundtrack protected by a copyright law, artistic image or participation of a known person).
-



### 3.5 Equipment

Costs under this budget line refer to equipment: purchased, rented, leased or already in possession by the project partner which is essential for the implementation of the project. The costs of depreciation/lease/rental/tenancy of the equipment that is used for project management purposes should also be reported under this budget line. The project partners are obliged to follow national requirements regarding bookkeeping in relation to the purchased equipment.

Use of equipment purchased in the project can be distinguished between:

- **equipment for project management use during the project** - tool or device purchased by the Partner or already in its possession and used to carry out project activities;
- **equipment directly contributing to the achievement of a project output<sup>10</sup>** - affects the project target group or project area and which stays in use after the project is implemented (e.g. tools/devices needed for the testing purposes; IT tools/ databases etc.).

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**Eligible expenditure for equipment will be limited to the following items:**

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- office equipment;
  - IT hardware and software (and possible updates necessary for proper implementation of the project);
  - furniture and fittings - furniture and fittings for offices of project partners will be co-financed in exceptional and duly justified cases only. For employees involved in the project as a minimum on a half-time basis, costs related to furnishing and equipment of the workplace are eligible in full. For employees involved in the project for less than half-time, the costs related to furnishing and equipment of the workplace are non-eligible.
  - laboratory equipment;
  - machines and instruments;
  - tools or devices;
  - vehicles - purchase of vehicles will be eligible only if they are operated and used solely for the purposes of fulfilling the main objective of the project<sup>11</sup>.
  - other specific equipment needed for operations.
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Based on these general provisions, the following rules for the costs for the purchase of equipment will be applied:

- **items of low value** – when the unit price of the item does not exceed the thresholds specified in national requirements for the application of depreciation rules (i.e. one-off depreciation is expected), the respective purchase costs are eligible in whole or in part (proportionately to the usage of an item in the project implementation);
- **equipment for project management use during the project** - depreciation (depreciation for the equipment item should be calculated according to the national regulations) is eligible for co-financing from the Programme in proportion to the period when the equipment is used for project implementation.

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<sup>10</sup> Does not apply to Priority Axis 6 (Technical Assistance).

Depreciation must be calculated according to the national requirements and the depreciation method used will be stored for accounting, control and audit purposes. For example, the monthly share of depreciation should be calculated. The rate may vary according to the type of fixed asset and among project partner countries;

- **equipment directly contributing to the achievement of the project's outputs** - if the equipment item directly contributes to the achievement of an output (i.e. the equipment affects the project target group or project area and is intended to remain in use after the project is implemented), full purchase costs (including operating and servicing costs) of equipment are eligible. In case the equipment is already in possession of the project partner, only depreciation costs are eligible for co-financing from the Programme in proportion to the period when the equipment is used for project implementation.

Project partners can purchase both new and used equipment. The technical specifications for the equipment item should confirm its relevance for the purpose for which the item is to be used in the project. Costs for the purchase of used items may be eligible provided that:

- no other assistance has been received for it from the European Structural Funds;
- its price does not exceed the generally accepted price on the market;
- it has the technical characteristics necessary for the project and complies with applicable norms and standards.

### Lease

If the project partner decides to use project equipment through a leasing facility, part of the leasing payment (repayment of the stock value of the equipment item) can be considered as eligible. The project partner will include paid lease instalments in the respective progress report in order to claim ERDF co-financing. However, the following parts of a leasing instalment are **not eligible**:

- lessor's margin;
- insurance fees.

To support the incurred costs, the necessary documentation must be retained by the project partners, for example:

- acceptance protocols;
- invoices for purchased goods, together with proofs of payment;
- documents relating to the tendering procedure/market research carried out;
- printouts from the equipment accounting records;
- photographs of equipment evidencing publicity markings in accordance with Programme guidelines;
- description of the depreciation method applied for equipment reported under the project.

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### Examples of non-eligible expenditure:

- purchases of equipment not covered or in quantities exceeding those specified in the approved Application Form/not approved by JS;
  - purchases of equipment made that disregard the public procurement law/programme tendering principles (partial or total ineligibility, depending on the type of violation);
  - residual value (accounting liquidation value) of equipment after project implementation;
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- purchase of company cars.
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### Cross-border relevance

Equipment directly contributing to an output of a project may be financed from the South Baltic Programme if it has a clear cross-border character, meaning that it either:

- has a pilot character, i.e. that it creates a transferable practical solution (blue-print) through a case study in one area, which is in the further project jointly evaluated by the Partners and prepared for use and implementation in at least one of the other participating countries. Projects that include such pilot investments are expected to show strong transfer/dissemination activities that ensure the application of the developed solution in other countries and contexts; or
- has the character of filling missing links at the level of the South Baltic area, i.e. it follows a cross-border physical or functional link (e.g. transport corridor, tourism route, network), its placement has been analysed from a cross-border perspective and it demonstrates a socio-economic or environmental impact across national borders.

### Additional eligibility rules and guidance for Polish partners

The Polish lead partners and project partners are obliged to follow additional eligibility rules for equipment purchases described in Annex 3 "Additional eligibility rules and guidance for Polish partners".

### 3.6 Infrastructure and works

Costs under this budget line refer to the infrastructure and works required for project implementation<sup>12</sup>. Any costs for infrastructure and works will be clearly justified in the project application and necessary for the effective implementation of the operation. The Programme does not support genuine "investment projects", i.e. projects in which the main or only objective is to finance one or more investment objects. If planned, infrastructure and works should directly contribute to or constitute an output of a project (i.e. the realised infrastructure will directly affect the project target group or the project area and should be used also after the project is implemented). Costs relating to infrastructure and works may cover, for instance:

- construction of infrastructure;
- works/delivery, i.e. labour bought from a supplier that is necessary to create and ensure the functioning of infrastructure (e.g. supervision of construction works).

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#### Examples of eligible expenditures:

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- charges for construction permits;
  - purchase of undeveloped property or real estate, if it is inseparably linked to the implementation of the project (it will not exceed 10% of the total amount of eligible expenditure of the project);
  - site preparation works, including surveying works;
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<sup>12</sup> Does not apply to Priority Axis 6 (Technical Assistance).

- ground works, construction and assembly works, development works, finishing works, fitting out works, deconstruction works;
- supervision of works on behalf of the investor regarding the proper implementation of the investment and heritage conservator supervision;
- costs of employing a contract engineer, site manager and/or site coordinator in relation to the implementation of the project;
- administrative fees directly linked to activities and work carried out as part of the project;
- construction, expansion or restructuring/renovation of premises and technical infrastructure necessary for the implementation of the project (e.g. server rooms).

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**Examples of non-eligible expenditures:**

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- expenditure not covered by the approved Application Form;
- expenditure related to preparing a feasibility study or an environmental impact assessment (expenditure for commissioning such analyses should be included in the "External expertise and service costs" budget category),
- expenditure relating to construction works, where the contractor has been selected in violation of the public procurement law (partial or total ineligibility, depending on the extent of a given irregularity).

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To support the incurred costs, the necessary documentation will be retained by the project partners, for example:

- acceptance protocols;
- invoices for purchased infrastructure and works, together with proofs of payment;
- documents relating to the tendering procedure/market research carried out;
- printouts from the accounting records of infrastructure objects;
- photographs of equipment evidencing publicity markings in according with the Programme guidelines;

**Cross-border relevance**

Infrastructure/works directly contributing to an output of a project may be financed from the South Baltic Programme if it has a clear cross-border character, meaning that it either:

- has a pilot character, i.e. that it creates a transferable practical solution (blue-print) through a case study in one area, which is in the further project jointly evaluated by the Partners and prepared for use and implementation in at least one of the other participating countries. Projects that include such pilot investments are expected to show strong transfer/dissemination activities that ensure the application of the developed solution in other countries and contexts; or
- has the character of filling missing links at the level of the South Baltic area, i.e. it follows a cross-border physical or functional link (e.g. transport corridor, tourism route, network), its placement has been analysed from a cross-border perspective and it demonstrates a socio-economic or environmental impact across national borders.

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**Examples of investments that may be financed within the South Baltic Programme:**

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**Example 1 (pilot character):** A project aims at testing and promoting the use of innovative green technology for waste water treatment in several Member States of the South Baltic area. As part of the project, innovative technical infrastructure will be tested that could improve the performance of existing facilities. The testing process will involve designing the infrastructure for the green technology. However, before defining the specification and concrete technology that will be tested, an international exchange process including best practices survey and expert workshops reveals the potentially most relevant solution for those South Baltic area Member States involved. As a result, necessary requirements for pilot infrastructure and works are defined and implemented at the facilities that have been chosen as pilots.

Afterwards, testing starts. The results are jointly reviewed by all Partners to understand whether the tested green technology delivers the envisaged improvements of the waste water quality in the South Baltic area. Based on the results, recommendations are given for transferring the technology

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to other waste water treatment facilities in the South Baltic area. A handbook, transfer workshops and on-the-spot consultations introduce the project results and the developed pilot infrastructure to other interested municipalities. Agreements with the associations of local authorities in the participating countries ensure that the model solution is further promoted after project termination.

**Example 2 (character of filling missing links):** A project aims at enabling intermodal passenger traffic across borders. It should be possible for foot passengers to arrive by public transport to the ferry, to take the ferry for crossing the sea to another country, and continuing the journey with public transport on the other side. In order to close and improve the transport chain, a shuttle bus from the terminal to the train station has to be established in one of the port cities, as no collective public transport is otherwise available. This includes construction work (creation of shelters at the bus stops, signposting, etc.). These investments are considered as cross-border investments "filling missing links" and thus eligible.

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**Examples of investments that may not be financed within the South Baltic Programme:**

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- investments in local infrastructure that do not have an innovative feature or help to fill a missing cross-border link;
- investments, which were designed before the start of the project in a local context and which is not subject to further development in accordance with the international state of art in an international exchange process;
- innovative technical solutions that are not evaluated after being used in the project and not actively transferred and disseminated to other potential users by and within the project.

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Projects have to explain and justify the added value of the implemented investments as part of a cross-border project within the South Baltic Programme, in particular where such an investment has the potential of being financed from other EU or domestic, regional or national funds.

The South Baltic Programme does not set any limits on the size of investments (in percentages or nominal values) in a project. Each investment proposal will be assessed on a case by case basis against value for money criteria, i.e. the investment costs versus the level of innovativeness, the cross-border character as well as the integration and complementarity with other project activities.

In case the project plans substantial investments, where additional documents such as feasibility studies, environmental impact assessments and building permits are required by national law, it is advised to start timely preparation of these documents to allow implementation of the project according to the planned schedule. These documents will not be required to be submitted together with the project application. However an applicant may be asked by the JS to provide them as a condition for approval, if the successful implementation of the project highly depends on the successful implementation of the investments.

Note: If it is not possible to assign one invoice/one contract to two or more budget lines (e.g. one price for Equipment, Infrastructure and Works), the larger share of the invoice/contract will determine to which budget line it should be assigned.

## **4 VAT**

The partners will declare only non-recoverable VAT in the partner budget, as recoverable VAT is not eligible for ERDF reimbursement.

VAT is actually incurred when it is paid in full (in the price of acquired goods or services). If the partner has the possibility to fully recover VAT paid in relation to the project costs by whatever means (e.g. by reclaim from national tax authorities), the VAT cannot be reported as an eligible cost in the Programme.

The partners should be aware of their VAT status in relation to the planned project activities. The partners will be obliged to confirm their VAT status during the preparation of the project by confirming it in the Project Partner Declaration; it will also be confirmed by the lead partner in the Application Form submitted to the Programme.

If the VAT status of the partner changes during the course of the project implementation, the project is obliged to inform the JS and relevant First Level controller.

Where costs that are subject to recoverable VAT have been reported and reimbursed from the Programme ERDF, the lead partner is obliged to pay back the amount in question in accordance with the terms specified in the Subsidy Contract.

#### Additional eligibility rules and guidance for Polish partners

The Polish lead partners and project partners are obliged to follow additional eligibility rules for VAT, described in Annex 3 "Additional eligibility rules and guidance for Polish partners".

### 5 Cost sharing

Cost sharing, which is a pro rata allocation of certain project expenditure incurred by a partner and allocated to various other project partners, is not allowed in the South Baltic Programme 2014 - 2020. As this is a significant difference compared to the previous Programme period, project partners should pay special attention to the new rule and make their project and budget planning accordingly.

In principle, the Programme advises cross-border partnerships to share tasks but not costs. Therefore, a fair and well-planned division of tasks and budget among the partnership is essential when developing the project. This exclusion, however, would not prevent project partners from agreeing on shared cost arrangements outside the Programme framework.

### 6 Competition and public procurement

Preparing and conducting public procurement, as well as awarding a contract within the project, should be carried out in a manner that guarantees compliance with the principle of transparency, fair competition and equal treatment of contractors, including potential contractors.

In addition, with respect to all contracts awarded within the project, regardless of their value, the manner of selecting a contractor and awarding authority, it is required that the principle of sound financial management is complied with. Thus, this must be in accordance with the principles of economy, efficiency and effectiveness and the reasonability of spending public funds as well as with other conditions for the eligibility of expenditures as specified in the Programme.

In order to implement competition and public procurement principles referred to above, contracts within the project have to be awarded pursuant to EU and national regulations on tendering and awarding contracts if the regulations are applicable in awarding the given contract. The list of appropriate legal acts and other documents that are binding in each Member State which are participating in the Programme is published on the Programme website ([www.southbaltic.eu](http://www.southbaltic.eu)).

The Programme has set out specific conditions for Polish project partners regarding the award of contracts - **detailed rules are described in Annex 4 of the Programme Manual.**

In case of **breach of the regulations or principles on the award of public contracts** (this applies to all project partners) or the Programme procurement principles (this additionally applies to Polish project partners, described in Annex 4), the relevant expenditure will be deemed, in whole or in part, ineligible. The amount of ineligible expenditure will be calculated according to the regulations or procedures adopted in the given Member

State<sup>13</sup>. If the Member State has not adopted the rules for determining the amount of ineligible expenditure, the European Commission's document on determining financial corrections for non-compliance with the rules on public procurement (according to the up-to-date version in relation to the expenditure in question) is applicable.

Please be advised that public procurement procedures have to be well documented. Documents such as public procurement notes, terms of reference, offers/quotes, order forms, and contracts have to be available for financial control and audit purposes. Projects which cannot provide documentary proof of compliance with European, national and their own internal public procurement rules risk losing ERDF funding.

## 7 Contractual obligations

The nature of the project activities might require the project partners to contract an external provider in order to successfully implement some of the activities in the project. Therefore, it is highly recommended to describe all requirements regarding quality and delivery of the activity/service/item in the contract between the project partner and external service provider. The awarding of contracts is one of the most challenging aspects in the management of the project, because ultimately it also carries a risk of having irregularities if not properly executed. **Please see the most common irregularities of awarding contracts in Annex 1 of the Programme Manual.**

In order to avoid most common irregularities the European Commission published a handbook "[Public procurement guidance for practitioners on the avoidance of the most common errors in projects funded by the European Structural and Investment Funds](#)".

## 8 State aid<sup>14</sup>

State aid is a European Commission term which refers to forms of assistance from a public body or publicly-funded body, given to undertakings engaged in economic commercial activity on a selective basis, with the potential to distort competition and affect trade between Member States of the European Union.

The state aid rules generally only apply where the recipient of aid is an "undertaking". An undertaking is defined as an entity engaged in an economic activity, regardless of its legal status and the way in which it is financed, i.e. offering goods or services on a market. Therefore, it is not important for the state aid whether the project partner is a private or a public sector entity or whether it has been established to generate profit. It does not have to be profit-making as long as the activity carried out is one which, in principle, has commercial competitors. The undertaking may thus also be for example a non-profit organisation, a trade association, a local government unit, etc. What is important is that the project partner is engaged in economic activity within the project. The classification of an entity as an undertaking is always relative to a specific activity.

Economic activity means any activity consisting of offering goods or services on a given market.

Typical examples of "non-economic" activities are: police, armed forces, air and maritime traffic control, organisation of public education and compulsory social security contributions. "Non-economic" activities also could be public roads or bridges that are available for public use without any charge and are not for commercial exploitation. This

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<sup>13</sup> In Poland the Ordinance of the Minister of Economic Development on conditions for lowering the value of financial corrections and expenditure incurred incorrectly with regard to the award of contracts from 26 of January 2016

<sup>14</sup> Does not apply to Priority Axis 6 (Technical Assistance)

could further be extended to facilities such as cycle paths, nature trails, promenades, piers, etc. that are available for public use without any charge (condition of not distorting the market applies to all examples mentioned).

The state aid definition translates into five criteria:

- aid is granted by a Member State or through state resources;
- aid gives the recipient an economic advantage which would not have been obtained under normal market conditions;
- it favours certain commercial undertakings or the production of certain goods (i.e. it must be selective in its nature);
- it distorts or has the potential to distort competition;
- the activity is tradable between Member States and the aid has the potential to affect trade.

All five of above-mention criteria must be met for state aid to be present. If any of the above criteria is not met, the support granted is not considered to be state aid.

Therefore, if the project involves state aid, the co-financing will be provided in line with the EU law. The main EU regulations for the 2014-2020 perspective with regard to *de minimis* aid and other types of state aid include the Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid and the Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (General Block Exemption Regulation – GBER).

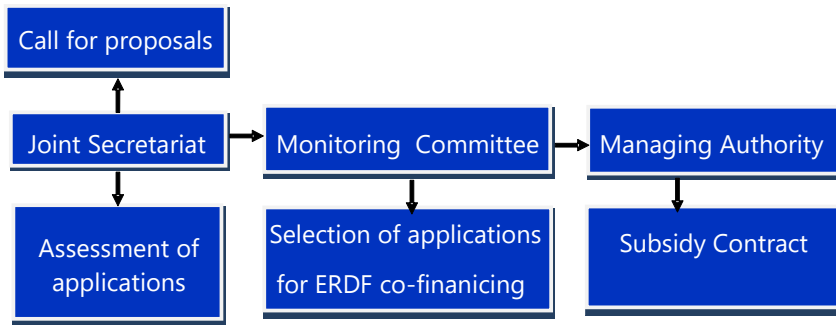
*De minimis* aid is aid which, due to its low amount, does not affect trade between Member States and/or does not distort competition. Pursuant to Regulation No 1407/2013, aid totalling € 200 000 (€ 100 000 for undertaking in the road freight transport sector) per single undertaking applies for aid granted in a concrete Member State and will not exceed this amount over three fiscal year period.

The Programme may use other state aid instruments, such as a General Block Exemption Regulation. The GBER sets out categories of aid that have already been declared compatible by the Commission. So long as all the terms of the particular regulation are met, there is no requirement to notify the Commission in advance and request approval before awarding aid. The criteria of the GBER determine, in particular, eligible recipients, maximum aid level (i.e. the maximum proportion of the eligible costs of a project that can benefit from state aid) and eligible expenditure. Therefore, in cases where a GBER is used, separate, lower, co-financing rates could be applied.

The provisions on how the MA ensures granting the state aid in the South Baltic Programme are regulated by the Regulation of the Minister of Infrastructure and Development of the Republic of Poland on granting state aid under the programmes of the European Territorial Cooperation 2014–2020 (the document available on the Programme website - <https://southbaltic.eu/state-aid>).



**Institutions involved in the process of granting state aid**



The Managing Authority cannot grant prohibited state aid, i.e. aid granted in breach of the applicable EU regulations. If such a situation occurs and the European Commission considers that it effectively constitutes prohibited state aid, the recipient will have to repay the aid together with interest.

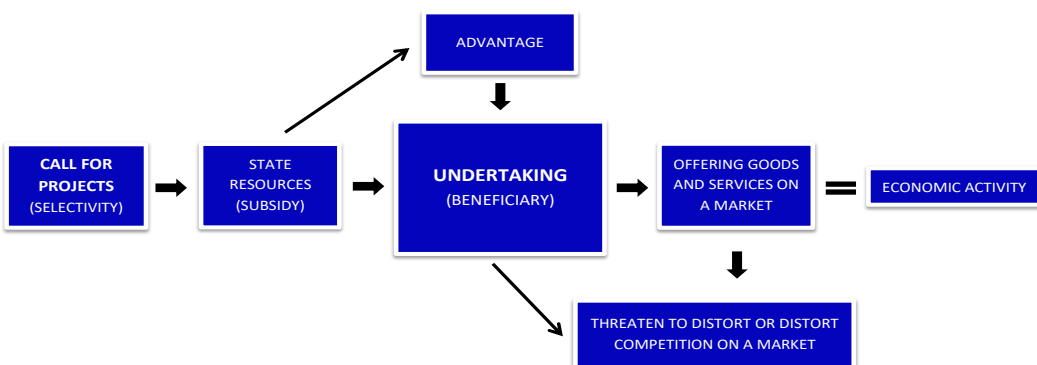
**How to identify state aid in a project?**

The graph below shows the criteria to be applied in order to determine if state aid is present in a project. It must be noted that state aid refers to activities and not a project partner as a whole and the state aid assessment refers to particular activities. A project can consist of activities, part of which can either fall under state aid or to which state aid would not apply.

Due to the complex character of most undertakings that can be supported through the South Baltic Programme, the presence of state aid has to be assessed on a case by case basis (see Chapter V, 4.2. "Quality assessment", Section "Assessment of state aid") and where in doubt, it is recommended that national or regional authorities relevant to state aid issues are consulted.

For more information about rules and restrictions concerning state aid, visit the website of the Directorate-General for Competition [http://ec.europa.eu/competition/index\\_en.html](http://ec.europa.eu/competition/index_en.html).

**Detecting state aid in the project**



## V PROJECT PREPARATION, APPLICATION AND SELECTION

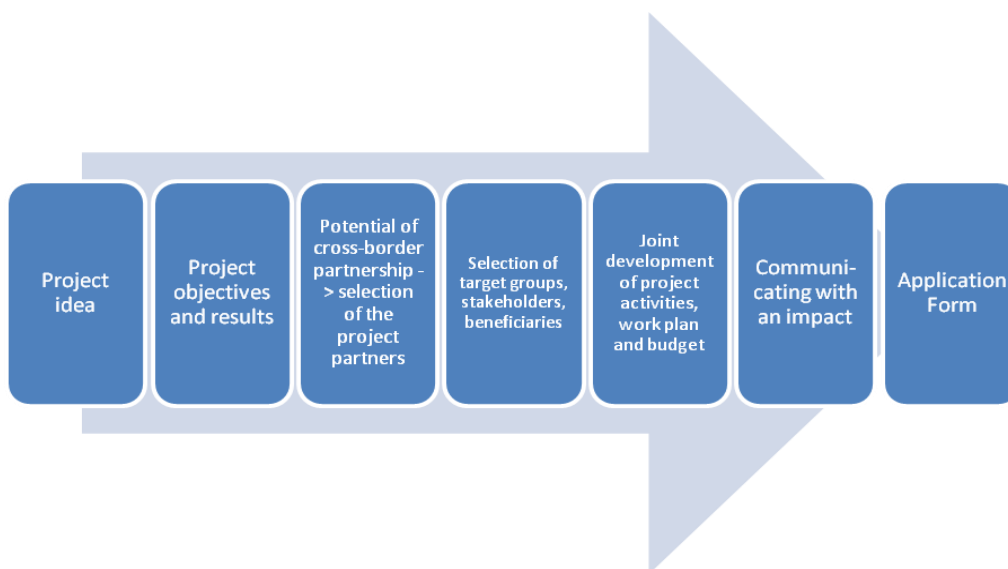
### 1 Project generation process

How to prepare a cross-border project?

- **Think of what the common needs and potential are. Distinguish clearly between 'yours' and 'joint'.** Formulate the **project idea**. Check if the project idea fits thematic scope and objectives of the South Baltic Programme. Establishing the **project idea relevance** is a key starting point for a successful project. Explain how your idea can contribute to the relevant specific objective of the Programme. See details in [Chapter II "Detailed Description of priority axes"](#);
- Start developing your project concept by defining the project scope: identify project **objectives (what do you want to achieve) and results (what do you want to change)**. See more details about project objectives in [Chapter II, Section 3](#). Check if **cross-border cooperation** can help you to achieve your objectives.
- Build up an **appropriate cross-border partnership**. Find partners with the necessary skills, competence, attitude, remit. Partners' competence should be of an complementary character. Ensure that all partners share the same understanding about the planned activities, outputs and results as well as their individual roles and responsibilities within the project. Remember about team development stages. Potential partners may already have some experience in international cooperation and through their networks they can recommend other appropriate institutions to join the project. However, projects are encouraged to include institutions that have no record of international cooperation, especially considering the Programme's priority axis 5 "Increasing cooperation capacity of local actors in the South Baltic area for blue and green growth". See details in [Chapter III, Section 1 "Project phases and project types"](#) and [Section 2 "Partnership principles in the South Baltic Projects"](#);
- Think of **who should benefit from the project** (stakeholders, target groups, beneficiaries). Bear in mind the difference between above listed categories: stakeholders being everyone who has interest in the project (it is the most broad category and encompasses target groups and beneficiaries); target groups, i.e. everyone who will receive the benefit from the project (end-users); beneficiaries being involved in the project itself (project partners);
- Define jointly through which **activities and outputs** (tools, methodologies, investments, etc.) you want to achieve your common objectives and results;
- When specifying the **project activities**, bear in mind their contribution to the South Baltic Programme, the project's impact on the identified stakeholders and target groups, the durability of the project as well as the roles and division of tasks of each partner. For details, see Chapter III, Sections 3 – 8; Chapter IV, Section 8 "State aid" and information in this Chapter V;
- Set a **start and end date** for the project. See details in Chapter III, Section 1 "Project phases and project types";
- Shape the **budget**. It is recommended that the project budget is prepared "bottom up". That means that the process should start with a precise estimation of the costs for individual tasks and activities of the partners with reference to the budget lines pre-defined by the Programme. Therefore, summary budget figures required in the Application Form can be generated in the next step. The project partnership should take into consideration that an international working process is generally more time consuming than a local or regional one. The time required to implement the activities is an important factor and shapes the project's duration and overall costs.

Partners from countries with decentralised First Level Control systems (Denmark, Germany and Lithuania) have to budget costs for subcontracting external controllers, which have to carry out both desk and on-the-spot controls. See details in Chapter IV; Chapter V, Section 6 "Costs incurred during the project preparation, application and selection"; Chapter VI, Sections 2 – 4, 7; Chapter VII, Section 2 "Eligibility of costs in the project closure phase";

- Set realistic **spending targets**. It is common practice for the projects and partners to add "safety margins" to the estimated costs. In this respect the projects ought to be very careful, as experience shows that, on average, projects spend about 90% of their originally planned budgets. Especially, the spending targets for the first individual reporting periods should not be overambitious, because if not met, there is a danger that part of the unspent funds will no longer be available for the project due to the N+3 rule. For further information, please see Chapter VI, Section 6.8 "Consequences of not meeting output, result indicator and spending targets";
- Think about how to **disseminate and communicate** the project results to the stakeholders and project target groups, as well as the wider public; see Chapter VI, Section 5 "Communication and management of outputs and results";
- Prepare the **Application Form**, use the Programme's support services and familiarise yourself with the relevant documents and requirements. It is recommended that the start of drafting the Application Form is undertaken relatively early when preparing the project and to use it as a reference point when agreeing on the project shape. See details in the following Sections of the Chapter.



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### Project preparation

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It is **strongly recommended that all partners gather for a minimum of one preparation meeting** to discuss all of the above details. The preparation works are often considered to be the first team-building efforts for partners, allowing them to better understand and fully commit to the project. It is also advised to start preparing the project early enough before the call in order to ensure timely start of the project implementation. Usually the preparation period starts around one year to six months prior to the call end date, which enables projects to prepare an application in due quality.

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### Programme services

At every stage of **the project generation process**, the South Baltic Programme offers **support to the project idea owners** up until their application. The tools and services include:

- **Programme website [www.southbaltic.eu](http://www.southbaltic.eu)**. This is the basic source for obtaining up-to-date information on the South Baltic Programme including access to all Programme documents, frequently asked questions, announcements on calls for proposals, descriptions and recommendations from approved projects dating back to the Programming perspective 2007-2013 and more.
- **SMART Alliance tool** which is accessible through the Programme website is an online exchange platform that is designed to bring together people and ideas. Registered members can use this network to **find partners, set up project consortia, join existing project ideas**, access a user's tailor-made library to screen project examples from the past and gain inspiration when developing an own project. It also can be used to share views, ideas, news or events with like-minded members of the South Baltic SMART Alliance having the same interests and **establish cross-project partnerships, share and mutually endorse project results**.
- **Knowledge bank tool** accessible through the Programme website gives an overview of the various solutions and tools developed and trialled by South Baltic projects from 2008 to date. These are grouped into thematic areas of interest, e.g. business internationalisation, sustainable mobility, sailing and water tourism.
- **Contact Points** in each of the Programme Member States participate in the project generation process (promoting the programme, providing information to potential project partners (including information on procedures and rules concerning control of expenditures)) and may also assist the JS in the assessment of submitted applications.
- **Training and information meetings**. With every call for proposals the JS and the Contact Points will provide these in all Programme Member States. While the Programme Manual should be used as the main source of information for the applicants, these sessions will be useful in clarifying any doubts related to it.
- **Consultation services**. The initial project idea should be consulted on with a local Contact Point to obtain the first opinion on its fit with the Programme objectives. The Contact Point will also give first recommendations to the project scope, logic of intervention, partnership, budget composition, potential synergies with other projects, etc. At a later stage of project generation, when the idea is more mature, the project owner should consult the Joint Secretariat.
- **Partner Search services**. The Contact Points can use their networks to recommend reliable partners in all South Baltic Regions. The partner search events facilities will be planned during South Baltic events. Potential partners can also be searched via the Programme's SMART Alliance tool.
- **Other services** and tools to support the project generation process (e.g. Priority theme workshops, sessions on identified problematic issues) may be created during the Programme operation based on the needs reported by applicants.

## 2 Calls for proposals

Project proposals presented in Application Forms are collected through Calls for Proposals. The aim of the Programme is to launch, on average, two Calls for Proposals per year, with about a six month break between Calls. In principle Calls for Proposals have a closed character, which means that they have a defined opening date and a closing deadline (day and hour), in between which the applicants are allowed to submit applications. However, the Programme reserves the right to open ongoing calls for proposals, for example for

seed money projects (see Chapter III, Section 1 "Project phases and types"). Similarly, the Calls for Proposals in the South Baltic Programme are usually open for projects applying to all specific objectives, but it is possible that in later stages of the Programme implementation the Monitoring Committee would decide to announce calls only for a selected specific objective.

Each time a call for proposals is launched, an announcement with detailed information (including the application package) will be published on the Programme website [www.southbaltic.eu](http://www.southbaltic.eu), in the Programme newsletter and in other media sources in all Programme Member States (e.g. regional websites). Promotion activities linked to the launch of Calls for Proposals are carried out by the JS in co-operation with Contact Points, which play an active role in spreading the information.

The announcement of call for proposals will include, among other things, the following information:

- priorities concerned;
- the requirements concerning the partnership;
- the deadline (day and time) as well as the way of submission of project proposal;
- expected time of Monitoring Committee decision on approval/rejection of projects;
- link to documents (application package) with detailed guidelines on preparation, eligibility, assessment, selection and implementation procedures.

### 3 Application Package and submission of applications

The documents necessary for an application can be found in the Application Package which may be updated in respect of each call for proposals and will be published on the Programme website - [www.southbaltic.eu](http://www.southbaltic.eu).

Programme documents will not be altered during the call for proposals and project assessment.

The Application Package consists of:

- call for proposals announcement, including possible MC/MA/JS guidance notes to applicants,
- Programme Manual,
- Application Form with all required attachments,
- Guidelines for submitting and filling in the Application Form,
- Complaint template.

Applicants should make themselves familiar with the template of the Subsidy Contract as well as with the template of the Partnership Agreement before submitting the application (see [Chapter VI, Sections 1.2 "Subsidy Contract"](#) and [1.3 "Partnership Agreement"](#)).

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#### Importance of the Partnership Agreement

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It is strongly recommended that all the partnership principles, obligations and the scope and content of the Partnership Agreement are agreed upon and set before the submission of the project proposal. Such an approach will ensure that all partners have a common understanding of their responsibilities and liabilities associated with their participation in the project.

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Applications have to be completed in English as this is the official and working language of the Programme. Applications submitted in another language will be formally rejected.

The application should be submitted in

an electronic version: Application Form sent in the required format; readable scan of the lead partner (LP) confirmation page (signed and stamped); readable scans of Project Partner Declarations and Letters of Commitment for all project partners and associated partners, signed and stamped (where applicable); Letter of Dedication and Support from EUSBSR PA or HA coordinator (if applicable); scans of other attachments (if applicable).

Please note that scans of the Project Partner Declarations and Letters of Commitment are accepted at the application stage. In the case of approval, the originals will have to be submitted to the JS later on during the contracting process. It is therefore recommended that the LP collects all original documents during the preparation of the application stage

An electronic version will be recognised as submitted in time if submitted (e-mailed) before the deadline set in the call for proposals. The JS gives every submitted project a reference number and marks the date of submission in the registration system. It is then obliged to forward written information about the reference number and the date of the submission of a project to each applicant.

The JS publishes information about the number of submitted applications, as well as the planned meeting of the Monitoring Committee, on the Programme website [www.southbaltic.eu](http://www.southbaltic.eu) after the call for proposals has been closed.

## 4 Assessment of applications<sup>15</sup>

The assessment of received applications follows a standardised procedure safeguarding the principles of transparency and equal treatment as described below.

### 4.1 Administrative and eligibility assessment criteria

Each submitted and registered application is subject to a formal and eligibility assessment. It is recommended that the applicants familiarise themselves with the criteria before completion and submission of the applications.

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#### Administrative criteria

- The Application Form delivered to the correct location by the set deadline;
- All obligatory annexes are submitted (Project Partner Declarations, Letters of Commitments);
- The Application Form and Project Partner Declarations are signed by the authorised signatories;
- The Application Form is delivered in the correct format;
- The Application Form and all annexes are compiled in English;
- The Application Form is correctly filled in (no error messages are displayed);
- Administrative and formal data in the Application Form and annexes is consistent.

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#### Eligibility criteria

- The project fulfils the minimum requirements for partnership (at least 2 eligible partners from 2 Programme Member States);
- The lead partner is an eligible organisation;

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<sup>15</sup> Does not refer to the Priority Axis 6 (Technical Assistance).

- All project partners are eligible organisations;
  - Envisaged project start date is within three months from the planned Monitoring Committee decision;
  - Project is assigned to programme priority, its specific objective and contributes to at least one Programme output indicator;
  - Co-financing is secured, in line with the Programme thresholds and project Application Form.
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The administrative and eligibility assessment is carried out by the JS in co-operation with the Programme Member States, which contribute to the eligibility and capacities check of the partners from their Member States.

- In the case that minor inconsistencies (which do not affect the approvability of the project, e.g. parts of contact information of a partner are missing in the application) are detected in the Application Form during the assessment stage, the project in question will be forwarded without further corrections to quality assessment. In case of approval of the project, the applicant will be required to complete the gaps during the clarification process, which is carried out after approval by the Monitoring Committee and before signing off the Subsidy Contract.
- In the case that major inconsistencies (significant shortcomings, however improvements are possible, e.g. Project Partner Declarations indicate wrong amounts, legal status/eligibility of a Partner is unclear) are detected the lead partner will be required to provide further information and to correct the documents before quality assessment is carried out. In this case, the JS will send an official request to provide additional information and correction to the lead partner.
- The request sent by the JS to the lead applicant contains a list of necessary corrections/clarifications, a clear explanation regarding the method of correction, as well as the deadline for submitting the information in question. The applicant can change and correct only those Application elements which are specified in the JS request. Other changes, especially to the content of the original Application, are not allowed and will result in project rejection. Each applicant can correct and supplement its application only once. The applicant is obliged to follow the JS instructions and submit the corrected application within 10 working days. The exact deadline is calculated by the JS and communicated in the request for corrections. The JS may prolong the deadline in exceptional cases only. If the lead partner fails to meet the demands of the JS within the given deadlines, the corrections/additional information will not be considered and the result can be a formal rejection of the project. Corrections/additional information will be recognised as submitted in time if posted by mail and by e-mail before the deadline given by the JS in the request for corrections. The date of postage is determined by the date on the stamp or courier delivery order as well as the proven time of sending the e-mail to the JS.
- In case inconsistencies of the excluding nature are detected (for example, ineligibility of a number of key partners, submission of the application after the deadline) or inconsistencies not corrected in the given period, projects will not be forwarded to quality assessment and will be recommended for rejection. The formal decision on rejection is made by the Monitoring Committee possibly also before the regular MC meeting and the lead partners of those projects will be informed immediately after the decision on the rejection.
- Only those applications that meet all criteria set by the Programme and for which no inconsistencies have been identified/inconsistencies have been corrected, will be forwarded to the quality assessment stage.

## 4.2 Quality assessment

Quality assessment refers both to the strategic and operational features of a project. It is carried out against set criteria by the JS, in collaboration with external experts if necessary. Quality assessment criteria are divided into two categories:

- **strategic assessment criteria** - the main aim is to determine the extent of the project's contribution to the achievement of the Programme objectives (contribution to the Programme results), by addressing joint or common target group needs;
- **operational assessment criteria** - the main aim is to assess the viability and the feasibility of the proposed project, its value for money in terms of resources used against results delivered.

**Projects will be assessed separately with reference to state aid** - if the project's activities fall under the state aid rules and state aid can be granted.

The text below describes all criteria used in the assessment and provides information on the guiding questions that are answered and the aspects that are considered under each criterion. The project can still be positively assessed if not referencing all guiding questions at one time. For example, even though the project may not be highly innovative and develops new solutions, it can be still positively assessed under "cooperation character" if it is clearly demonstrated that the project results cannot be achieved without cross-border cooperation.

### Strategic assessment criteria

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#### Projects' context (relevance and strategy)

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- How well is a need for the project justified?

This assessment criterion questions to what extent the project addresses common territorial challenges and opportunities in the Programme area; to what extent there is a real demand for the project. It also examines if and how clearly a project contributes to a wider strategy on one or more policy levels (EU/national/regional/EU Strategy for Baltic Sea Region). This criterion also assesses if and how the project makes a positive contribution to the Programme horizontal principles: sustainable development, equal opportunities and non-discrimination, equality between men and women as well as its impact on the environment. If, and to what extent, the project makes use of available knowledge and builds on existing results and practices is also answered here.

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#### Cooperation character

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- What added value does the cooperation bring?

Under this criterion it is examined how clearly the importance of the cross-border approach to the topic addressed is demonstrated. Is the cooperation important because the results cannot (or only to some extent) be achieved without it? How clear are the benefits from cooperating for the project partners, target groups and project/Programme area? Does the project demonstrate new solutions that go beyond the existing practice in the sector/Programme area/participating countries or does it adapt and implement already developed solutions? Whether the project complies with the 4 obligatory cooperation criteria - joint development, joint implementation, joint staffing and joint financing - is also assessed.

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#### Project's contribution to the Programme's objectives, expected results and outputs

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- To what extent will the project contribute to the achievement of the Programme's objectives?

This criterion assesses how clearly the project's results and main outputs link to the Programme priority and its indicators. It examines the links between:

- the project's objective and the Programme priority specific objective;
  - the project results and the Programme result indicator;
  - the project main outputs and the project objective;
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- the project main outputs and the Programme output indicators.

Under this criterion consideration is given to how results and main outputs of the project respond to the selected target groups' needs and the project's objective; if they are specific and realistic in quantification (is it possible to achieve them with given resources – i.e. time, partners and budget?). It will also be checked if the project defined at least one output indicator measuring the impact of the project on target groups.

The project main outputs are also considered as regards the aspects of durability (the proposal is expected to provide a significant and durable contribution to solving the challenges targeted), applicability and potential to be replicated by other organisations/regions/countries outside of the current partnership.

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### Partnership relevance

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- To what extent is the partnership composition relevant for the proposed project?

This criterion assesses whether the project involves the relevant partners needed to address the territorial challenge/opportunity and the objectives specified. The considerations under this criterion cover the composition of partnership and if levels, sectors, territory and complementary profiles of partners are balanced and respond to the project objectives. The roles and experience of partners are also assessed under this criterion. Financial, human resources, administrative capacity of the lead partner and the partners will be assessed on the basis of supplementary documents, if necessary.

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## Operational assessment criteria

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### Management

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- To what extent are management structures and procedures in line with the project size, duration and needs?

The criterion examines whether the proposed management structures (e.g. project steering committee) are proportionate to the project size and needs and allow partners' involvement in decision-making, and furthermore, whether the management procedures (such as reporting and evaluation procedures in the area of finance, project content, communication) are clear, transparent, efficient and effective. The management procedures are assessed on the basis of whether they include regular contact between project partners and ensure transfer of expertise across the partnership as well as if risk and quality management procedures are taken into consideration. It is also assessed if the lead partner demonstrates competence in managing EU co-financed or other international projects or can ensure adequate measures for management support.

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### Communication

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- To what extent are communication activities appropriate and are they enough to reach the relevant target groups and stakeholders?

Here the assessment considers how clearly the communication objectives link to the project specific objectives, if the approach/tactics chosen is/are appropriate to reach communication objectives and if communication activities and deliverables are appropriate to reach the relevant target groups and stakeholders.

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### Work plan

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- To what extent is the work plan realistic, consistent and coherent?

Here it is examined as to how the proposed activities and deliverables are relevant and lead to the planned main outputs and results; whether the distribution of tasks among partners is appropriate (clear, logical, in line with partners' role in the project, etc.); and whether the time plan is realistic (activities, deliverables and outputs are in a logical time-sequence).

The project's justification for the importance of investments and their cross-border relevance to reach the project objectives is assessed under this criterion. Moreover, in cases where activities take place outside the Programme area, their benefit for the Programme area is reflected upon in this assessment criterion.

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## Budget

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- To what extent does the project budget demonstrate value for money? To what extent is the budget coherent and proportionate?

This assessment criterion assesses if the project demonstrates that sufficient and reasonable resources have been planned to ensure project implementation, if the budget is in proportion to the main outputs and results aimed for and whether the Partner budgets correspond to their involvement. It further reflects upon the distribution of budget between budget lines, work packages and time-wise, and if these are in line with the work plan. The need and costs for engaging external expertise and equipment purchases are also considered here.

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Each of the above criteria is evaluated according to a four-point scale:

- 0 - 'Lack of information or does not comply with criterion'
- 1 - 'Poor'
- 2 - 'Adequate'
- 3 - 'Good'

During the project assessment, in case **evaluation of particular item/statement in the application form is not possible due to the insufficient level of provided information** or **if there is a contradictory information in various sections in the AF**, the JS may request additional explanations from the lead partner. The explanations only **shall serve the better understanding of the problematic item**. The explanations shall make the assessment possible; they **shall not lead to improvement of the Application Form** (no additional content-related information can be provided). Any additional information not directly related to the JS request, will not be taken into account in the assessment.

Exemplary questions that the JS may ask:

- to provide a background information on the statements formulated in the Application Form (e.g. source of statistics, etc.);
- to explain (provide for technical, specific details) on a term used in the Application Form (mainly in cases a specialised language has been used);
- to explain certain budget items vs. planned activities.

The request will be sent by the JS to the lead partner via e-mail and will contain a list of questions, as well as the deadline for the reply (no more than 14 calendar days starting from the date of JS e-mail). In case the explanations are provided after the deadline, they will not be considered. Explanations provided are assessed together with the application form submitted. The project shall provide only one reply to the JS request, any additional replies will not be taken into account and no other requests will be sent by the JS. Note: clarification may also be sent earlier within the formal assessment (see: 4.1 Administrative and eligibility assessment criteria).

Based on the assessment results, the JS group project proposals into the following categories:

- A - projects recommended for approval, i.e. good quality projects which meet the criteria of the Programme at the highest level;
- B - projects recommended for approval under conditions, i.e. projects that meet the Programme criteria but show several gaps that can feasibly be corrected during the clarification process;
- C - projects not recommended for approval, i.e. projects that failed to comply with the specific strategic or operational requirements set by the Programme.

The JS will classify projects proposals to one of the above categories under each call for proposal based on the quality of the submitted applications. The project must meet certain quality standards to be considered in the project category A or B. Therefore, following shortcomings in the project proposal would mean that project is classified as C category project:

- In case at least one of the strategic assessment criteria is assessed as weak (1) or lower.

**or**

- At least two operational assessment criteria are assessed as poor (1) or lower.

On the basis of the assessment results, the JS prepares project sheets including a short description of the submitted proposals and a summary of the assessment conclusions for each application. They are the basis for project selection by the Monitoring Committee.

#### Assessment of the state aid

Additionally, submitted applications will undergo a specific "State aid assessment" focusing on the state aid criteria listed in Chapter IV, Section 8 "State aid". The assessment will be based on information included in the full Application Form and carried out by an external expert.

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#### State aid

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- Do project activities fall under state aid rules and if so, as to whether state aid can be granted (i.e. state aid thresholds are not exceeded)?

This assessment criterion answers whether any of the project's activities fall under state aid rules and, if so, indicates which state aid scheme (de minimis or GBER) can be applied for state aid relevant activities. State aid is permitted under specific rules and applies to project activities regardless of the legal status of project partner. The assessment will be carried out against 4 state aid criteria; nature of funding, selectivity, advantage, and distortion of competition. For projects in which state aid is determined special arrangements for the ERDF co-financing rates might be set.

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In general, public support given by the Programme to undertakings will be granted under the de-minimis rule. This implies that undertakings will receive grants from the Programme only if they have not received public aid under the de-minimis rule totalling more than EUR 200 000 within three fiscal years from the date of granting the aid. However, this will not affect the possibility of an undertaking to receive public support under other state aid schemes (as described in Chapter IV, Section 8 "State aid"). Applicants should be aware that, if support for a project does constitute state aid, this may affect the co-financing rate for the project, or parts of it.

In case potential state aid relevant activities are detected during project assessment, the lead partner will be contacted by the JS and informed about the obligations in relation to the state aid. Furthermore, project partners may be asked to deliver additional declarations on short notice during the project assessment process.

## 5 Selection of projects and complaints procedure<sup>16</sup>

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<sup>16</sup> Projects implemented under Priority Axis 6 (Technical Assistance) follow a separate selection procedure.

## Selection

The decision on the selection of project proposals is taken by the Monitoring Committee of the South Baltic Programme, based on the results of the assessment and selection processes. The Committee usually meets within 14 weeks from the closure of the call for proposals. However, this period can be prolonged under some circumstances (e.g. a large volume of applications). Immediately after the Monitoring Committee meeting, the JS publishes a list of the approved projects on the Programme website [www.southbaltic.eu](http://www.southbaltic.eu).

If project proposals are approved, but conditions or clarifications are requested, the project will be finally approved only after the conditions have been fulfilled and all clarifications delivered.

All lead applicants are informed in writing and provided with full justification of the approval/rejection of the project applications. In the case that projects are approved, but conditions are required to provide further clarifications, the lead applicant will be accordingly notified by the JS. The lead applicant is obliged to forward the information received by the JS to other project partners.

## Reserve list of projects

In order to ensure commitment of the available funding at later stages of implementation, the South Baltic Programme anticipates the use of a reserve list for projects. Upon approval projects will be included in the reserve list, should the available ERDF funding in the Programme not be sufficient for contracting. These projects will receive ERDF co-financing if the funds will be available due to the savings made from previously approved projects. Projects from the reserve list will receive the co-financing after signing the Subsidy Contract.

## Complaints

Complaints may be lodged if the lead applicant is of opinion that the project assessment did not comply with the assessment procedures laid out in the specific call for proposals. It is the lead applicant who is entitled to submit a complaint according to the lead partner principle. The lead applicant will collect information and bring forward the complaint on behalf of all project partners. The complaint has to be completed through the template provided by the Programme, which is to be found in the call for proposal Application pack, and has to include the following information:

- name and address of the lead applicant;
- number of the Application Form that the complaint refers to;
- clearly justified reasons of the complaint together with the specification of those aspects of the project assessment and selection processes that did not comply with the assessment procedures laid down in the documents related to the particular call for proposals;
- signature of the lead applicant or of a person authorised to lodge a complaint.

The complaint has to be prepared in English and be submitted within 14 calendar days after the day on which the lead applicant receives the information about the decision of the MC on the project selection (the term is indicated in the e-mail from the JS notifying on the results of the project selection). The signed complaint in the form of a scanned document is sent electronically by the lead applicant to the general e-mail address of the Joint Secretariat.

A complaint received after the specified time. In cases where the complaint does not contain necessary information as referred to above, the lead applicant will be asked by the JS to complete the complaint with the required information within 7 calendar days after the

day on which the lead applicant receives the information from the JS. The term for completing the complaint will be indicated in the e-mail from the JS providing information about the type of shortcomings. Where the lead applicant does not address shortcomings within the above mentioned time, the complaint is left unexamined. Notification about the complaint unexamined is provided to the lead applicant by the JS immediately

A complaint that meets the requirements referred to above will be examined by the Joint Secretariat and the Managing Authority. Respective Member State/Contact Point and/or the chairman of the Monitoring Committee may also be informed about the results of the examination.

The complaint is considered only with regard to compliance with the project assessment procedures laid out for the particular call for proposals. No changes submitted by the lead applicant in relation to the content of the Application Form or the attachments to the application will be taken into account during consideration of the complaint. The documents submitted by the lead applicant which have been submitted after the completion date of the project assessment will not be taken into account during consideration of the complaint. Any complaint considered justified requires a new decision of the MC regarding the project Application Form. A complaint considered as not justified does not require a new decision of the MC; in which case the previously decision remains in force.

The JS will inform the lead applicant, in writing, about the outcome of the complaint procedure.

The decision relating to a complaint is final, is binding to all parties and not subject to any further complaint proceedings or appeal within the Programme. The complaint procedure is without prejudice to any mechanism or process for legal redress at national level, in particular with regard to unsuccessful applicants.

## **6 Costs incurred during the project preparation, application and selection**

The eligibility of costs in the South Baltic Programme is time-dependent and relates to the project phases (for further information about project phases see Chapter III, Section 1 "Project phases and project types"). The Programme offers lump sums for the project preparation costs (no proof in the form of financial documents is needed), on condition that the project is approved<sup>17</sup>. Proof of delivery of the activities covered by the lump sum is in the form of a submitted and approved project application. The lump sum is the only way to cover preparation costs; real costs cannot be submitted and claimed for reimbursement. A lump sum is granted provided that the project did not receive seed money from the South Baltic Programme (including the seed money facility implemented under the South Baltic Programme 2007 – 2013) or any other seed money instrument.

Project applications that are partially based on the seed money project financed by the South Baltic Programme are advised to consult the JS during project development in order to clarify their eligibility for preparation costs. If the project idea requires a substantial amount of activities (for example, market research, feasibility study, etc.) during the project development phase and actual project preparation costs significantly exceed the amount of

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<sup>17</sup> Preparation costs are not applicable under Priority Axis 6 (Technical Assistance).

lump sum granted, then the project applicant should consider applying for a seed money project, if possible.

The amount of a lump sum is dependent on the project type:

- total eligible costs of EUR 20 000 for a regular project;
- total eligible costs of EUR 13 500 for a small scale project;
- No preparation costs for projects granted seed money at an earlier stage.

The division of the lump sum between project partners has to be reflected in the Application Form, specifically – described in the Work Package 0 "Preparation". The lump-sum may be included separately in so-called 0-report or in the first project progress report together with other expenditures and will be transferred to the bank account (separately or as the part of the first ERDF reimbursement) indicated by the lead partner in the Subsidy Contract. The lead partner is responsible for paying the project partners in line with the cost distribution agreed in the Application Form.

## VI PROJECT IMPLEMENTATION

### 1 Formalising the establishment of the project

Upon approval of the project it is strongly recommended that the representatives of approved projects take part in the lead partner seminar. It is organised by the Joint Secretariat to present the overall Programme rules while, project implementation-related rules and practical issues are also presented in detail.

#### 1.1 Clarification process and contracting a project

During the clarification process any issues and recommendations that arise during the project assessment phase are clarified and agreed with the Programme. After finalising amendments to the Application Form, projects are requested to confirm the work plan, the financial schedule and the correctness of the Application Form. The Subsidy Contract can only be signed off by the Programme if the clarification process has been formally completed. If the project fails to fulfil all assessment requirements of the Programme within the required deadlines, it may be rejected.

The clarification process should be completed within a period of 2 months from the date on which provisional approval of the project was granted by the Monitoring Committee. All the partners and the JS/MA shall put all their efforts to meet the clarification deadlines. Should the lead partner fail to meet the deadlines and/or not submit all documents necessary to sign the contract in due date, the MA may refrain from signing the Subsidy Contract. Please note that, before the clarification process is completed, each project partner must provide details of at least one person in the partner's institution who will be authorised to use the SL2014 system (please see the details in Section 7.1 "General Principles" in this Chapter).

#### 1.2 Subsidy Contract

The Subsidy Contract confirms the final amount of the ERDF co-financing available to the project and serves as a legal and financial framework for implementation of the project. In particular, the Subsidy Contract sets out the rights and responsibilities of the contracting parties with regard to the grant reimbursement, monitoring and reporting, recovery of funds, control and audit system, as well as information and publicity requirements of the project. The Application Form is an essential part of this contract.

The Subsidy Contract is signed off between the Polish Minister responsible for Regional Development (acting as the Managing Authority for the Programme) and the lead partner of the approved project. A standard template of the Subsidy Contract is available on the Programmes' website at [www.southbaltic.eu](http://www.southbaltic.eu).

The Joint Secretariat prepares a draft subsidy contract for the project in English in 4 counterparts on the template available on the Programme website. It is recommended that applicants are familiar with the content of the Subsidy Contract before proceeding to the call for proposals. The draft of the subsidy contract is signed unilaterally by the MA, and then passed through the JS for signature by the Lead Partner.

The Subsidy Contract enters into force on the date of signature by the Lead Partner. The Lead Partner receives one copy of the Subsidy Contract.

Conclusion of the Subsidy Contract is recorded in the IT system SL2014 by the JS.

In the case of Subsidy Contracts with state aid it is necessary to inform the MA immediately about the date of signing of the Subsidy Contract by the Lead Partner which enable the MA to make a notification of the granted state aid to the Polish Office of Competition and Consumer Protection with the use of electronic system SHRIMP. This notification must be

made within 7 days from the date of granting the aid, i.e. from the signing of the Subsidy Contract by both parties. On the day of signing the contract by the Lead Partner scan of the agreement shall be send to the JS, and the JS sends it immediately to the MA. Based on a scan of the signed Subsidy Contract the MA issues a certificate of the granted state aid (only in the case of de minimis aid) in 4 counterparts and enters the relevant information into the electronic system SHRIMP<sup>18</sup>. One copy of the certificate issued on the granted state aid is passed to the Lead Partner, one to the JS and the other two remain in the project file in the MA.

In some cases changes to the project may require the Subsidy Contract to be amended. Detailed information on changes to the project is described in this chapter, Section 6 "Changes during the project implementation".

### 1.3 Partnership Agreement

The Partnership Agreement sets out the liabilities and rights of the lead partner and the project partners with regard to project implementation, allowing the lead partner to extend the arrangements of the Subsidy Contract to the partner level. A template of the Partnership Agreement that includes mandatory clauses is available on the Programme website at [www.southbaltic.eu](http://www.southbaltic.eu).

Depending on the project, the overall structure and content of the Partnership Agreement can be altered by the project with the exception of the mandatory clauses. It is entirely up to a project if the Partnership Agreement is one document signed off by all project partners or a number of individual agreements that are signed between the lead partner and each of the partners.

In particular, the following areas should be set out in and covered by the Partnership Agreements:

- activities of each partner during project implementation;
- obligations of each partner during project implementation;
- partner budget (including budget per work package and budget lines);
- financial management provisions (accounting, reporting, financial control, ERDF payments, handling of bank fees related to the ERDF reimbursement from the lead partner to project partners);
- partners' financial liability;
- provisions for the recovery of funds (in case of amounts incorrectly reported or received), in particular, provisions for handling financial corrections, if imposed;
- obligation to store project related data and documents in a safe and proper manner and for at least five years from the date of the reimbursement of the final project progress report to the lead partner (including the information that this time can be extended if the final project progress report cannot be certified to the European Commission for some time after the final payment for the project – e.g. in case of detected irregularities within the project);

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<sup>18</sup> The bodies granting state aid in accordance with the Polish regulation of 30 April 2004 on procedural issues concerning state aid (Dz. U. of 2007., No. 59, item 404, as amended.) are obliged to submit to the President of the Polish Office of Competition and Consumer Protection reports on the granted state aid or information about not granted state aid. According to paragraph 2. point 1. of the Council of Ministers regulation of 23 December 2009 on the submission of reports on the granted state aid and information about not granting such aid (Dz. U. of 2014., item 59) those reports or information shall be submitted via the SHRIMP application.



- resolution of conflicts in the partnership;
- information and publicity requirements and responsibilities.

In order to avoid any potential delays in the project start it is recommended that the preparation and signing off of the Partnership Agreements is undertaken in parallel to signing off of the Subsidy Contract. They will have to be attached to the first partner progress report (for further details see Section 7.1 "General Principles" in this Chapter and consult the "User manual on working in the SL2014 system").

**Please note that the project partners can start implementing their activities before signing the Partnership Agreement. The costs of those activities are eligible and can be reported in the first reporting period.**

## 2 Use of Euro

The official currency of the South Baltic Programme is the Euro. All amounts detailed in the Subsidy Contract and progress reports must be calculated and presented in Euros.

In accordance with Article 28 (b) of the Regulation 1299/2013 the expenditure incurred in a currency other than the Euro must be converted into Euros using the monthly accounting exchange rate of the Commission for the month in which the expenditure was submitted for verification to the First Level controller. Monthly exchange rate can be found here:

[http://ec.europa.eu/budget/contracts\\_grants/info\\_contracts/inforeuro/index\\_en.cfm](http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/index_en.cfm)

In order to avoid rounding differences, expenditure in the progress reports must be presented with two decimal places. Partners are obliged to insert the data into the system in Euros.

It is important to note that the reimbursement of the reported costs will be made in Euros to the lead partner bank account and further to the project partner accounts. The risk of any losses resulting from the currency conversion is borne by the project partners. In order to avoid such losses, it is recommended that a bank account is opened in Euros for the purpose of the project.

## 3 Time wise costs eligibility - project implementation

Implementation costs are the costs that relate to activities implemented under Work Packages 1 to 5 of the project. In order to successfully implement the project the partnership will ensure sufficient time and resources for the administrative closure of the project. Costs incurred during the project implementation phase can be paid in the project closure phase, (see also [Chapter VII, Section 2 "Eligibility of costs in the project closure phase"](#)). Costs related to all six budget lines can be reported as implementation costs, provided that the costs have been certified by the First Level controller (see information on FLC in this chapter, section 8.1 First Level Control).

Project activities and related costs will be implemented and spent as precisely as possible in line with the schedule detailed in the Application Form. The schedule confirms estimated spending cost levels (known as "spending targets") within the work packages and for each of the reporting periods. Any deviations from the approved schedule should be immediately communicated to the JS. It is important to note that project related costs will be included in the report for the reporting period in which costs were paid and defrayed (have left beneficiary's bank account). In case where costs were defrayed in one reporting period but not reported in the relevant report, the project should seek approval from the JS before including the costs in one of the subsequent reports.

Based on the project activities and spending targets and in order to ensure the smooth implementation of the projects supported by the Programme, the required level of resources is secured at the Programme level. Should projects not meet the agreed level of spending (known as "underspending"), there is a danger of funds being no longer available

to the Programme and, as such, to projects due to the N+3 rule de-commitment (see also [Chapter VI, Section 6.8 "Consequences of not meeting output, result indicator and spending targets"](#)).

#### 4 Income (net revenues)

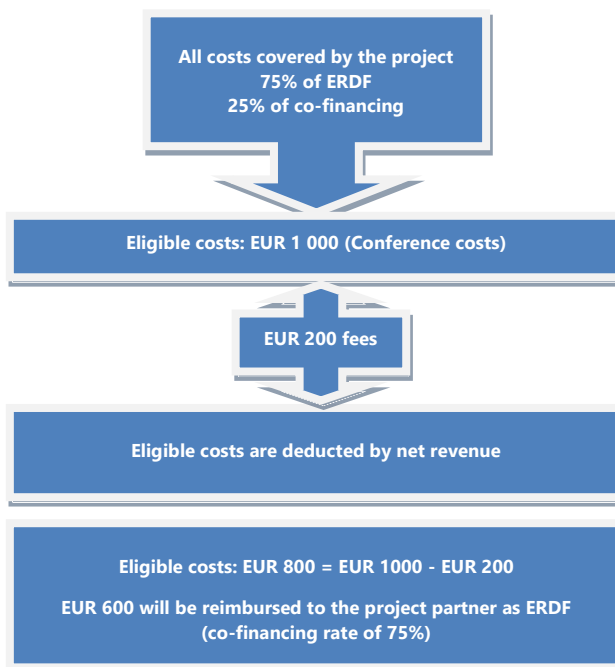
Net revenue generated during project implementation is defined as revenue (for example, participation fees in the project event) deducted by the relevant costs, provided that these costs are not eligible within the project<sup>19</sup>.

During project implementation, project partners are obliged to report the net revenue generated within the project to the Programme in the progress reports. Eligible expenditure and the ERDF co-financing to be reimbursed for a project partner is reduced by the generated net revenue. It concerns only projects, with total eligible budget above 50 000 EUR. In projects with total eligible budget of 50 000 EUR or below, net revenue is not a subject of monitoring.

If project partners contribute to the project with non-eligible expenditure towards activities that generate revenue, the net revenue should be allocated pro rata to the eligible and ineligible project expenditure.

##### Activities fully financed by the South Baltic project

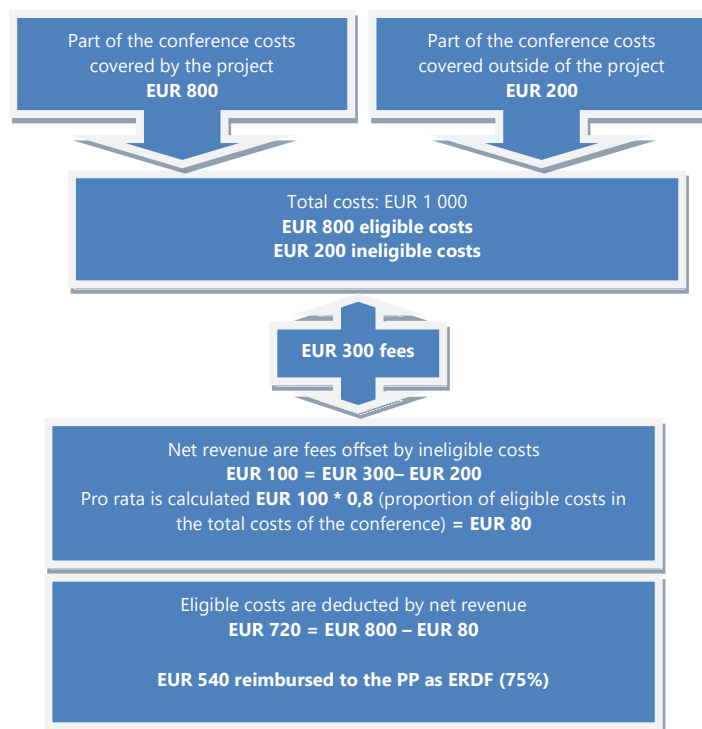
A project partner organises a conference fully financed from the project budget (total eligible costs of EUR 1000) and generates revenue of EUR 200 from the conference, in the form of attendance fees. Taking into account that the conference was 100% funded by the project budget, attendance fees are considered as net revenue and thus the eligible costs of the project partner will be reduced by EUR 200. This is illustrated in flow chart form as follows:



<sup>19</sup> Revenues cannot be generated in projects under Priority Axis 6 (Technical Assistance).

### Activities partially financed by the South Baltic project

A project partner organises a conference that is partially covered from the project budget (EUR 800, including ERDE co-financing and partner co-financing), as well from the organisation budget in the form of EUR 200 as non-eligible costs (total costs of conference are EUR 1000). Revenue in the form of attendance fees is EUR 300. Taking into account that the conference required expenses that were not part of the project budget, the net revenue is calculated by offsetting the attendance fees with non-eligible expenses in pro rata to the eligible and ineligible project expenditure ( $\text{EUR } 300 - \text{EUR } 200 = \text{EUR } 100$ ;  $\text{EUR } 100 * 0.8 = 80 \text{ EUR}$ ). The eligible budget is deducted by the net revenues ( $\text{EUR } 800 - \text{EUR } 80 = \text{EUR } 720$ ) and ERDF reimbursement is calculated in accordance with the co-financing rate. This is illustrated in flow chart form as follows:



Projects with a total budget of over EUR 1 000 000.00, generating net revenue after project completion will have to carry out a net revenue calculation in accordance with Annex 2 **“Projects over €1m generating net revenue after completion of implementation”**.

### Contractual deposit

Any payment received by the project partner arising from contractual penalties as a result of a breach of the contract between the project partner and a third party(-ies) or which has occurred as a result of the withdrawal of an offer by a third party chosen under public procurement rules (the 'deposit') will not be considered as revenue and will not be deducted from the eligible expenditure of the project.

## 5 Communication and management of outputs and results

### 5.1 Design of the communication pathway<sup>20</sup>

Project partners have to design and effectively implement communication measures throughout the project lifetime. The measures of every project can be divided in 2 major communication strands: **project communication** and **result/impact communication**.



The project's communication activities are guided by a project communication strategy. Small scale projects do not have to develop dedicated a communication strategy, but may align their communication activities with the next steps. Projects are required to describe their communication objectives and communication in the Application Form.

How to create a communication strategy for the project:

**STEP 1:** establishing a **common understanding on the project's objective** at the project's development stage

The most important premise for effective communication throughout and beyond the project lifetime is a clear understanding within the partnership as to what the cross-border challenge is and how to channel cross-border efforts towards exploitable solutions beyond both the partnership and the project lifetime. Soft networking projects will also be able to define the added-value of non-repetitive networking activities for their organisations, their fellow citizens and communities.

<sup>20</sup> Does not apply to projects under Priority Axis 6 (Technical Assistance).

**STEP 2: ensuring smooth partnership cooperation** by:

- organising information flows among lead partner and other partners/associated partners;
- helping all partners and associated partners see themselves as part of the bigger picture (the project) and to truly identify themselves with the aims of the project;
- preventing concentration purely on local activities without any cross-border affiliation;

**STEP 3: defining a partnership identity, mission and message** for the “outside world”. The message must be concise and understandable. Projects with a highly diversified output and result portfolio as well as soft networking projects will also be able to clearly convey a project promise as to what will change within and beyond the project lifetime. A **project brand and visual design development** may help to ensure that all outputs and communication efforts are attributable to the project. Projects, in particular small scale projects, may choose the possibility of using the Programme logo by adding its acronym.

**STEP 4:** The **interaction with key project stakeholders** is a necessity throughout project implementation. Key stakeholders may include a variety of target groups such as external experts and pilot users, policy makers and practitioners, journalists and multipliers as well as Programme bodies. Therefore, projects will define aims and target groups as well as tactics and instruments to reach them, convey their messages, disseminate outputs, investigate and inform about results and impacts.

Project output (example)	Investigated result/impact and publicity solution
A web-based tool for planning cross-border oversized cargo transport	The project provides evidence that the tool is being increasingly used by oversized cargo companies. <b>Publicity solution:</b> end-user testimonial from a company executive. Statistics revealing the number of companies using the tool.
Project output (example)	Investigated result / impact and publicity solution
A micro and small business internationalisation model using peers	The project provides evidence that the model has helped pilot or end-users to expand their business in another South Baltic Member State, increasing demand and creating new jobs. <b>Publicity solution:</b> end-user testimonial from a business owner. Statistics revealing business growth.

**STEP 5: self-assessment of** the project’s communication measures both in the long-term (e.g. indicators and statistics) and short-term (e.g. event assessment sheets, pilot user feedback, etc.) perspectives and weigh the cost-benefit ratio when deciding on communication instruments.

## 5.2 Project’s publicity duties

From the moment of signing the Subsidy Contract, each partner is obliged to inform the general public both verbally and in written form about the fact that the project is co-financed by the European Union within the South Baltic Programme. Each project partner will inform the LP about **any events organised in relation to the project** so that the LP can forward this information to the JS three weeks in advance to allow for the publication of this information on the Programme’s website to ensure the promotion of the event or to allow for the Programme representatives to attend. Furthermore, all outputs and publicity measures must make a **reference to the European Regional Development Fund**.

Partners will ensure compliance with Implementing Regulation No 821/2014, with regard to the proportionate **use of the Union emblem** (including a reference to the Union) **and other logos** such as Programme, project and partner logos<sup>21</sup>. The EU emblem must be reproduced in colour. A monochrome version can only be used in justified cases. The EU emblem should always be placed in a prominent position, and its size should be adjusted to the scale of the document or the information material in which it occurs. This also applies to the logo of the South Baltic Programme.

### The Programme logo



Compliance with Regulation No 1303/2013, in particular Annex XII number 2.2, must be ensured, particularly concerning:

- Displaying information **posters**. A poster with information about the project (minimum size: A3) should be displayed so as to be visible (e.g. at the project site, at the entrance to the building);
- **Labelling** documents and materials drawn up for the purposes of the project;
- Setting up temporary billboards during implementation and permanent **plaque/billboard** after completion, if necessary.

Each partner is required to publish a brief description of the project on its institution's website (where this exists). In general, it is advisable to create a newly dedicated **website** for individual projects though this is not compulsory. If Partners contemplate developing a project website co-financed within the South Baltic Programme, attention should be paid to the fact that such websites are to be maintained at least 5 years after the project closure. The Joint Secretariat has the right to request documentation of the entire website including all contents on a physical medium such as a DVD-ROM. The maintenance of at least 5 years after the project closure does not apply for websites which constitute a project result (e.g. web information services, online decision support systems, stakeholder interaction platforms, etc.). If a website constitutes a project result, its long-term operation and maintenance (i.e. more than 5 years) must be ensured.

Upon any request by the Programme bodies, partners will render physical and immaterial **contributions to Programme publicity**, awareness raising and capitalisation efforts (e.g. participation in and contribution to events, contribution to news releases and publications, interviews, collection of information, overall impact investigation, provision of statistics concerning the use of a particular project output) during and beyond the project lifetime. A smooth cooperation between the project communication manager and the Programme communication and capitalisation officer must be ensured.

Lead partners are obligated to provide the Joint Secretariat and the Managing Authority with material that documents project activities, results, dissemination efforts and media monitoring. **Documentation material** can include photographs, webcasts, multimedia content (DVD/Blu-ray) produced within the project as well as press cuttings and recordings of external media coverage such as TV or radio broadcasts. The lead partner will grant the

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<sup>21</sup> The provisions of Implementing Regulation No 821/2014 are obligatory for projects under Priority Axis 6 (Technical Assistance).

Joint Secretariat and the Managing Authority permission for an unlimited use of audio-visual contents such as photographs and videos produced within the project. These contents will have adequate publishing quality (HD videos and printable photographs) and must be royalty-free: infringement of the intellectual property of third parties is prohibited.

All written outputs developed by projects must include the following **disclaimer**: “The contents of this [type of output] are the sole responsibility of the author[s] and can in no way be taken to reflect the views of the European Union, the Managing Authority or the Joint Secretariat of the South Baltic Cross-border Cooperation Programme 2014-2020”.

All outputs and publicity measures must emphasise and explain their **cross-border context**.

All foreground **intellectual property**, i.e. outputs created within a South Baltic project, must be made publically available.

Building on the general provisions stipulated in Chapter III, Section 4 “Durability and impact”, each partnership will provide the JS with at least one qualitatively described **success story**. Depending on the thematic focus, objectives and results of the project, the angle and perspective of the story might be decided individually by each partnership (e.g. end-user perspective: an apprentice who got her/his first job thanks to participation in a training programme organised by the project or a passenger travelling more smoothly across the Baltic Sea thanks to improved transport services; partner perspective: a partner institution benefitting from improved management practices or contacts established through the project; territorial perspective: a coastal city or region making use of innovative anti-eutrophication measures jointly developed by the partnership etc.). The success stories will serve the purpose of visualising and exemplifying the outputs and results achieved by the funded projects. Transforming the achieved outputs and results into personalised stories may allow each project (as well as the Programme) to better reach their target groups and to make the results of cross-border cooperation more “attractive” for external audiences and the media.

## 6 Changes during project implementation

**As an overarching rule, each project should be implemented in line with the concept presented in the approved application and Subsidy Contract. Any modifications to the scope of the project, the planned activities and to the partnership should be avoided. The budget planned in the Application Form should be as precise as possible. The introduced changes should not result in substantial changes to the project objectives unless they are clearly justified by the change of external circumstances under which the project is implemented.**

Changes require different procedures to be applied – deviations (harmonised between partners) and changes requiring the decision of the JS or the MC. It must be emphasised that information about deviations and changes within the project, especially within the project budget, must be reflected by the JS in the SL2014 system in order to maintain an appropriate audit trail. It is also worth mentioning, that requested changes, particularly those related to activities, deliverables and outputs, may be subject for the assessment of state aid experts, and may result in the necessity to apply state aid rules.

When preparing the documents for the JS, the LP should work on the latest version of the Application Form, budget, and the physical and financial schedule. The LP is responsible for submitting to the JS the complete and appropriately filled in “Request for changes” (based on the requests submitted by the project partners), along with updated project documentation and the justification in electronic form.

After receiving the request, the JS will review it and may request the LP, by electronic means, to provide supplements or additional explanations. If the LP cannot provide

necessary justification after the 2<sup>nd</sup> request, the request for a change may be rejected by the JS.

After the decision is made (either by the Joint Secretariat or the Monitoring Committee), the JS will inform the MA about the introduced changes electronically and will submit the updated project documentation to the MA. The MA/JS will then draw up the register of changes to the Subsidy Contract. In the next step, the JS will inform the LP in writing about the decision and will send a photocopy of the register of changes to the contract, along with the updated project documentation, to the First Level controllers. The Joint Secretariat will also enter all the approved changes into the SL2014 system. The LP will be responsible for notifying other PPs about the decision of the Programme.

Changes to the project can be divided into the following types:

## 6.1 Budget changes

### Deviations

- Cumulative budget reallocation between work packages and budget lines (WPs and BLs calculated separately) not exceeding 10% of the current total eligible budget of the project;

A project has a total budget of EUR 100 000. It reallocates funds both between budget lines and work packages (EUR 2000 are transferred from WP3 BL3 to WP1 BL5, EUR 1000 are transferred from WP3 BL3 and EUR 1000 from WP2 BL3 to WP2 BL5). The reallocation amount between work packages cumulates to EUR 3000, representing 3% of the total budget. The reallocation amounts between budget lines cumulates to EUR 4000, representing 4% of the total budget (see table below).

Changes made (+ / -)						
No	Budget line	WP 1	WP 2	WP 3	Changes between BLs	Reallocated sum, BLs
1	Staff Costs			0	0	0
2	Office and administration	0	0	0.00	0	0
3	Travel and accommodation	0	-1000	-3000	-4000	0
4	External expertise and services	0	0	0	0	0
5	Equipment	2000	2000	0	4000	4000
6	Infrastructure	0	0	0	0	0
Change between WPs		2000	1000	-3000	0	4000
Reallocated sum, WPs		2000	1000	0	3000	4.00%
					3.00%	
Total budget of the project				100 000		
Maximum reallocation of the WPs (10% of the total eligible budget)				10 000		
Maximum reallocation of the BLs (10% of the total eligible budget)				10 000		

The separate planned reallocations between work packages (3%) and budget lines (4%) do not exceed 10% of the total eligible budget of the project. Therefore, it is regarded as a deviation.

Please note that in cases of changes within budget lines that are the basis for a flat rate calculation, the percentage of flat rates cannot be changed. When planning the changes project partners have also to remember that the total budget of the project cannot be changed.



- Cumulative budget reallocation between project partners not exceeding 10% of the current total eligible budget of the project.

Reallocations require prior agreement within the project partnership while the total ERDF granted to the project and stipulated in the subsidy contract cannot be exceeded. The above-mentioned rule can only be implemented with respect to the activities and related expenditures planned in the Application Form (this rule does not apply to spending project savings for additional activities).

The JS is informed about the deviations, at the latest, when receiving the project progress report!

#### Changes requiring the decision of the Joint Secretariat

- Cumulative budget reallocation between work packages and budget lines (calculated separately) exceeding 10% of the current total eligible budget of the project.

Budget reallocations can be carried out only in well-justified cases and are recommended only once during the project life time. Please note that in cases of changes within budget lines that are the basis for a flat rate calculation, the percentage of flat rates cannot be changed. When planning the changes project partners must also remember that the total budget of the project cannot be changed.

#### Changes requiring the decision of the Monitoring Committee

- Cumulative budget reallocation between project partners exceeding 10% of the current total eligible budget of the project.

As a general rule, such budget reallocations can be carried through only in well-justified cases and can be requested only once during the project life time.

- Additional ERDF funding for the activities related to the achievement of the project objective.

## 6.2 Changes to the project activities

### Deviations

- Changes in the activities (tasks/processes that lead to the achievement of deliverables/project main outputs) that do not impact the achievement of the deliverables/project main outputs and ensure the cross-border character of the activity. The JS is informed about the deviations, at the latest, when receiving the project progress report.

#### Changes requiring the decision of the Joint Secretariat

- Changes in the activities (tasks/processes that lead to the achievement of deliverables/main outputs) that impact the achievement of the deliverables/project main outputs or their cross-border character.
- Adding new activities (tasks/processes that lead to the achievement of deliverables/main outputs) that ensure the achievement of the deliverables/project main outputs.
- Changes to planned amount of equipment items (except items of low value) defined in the Subsidy Contract in force.

### 6.3 Changes to project main outputs and deliverables

#### Deviations

- Changes not exceeding 30% of the target value of each deliverable.

The JS is informed about the deviations, at the latest, when receiving the project progress report. Project partners have to inform the lead partner about overachievements together with the partner progress report.

#### Changes requiring the decision of the Joint Secretariat

- Change of more than 30% to deliverable targets, introducing new deliverables or deleting existing ones;
- Changes (decrease of more than 30% and any increase) of the target values of main outputs and changes of the Programme output indicator target values.

#### Changes requiring the decision of the Monitoring Committee

- Adding new or deleting existing project main outputs and the Programme output indicators.

In cases of any changes of project outputs and related activities, the project budget will be adjusted accordingly. Despite possible changes, at least one main output must address the exact target group of the project.

### 6.4 Changes to the work plan and project spending plan

#### Deviations

- Difference between the actual implementation of the activity and project work plan not exceeding 6 calendar months and not affecting the project completion date.

The JS is informed about the deviations, at the latest, when receiving the project progress report. The reason for the above-mentioned difference must be explained in the partner progress report and project progress report. The lead partner will carefully monitor the implementation schedule and inform the JS about possible changes as described above.

#### Changes requiring the decision of the Joint Secretariat

- Difference between the actual implementation of the activity and the project work plan exceeding 6 calendar months.
- As a general rule, the project can ask for changes to the project spending plan exceeding 6 months only once during the project lifetime.

In case of delay of the activities, the project is strongly encouraged to consider speeding up the implementation of other activities.

### 6.5 Prolongation of the project implementation time

A prolongation is defined as the extension of the implementation period of the project as stipulated in the Subsidy Contract and may be done only in exceptional and well justified cases (i.e. cases affected by unforeseeable external factors (e.g. force majeure, law and documents' amendments, etc.)). In general, all projects shall implement the project according to the planned duration. However, if prolongation is required, the LP shall justify the need of prolongation by describing, in detail, for which project activities and partners the prolongation is needed. Regardless of the time frame, any prolongation requires an annex to the Subsidy Contract and changes to the Application Form.

It should be emphasised that the complete and correct documentation necessary for the signing off of an Annex to the Subsidy Contract must be submitted to the Joint Secretariat at least two months before the end date of the project defined in the Subsidy Contract<sup>22</sup>.

#### Changes requiring the decision of the Joint Secretariat

- Prolonging the project implementation time up to 6 months.

#### Changes requiring the decision of the Monitoring Committee

- Prolonging the project implementation time for more than 6 months.

### 6.6 Partnership

#### Deviations

- Changes in contact data of the lead partner and partners, as well as key project management staff (contact person of the lead partner, project manager, financial manager, communication manager) and changing the person authorised to work in the SL2014 system.

Changes of the person allowed to introduce the data, on behalf of the partner, into the SL2014 system should be communicated to the JS immediately. A new person must obtain the rights to use the system and to process personal data in the scope required by the SL2014. The change should be notified immediately in order to ensure the timely submission of all the data to the FLC and JS. The change of a person is to be communicated using a template available on the Programme website.

- Change in bank account number of the lead partner.

Such changes should be notified to the JS immediately.

#### Changes requiring the decision of the Joint Secretariat

- Changes in legal status of the partner(s) or the eligibility of VAT for a given partner.

Any change of the legal status of a project partner must be immediately communicated to the JS. Dependent on the change of the status, the revision of the Subsidy Contract and/or Application Form may be required; the change may also result in the withdrawal of the Partner from the project.

#### Changes requiring the decision of the Monitoring Committee

- Changes in the partnership, in case of the withdrawal or inclusion of institutions after the signing of the Subsidy Contract.

If the withdrawal from the project of one partner in the partnership cannot be avoided, the ideal solution is to find a suitable replacement for the withdrawing partner, preferably from the same region/Member State. The lead partner should always first verify if this option is feasible.

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<sup>22</sup> For projects under Priority Axis 6 (Technical Assistance) documentation must be submitted to the Managing Authority.

The other alternative is a complete withdrawal of the project partner. In order to minimise the impact on the project, it is recommended, in this case, that an existing partner (or partners) take(s) over in full (or partly) the role and activities of the withdrawing partner. As a consequence, this also means that the budget or activities may be partly reallocated.

In any case - as changes in partnership may influence the overall structure (responsibilities, distribution of activities and budget, durability, etc) of the project, it is recommended for the lead partner to contact the JS beforehand. This would allow the lead partner to receive the guidance on the application of the Programme rules on project changes.

### 6.7 Other changes

All other changes concerning project implementation that are not described in this document will be approved beforehand by the JS or the MC. The LP will contact the Joint Secretariat directly to agree the method of their potential introduction.

The procedures applied in case of changes in details are as follows:

Deviations	Changes requiring the decision of the JS	Changes requiring the decision of the MC
<p>Deviations do not significantly influence the planned activities, main outputs or the Programme output indicators and are implemented by the lead partner and project partners without prior notification.</p> <p>The project partners have to clarify with the lead partner whether the changes in their part of the project can be considered as deviations. The confirmation of the lead partner (can be issued in e-mail format) should be uploaded to the SL2014 system together with the respective partner progress report. Deviations may be subject to further clarifications, however they are accepted once the project progress report is approved and the ERDF reimbursed. As a general rule, deviations do not require any amendments to the Subsidy Contract and/or Application Form.</p>	<p>For changes requiring the decision of the JS, a complete and formally and substantively correct request for changes must be submitted to the Joint Secretariat, <b>at the latest, two months before the project completion date</b>, as specified in the Subsidy Contract. Requests submitted at a later date may be rejected without being taken into consideration.</p> <p>Where changes require an annex to the project Subsidy Contract, the annex must be signed during the project implementation period laid down in the co-financing contract.</p>	<p>For changes requiring the decision of the MC, a complete and formally and substantively correct request for changes must be submitted to the Joint Secretariat, <b>at the latest, two months before the project completion date</b>, as specified in the Subsidy Contract. Requests submitted at a later date may be rejected without being taken into consideration.</p> <p>The approval of the MC must be obtained before the changes can be implemented, which usually requires using the written procedure. The process from the submission of the first version of the request for changes until the amendments to the project documents may take considerable time.</p> <p>All changes that may have a significant impact on the character and nature of the project and/or pose a risk to its delivery and the quality of its results require the decision of the MC.</p>

### 6.8 Consequences of not meeting output indicators and spending targets

#### Indicators

Indicators are monitored in the following ways:

- the achievement of the Programme output indicators is monitored with the final project progress report;
- the achievement of the main outputs is monitored with each project progress report;
- the achievement of the deliverables is monitored with each project progress report.

**The close cooperation between the supported partnerships and the JS** is crucial for the successful implementation of each funded project. The JS will ensure not only the monitoring of each project's progress, but also within the scope of their duties the JS will provide guidance on how to deal with implementation challenges and unforeseen situations. Nevertheless, it is important to remember that the Programme is implemented

through the lead partner principle - the lead partner bears overall responsibility for the project to the partnership and the Programme. Part of the overall responsibility is the delivery of the project outputs and results.

Consequently, **if challenges or the need for changes should occur** during the course of project implementation, the lead partner will contact and **inform the responsible Project Officer at the JS in due time**. In particular, each lead partner is strongly advised to contact the JS upon the first indications that their project might face the risk of underachievement of the project's main outputs and results, including the potential impact of the presumed underachievement on the quality of the outputs as described in Chapter III, Section 3, "Contribution to the objectives of the South Baltic Programme". The close dialogue between the JS and the project may allow both parties to discuss solutions and recommendations on how to deal with the situation and to prevent the project from having serious negative impacts.

In the light of the Programme's responsibility for efficient and effective ERDF implementation, projects should strive to achieve the target values and quality of Programme output indicators, main outputs and deliverables in accordance with the Application Form. The Programme anticipates certain flexibility in terms of achievement of the project indicators and outputs – both in the form of deviations and project changes. Therefore, projects should follow the requirements laid down in the Section 6.3 "Changes to project main outputs and deliverables".

### Spending targets

The European Commission demands that each annual Programme ERDF co-financing is spent within the three following years; hence ERDF co-financing which is not claimed from the EC in time is de-committed from the Programme budget and therefore lost (what is known as the "n+3" rule). The Programme payment claims to the EC will be based on the verified and reported expenditures submitted by the projects, thus this very much depends on each project's financial performance.

During the preparation of the project application the lead partner and the project partners should plan the budget carefully and set realistic spending targets

The spending forecast will be monitored by the Programme bodies in order to ensure financial discipline in the projects. It is recommended that the project partners inform the JS about post-tender savings. If the project partners agree to release the ERDF funding that will not be used for the project activities, then the annex of the Subsidy Contract decreasing value of the project should be signed.

If, on the Programme level, ERDF funds are not spent in accordance with the n+3 rule the European Commission will de-commit the unspent funds from the Programme. In such a situation, and if the de-commitment cannot be secured by other means, the commitments granted to projects will have to be reduced. Therefore, evaluation of the achievement of project financial milestones will be done during the middle of the project implementation period (after receiving the 3<sup>rd</sup> project progress report).

The decision on which projects are affected by the de-commitment will be based on an assessment of the project's spending plan as fixed in the Subsidy Contract and the actual spending rate of the projects. De-commitment, in the first instance, will only concern projects which are at least in the middle of the project implementation (after the 3<sup>rd</sup> project progress report) and their spending equals, or is less than, 80% compared to the spending plan in the Subsidy Contract. In cases where the Programme's de-commitment amount in question cannot be compensated by the project budget cuts as outlined in the procedure above, the 80% threshold will be raised and additional projects will be included in the de-commitment procedure.

The JS will inform the lead partner about the deduction according to the rules laid down in the Programme Manual and will draw up an annex to the Subsidy Contract reducing the value of the project by the value of savings in question.

## **6.9 Complaints related to the implementation of the Subsidy Contract**

A complaint against the decision of the MA regarding the implementation of the Subsidy Contract is lodged pursuant to the provisions of the Subsidy Contract. Only the lead partner of the project is entitled to file objections on the findings of the MA regarding the implementation of the Subsidy Contract. Complaints against the decision of the MA are examined by the MA.

## **7 Monitoring and Reporting**

### **7.1 General principles**

It is the responsibility of the lead partner to ensure the quality of the implementation of the project by monitoring and reporting the progress of the project. This includes follow up and assessment of the quality of Partner achievements as well as a full overview of the overall progress of the project.

The main instrument for project monitoring is a progress report. On the basis of the report, the JS will monitor the implementation of the projects. At the same time, the report is a tool for the lead partners to follow up on the activities and costs incurred among the project partners and associated partners.

The Programme is committed to the simplification and reduction of administrative burdens for partners. Therefore, it will follow the principle of e-Cohesion by introducing the electronic exchange of information between partners and the FLC as well as between the lead partner and the JS.

Project monitoring will cover such issues as:

- Effectiveness and efficiency of project implementation; is the project being implemented (considering flexibility limits) in accordance with the activity and financial profile detailed the Application Form? Has the budget been implemented as planned? Does the project reach the agreed objectives? Does the project manage to deliver the promised results and outputs?
- Quality of the management; are the management procedures efficient and do they ensure the quality of the project implementation?

### **Progress reports**

Progress reports will be handled in the SL2014 system. Detailed information on progress reports can be found in "User manual on working in the SL2014 system".

### **Electronic exchange of documents and data**

In the 2014-2020 Programme, in accordance with the EU provisions, project implementation data and documents between the project partners and the Programme institutions will be exchanged electronically via a system designed for this purpose. Project and lead partners will have an obligation to use the SL2014 system. This section describes general principles and obligations on the use of the system; however detailed information, including a description of functionality and technical details, will be included in the Subsidy Contract, Partnership Agreement and also in the separate document "User manual on working in the SL2014 system".

The Managing Authority will ensure the functioning of the IT system, which will cover monitoring, evaluation, financial management, verification and audit processes. The system will be used in particular for:

- project administration from the moment of signing the Subsidy Contract;
- recording of Programme implementation data (linking projects to the thematic objectives and investment priorities, indicators, regions, dimensions and categories of interventions);
- certification of expenditure and First Level Control allowing the maintenance of the audit trail, as specified in Article 24 and Annex III of Commission Delegated Regulation (EU) No 480/2014.

Employees of the Programme institutions and project partners (persons authorised to manage projects on their behalf) will use SL2014 application (part of the IT system) for the above mentioned processes. The SL2014 application will be available via a web interface - Mozilla Firefox, Internet Explorer and Google Chrome internet browsers. Project partners have only to ensure they have access to the internet, as an installation of additional software is not necessary.

Use of the SL2014 application will allow project partners to:

- fill in and submit partner progress report to the First Level controller;
- provide information about the financial schedule in the project;
- provide information on planned and implemented contract award procedures in line with the Programme and national tendering rules (as well as information on concluded contracts and selected contractors);
- maintain correspondence with the First Level controller and provide information, clarifications and documents (documents existing only in an electronic version, as well as scanned versions of documents) when requested by the First Level controller.

As part of the lead partner principle, additional tasks in the SL2014 application will be required from the lead partners:

- submission of the project progress report to the JS;
- maintaining correspondence with the JS and, upon request of the JS, providing required information;
- N.B. Lead partner and project partners are obliged to use the English version of SL2014!

### **Designation of authorised persons**

Upon signing of the Subsidy Contract, project and lead partners will have to authorise at least one person per partner to use the SL2014 application on their behalf. It should be highlighted that all actions of authorised persons in the SL2014 application will be legally binding. In case the partner decides on a change of the authorised person the appropriate procedure should be followed. Procedures related to the authorisation and the change of appointed persons will be available on the Programme's website. It is important to stress that, in order to ensure the smooth functioning of the system, project and lead partners must inform the JS immediately if any person authorised to use the SL2014 has changed. Otherwise, access to the SL2014 will be denied.

To authenticate actions performed under the SL2014 application, project partners have to follow certain rules, which depend on their Member State of origin.

Persons authorised by Polish project partners use the ePUAP trusted profile or secure electronic signature verified with a valid eligible certificate under the SL2014 system. If, for technical reasons, the ePUAP trusted profile cannot be used, authentication will take place using the login and password generated by the SL2014 system, where the PESEL number of a given authorised person is used as a login.

Persons authorised by Danish, Lithuanian, German and Swedish partners will use the e-mail address and password provided in the application for authorisation. The authorised persons must follow the regulations concerning security of the information processed in the SL2014 application and must work in the SL2014 system in line with the principles defined in the User manual (this will be available on the Programme's website).

### Handling of errors and notifications

In order to ensure the smooth functioning of the SL2014 application, partners must immediately notify the Joint Secretariat of any failure of the SL2014 application, in particular if it impacts the submission of progress reports to the First Level controller or the JS. In cases of a system failure that will not allow the submission of progress report on time, partners can submit documents in paper form, in line with the report template available on the Programme's website. Once the fault is remedied partners are obliged to submit electronic versions of reports via the SL2014 system within 5 working days. In cases where partners detect unauthorised access to their data in the SL2014, they should notify the JS immediately. The project and lead partners will be informed by the JS about the reported and resolved issues of the SL2014 application, as well as the analysis on the notification about any unauthorised access to partner data.

### Reporting periods

Project implementation is divided into 2 cycles of 6-month reporting periods:

Cycle 1:

- from 1 January to 30 June;
- from 1 July to 31 December.

Cycle 2:

- from 1 April to 30 September;
- from 1 October to 31 March.

Reporting cycles will be applied in rolling order (1<sup>st</sup> Call - Cycle 1; 2<sup>nd</sup> Call - Cycle 2; 3<sup>rd</sup> Call - Cycle 1; etc.)<sup>23</sup>.

There may be some exceptions from the rule mentioned above:

- project may submit so-called 0-report contains only preparation costs in accordance with the lump sum indicated in the approved Application Form. It may be done from the date following the date of signing of the Subsidy Contract within 3 months period.
- in justified cases, especially if the Programme faces the risk of de-commitment i.e., the Joint Secretariat, may request Lead Partner to submit an additional Project

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<sup>23</sup> Reporting cycles and periods for the Technical Assistance projects have been defined in the TA contracts.



Progress Report, covering the reporting period which is different from the standard reporting period. In this case, the Lead Partner shall submit a Project Progress Report under the conditions set by the Joint Secretariat.

- in justified cases related to the most efficient implementation of the project, the Lead Partner may ask the Joint Secretariat for the opportunity to make an additional Project Progress Report covering different than the standard reporting period.

#### Reporting on project progress is done on two levels and consists of: Reporting on partner level (partner progress report)

Project partners should provide partner progress report and all necessary documents to the First Level controller within 15 calendar days after the end of the reporting period, leaving enough time for the First Level controller to carry out verification. In accordance with EU regulations the First Level controllers have 90 calendar days to complete verification of the expenditure. However, in order to allow timely provision of the project progress report to the JS, the First Level controller is recommended to complete verification of expenditure in 60 calendar days (if possible) in order to facilitate a smooth reimbursement process. Taking into account that, during verification, the First Level controller might request the project partner to provide supporting documents, project partners are advised to have all supporting documents at their disposal for possible clarification requests.

The lead partner and project partners should cooperate closely with their First Level controller during the reporting process.

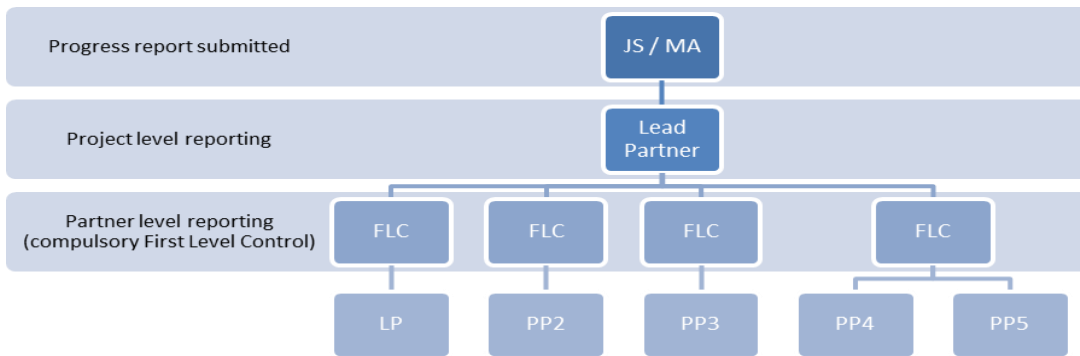
The deadlines for providing the partner progress report, documents and answers to the clarifications/questions of the First Level controller by project partners may be set out in the Partnership Agreements.

In exceptional cases, if the project partner is not able to deliver necessary explanations and additional documents as part of the clarifications to the First Level controller within the set deadline, related costs can be claimed in the next reporting period (as they will be deemed ineligible in a given reporting period and the First Level controller will finalise their work and certify only the costs that were not questioned).

#### Reporting on project level (project progress report)

The lead partner is obliged to provide the project progress report to the JS for each reporting period. It is recommended that the project progress reports are provided within 15 calendar days after all project partners have been certified by respective First Level controllers. If the lead partner is not able to provide the project progress report by the above mentioned deadline it should inform the JS via SL 2014, stating the reasons for the delay as well as indicating an alternative delivery date of the said report.

The final project progress report acts as the request for the final payment to the project. It consists of the project progress report and additional attachments. Information required in the attachments refers, in particular, to project results and objectives. The lead partner has to provide the report and the attachments in the SL2014 system within 120 calendar days from the end of the project implementation period (end date set in the Subsidy Contract).



## 7.2 Mid-term project review<sup>24</sup>

Aimed at assisting the funded partnerships in the day-to-day management of their projects, the Programme will invite each project to participate in a mid-term review. Carried out by the Programme, the mid-term review will be organised in the form of a meeting between the project and the JS. The review meeting has to be organised by the project in close cooperation with the responsible Project Officer at the JS. Consequently, the date and practical arrangements should be agreed beforehand between the project and the JS. The national/regional Contact Points of the Member States where project partners are located will be informed about the mid-term review meeting and may also take part.

The mid-term review will focus on the following aspects:

- content-related analysis and financial progress of the project;
- joint reflection on management issues;
- realistic forecast and recommendations for the remaining project period;
- if applicable, identification of deviations and delays as well as necessary project changes.

The Monitoring Committee of the Programme will be informed about the conclusions from the mid-term project reviews.

## 7.3 Accounting of project expenditure, documents and their storage

One of the lead partner responsibilities is to ensure that expenditure presented by project partners has been verified by the First Level controller. Therefore, the project partners must ensure the accounting of their project expenditure, keep their project documentation and ensure that necessary documents are available on partner premises for audit purposes - verification of expenditures by the FLC before the submission of the report to the JS, audit(s) of SLC and audits/controls performed by other bodies.

The partners have to ensure that the following information is available in their accounting system:

- who paid an invoice/bill;
- what the invoice/bill was paid for;

<sup>24</sup> Does not apply to projects under Priority Axis 6 (Technical Assistance).

- when the invoice/bill was paid;

It is the responsibility of the lead partner and of all project partners to store project documents in a safe and proper manner and that they are retained for at least five years from the date of the reimbursement of the final project progress report to the lead partner. This time can be extended if the final project progress report cannot be certified by the European Commission for some time after the final payment for the project – e.g. in case of detected irregularities within the project. The LP will be informed about the prolongation by the JS.

Where documents exist in electronic form only, the computer system, as well as data carriers used by the lead partner, project partners and the Programme bodies, will meet accepted security standards that ensure that the documents held comply with national legal requirements and can be relied on for audit purposes. In particular, lead partner/project partners will ensure that:

- documents are stored on a data carrier which meets accepted security standards;
- the data carriers are described in a way which allows easy identification of the documents;
- the audit trail is being ensured and each item is easily identifiable for control and audit purposes.

The list of the main documents that need to be retained:

- approved Application Form;
- Subsidy Contract, all Annexes and Registers of changes;
- Partnership Agreements;
- partner and project progress reports;
- all correspondence concerning the above mentioned items.

All the financial documents supporting the costs reported in the partner (project) progress reports must also be retained, among others:

- list of declared expenditures by partners;
- partner controllers' approbations and costs verifications proofs (correspondence with FLC);
- bank account statements proving the transfer of EU funds to the lead partner account and the transfer of funds to project partners' accounts;
- invoices/bills/other equivalent documents;
- bank account statements/proof of payment for each invoice;
- VAT declarations;
- documentation proving staff cost calculations, such as timesheets, employment contracts, time records, etc.;
- documentation concerning external expertise and service providers (lists of subcontractors, contracts, etc.);
- calculation of in-kind contributions;
- documents concerning travel and accommodation, such as boarding cards, travel reports, invoices;
- documents concerning information and publicity;
- documentation related to public procurement rules such as terms of reference, offers, order forms, contracts, etc.;

- proof of delivery of services and goods (brochures, minutes of meetings, etc.);
- record of purchased assets with back-up documentation.

#### 7.4 Reporting templates

The partner progress report has to be produced separately by each project partner (including the lead partner). It is submitted via SL 2014 together, if required, with the financial documents (scans) to the partner First Level controllers for verification. Afterwards, the lead partner prepares a project progress report for the purpose of summarising activities and expenditures at the project level (see Section 7.1 "General principles"). Detailed information, including a description of functionality and technical details will be included in the separate document "User manual on working in the SL2014 system". In order to apply for reimbursement, the lead partner will deliver the project progress report to the JS via SL2014, supported by the necessary documentation.

#### 7.5 Reimbursement of project costs

The reimbursement of project costs is made after the submission, verification and approval of the project progress reports by the JS<sup>25</sup>.

The reimbursement is made by the Polish Ministry of Economic Development to the lead partner bank account, details of which need to be provided by the lead partner and included in the Subsidy Contract (see also Chapter VI, Section 2 "Use of Euro").

For audit purposes, and in order for all payments to the project to be easily identified and thereby transparent, it is proposed that the lead partner considers opening a separate bank account. As the lead partner is responsible for transferring proper reimbursement of ERDF to the partners in EUR, it is also advised that the account is opened in EUR. This would help the lead partner to avoid extra costs from changes in exchange rates, for which full responsibility has to be borne by the project partners.

### 8 Audit and control

#### 8.1 First Level Control

Each Programme Member State has set up what is known as a "First Level Control" system according to Article 23 of the Regulation 1299/2013. It defines controllers that are entitled to and responsible for verification of expenditure declared by the Project Partners. Their tasks include, among others, verifying the delivery of the products and services, the eligibility of the expenditure declared and compliance of the expenditure with the Programme rules, EC and national legislative acts. Only costs verified by the national First Level controller of the Member State in which the respective partner is located can be considered eligible in the South Baltic Programme. The First Level Control is carried out at the partner level, i.e. for the expenditures of each partner separately. They include verifications based on the partner progress reports and/or on-the-spot checks in accordance with Article 125 (5) of the Regulation (EU) no 1303/2013. The FLC systems vary among the Member States that participate in the South Baltic Programme. Regardless of the system used by the Member State, First Level controllers must be independent from

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<sup>25</sup> For projects under Priority Axis 6 (Technical Assistance) partner progress reports are submitted to the relevant controller (in the case of Poland the Voivodeship Offices). Project Progress Report is submitted to the MA. Upon the verification and approval of the project progress reports, the Managing Authority reimburses the costs claimed in the report.

the project, project activities and without private prejudice to the partner controlled. As a general rule, no internal controllers can be appointed for the verification of expenditure.

In Member States with decentralised FLC system, controllers must be approbated by the competent approbation bodies of the individual Member States (detailed information is available in the General Principles on First Level Control and on the FLC section on the Programme website). It is recommended that Partners plan the subcontracting of a First Level controller well in advance of the first partner progress report, as national public procurement rules have to be followed and a call for tenders might be necessary and this process could take some time. The terms of reference for the audit companies / auditors should be developed on the basis of the information provided in *General principles on the First Level Control*. Also relevant national regulations, which further specify qualifications and procedures of the FLC, have to be taken into account. The contracts to be concluded should cover both administrative and on-the-spot-checks. After Partners have chosen FLCs in line with national public procurement rules, FLCs have to be approbated by the responsible national body. The approbation procedure has to be carried through and the Approbation Certificate issued before the first progress report is submitted to the FLC for verification, because FLCs receive access to SL 2014 only after being approbated. Partners are therefore asked to submit the filled-in Checklist with criteria for the approbation of the FLC to the Approbation Body one month before the end of the first reporting period at the latest. It is also recommended that the contract includes provisions that, the First Level controller is obliged to provide relevant information upon the request of the MA/JS with regard to the control /audit issues and reporting irregularities. Therefore, project partners should plan costs for the First Level controller in the Application Form and for an appropriate amount.

In order to establish common standards and ensure that First Level controllers designated by the Programme countries fulfil their obligations, harmonised requirements in regard to the FLC standards are described in the "*Control guidance for the First Level Controllers*". The document defines minimum quality standards of the First Level Control set by the Managing Authority and gives practical guidance on carrying out the First Level Control.

#### First Level Control systems in the countries participating in the South Baltic Programme

Programme Member State	First Level Control institutions
Denmark	<p>Type of system: decentralised First Level Control.</p> <p>Designation of the controller: the partners have to propose an independent external controller, due to national legislation, to the bodies responsible for setting up the First Level Control system: Region Zealand or Regional Municipality of Bornholm. These two authorities will verify whether the controller is sufficiently independent from project activities and finances and qualified to carry out the control of a project under the South Baltic Programme. The controller has to be officially authorised by the relevant authorities before the first expenditure can be reported and confirmed.</p> <p>Contact information and a link to national guidance is available on the Programme website [website library reference will be provided].</p> <p>Costs of the First Level Control: can be reported as eligible external expertise costs in compliance with the relevant EU regulations and Programme rules.</p>
Germany	<p>Type of system: decentralised First Level Control system.</p> <p>Designation of the controller: project partners will choose a First Level controller project specifically in compliance with national public procurement rules who has to be approbated by the National Approbation Body in compliance with the Programme provisions.</p> <p>The Ministry of Economics, Construction and Tourism Mecklenburg-Vorpommern designates the state-authorised public accountants in Germany as responsible for the controlling of the expenditure that will be declared by the project partners from Mecklenburg-Vorpommern. Project partners can use the public index of the German Chamber of Public</p>

	<p>Accountants <a href="http://www.wpk.de">www.wpk.de</a><a href="http://www.wpk.de/wpvbp-verzeichnis/">www.wpk.de/wpvbp-verzeichnis/</a> to find state-authorised public accountants in their region.</p> <p>Contact information and a link to national guidance is available on the Programme website [website library reference will be provided].</p> <p>Costs of the First Level Control: can be reported as eligible external expertise costs in compliance with the relevant EU regulations and Programme rules.</p>
Lithuania	<p>Type of system: decentralised First Level Control system.</p> <p>Designation of the controller: the partners will choose a First Level controller in compliance with national public procurement rules, provided that the controller is certified.</p> <p>A list of certificated auditors is approved and provided by the Lithuanian Chamber of Auditors (public legal entity associating all certified auditors of Lithuania). All partners and First Level controllers are obliged to follow the requirements for First Level Control in Lithuania and the Programme rules. The Ministry of the Interior will check if controllers meet the requirements for qualification.</p> <p>Contact information and a link to national guidance is available on the Programme website [website library reference will be provided].</p> <p>Costs of the First Level Control: can be reported as eligible external expertise costs in compliance with the relevant EU regulations and Programme rules.</p>
Poland	<p>Type of system: centralised First Level Control system.</p> <p>Designation of the controller: the First Level Control is carried out by the Voivod Offices. Zachodniopomorskie Voivodship (Szczecin), Pomorskie Voivodship (Gdańsk) and Warmińsko - Mazurskie Voivodship (Olsztyn) - partners will approach the geographically appropriate institution. Contact information and a link to national guidance is available on the Programme website [website library reference will be provided].</p> <p>Costs of the First Level Control: not relevant for the centralised First Level Control system.</p>
Sweden	<p>Type of system: centralised First Level Control system.</p> <p>Designation of the controller: The Swedish government has appointed/designated a national level authority "Tillväxtverket" - the Swedish Agency for Economic and Regional Growth. Contact information and a link to national guidance is available on the Programme website [website library reference will be provided].</p> <p>Costs of the First Level Control: not relevant for the centralised First Level Control system.</p>

The First Level controller of the partner verifies the following aspects with respect to project implementation:

- if lead partner has ensured that ERDF co-financing is transferred to the project partners according to the approved progress reports;
- if the products and services co-financed have been delivered;
- if expenditures declared by the partner are in line with the approved Application Form, the Subsidy Contract and the Partnership Agreement or within the given flexibility limits;
- if the partner progress report provides accurate information regarding the activity and financial progress of the project;
- if supporting documents for the partner progress report are complete and correct (if there are documents proving the expenditure, invoices or other documents with equivalent value of proof, bank account statements, delivery notes, copies of contracts with service contractors);
- if invoices and other financial documents with equivalent value of proof are correctly described and whether they correspond with and prove the expenditures paid out;
- if the eligibility rules for the Programme have been followed (in particular whether the expenditures have been incurred within the eligibility period in relation to activities described in the Application Form, whether the national and community

rules on eligibility of expenditures have been respected, double financing did not occur);

- if the expenditures are essential for project implementation and in compliance with the national and community rules (in particular with public procurement and competitiveness, environment protection, state aid, equal opportunity and non-discrimination as well as publicity and information requirements described in the Programme Manual);
- if conditions for payments have been fulfilled for simplified cost options;
- if the amounts of the expenditures seem to follow sound financial management and are in line with principles of economy, efficiency and effectiveness;
- if partner and other entities engaged in the project implementation maintain a separate accounting system or adequate accounting code for all transactions relating to the project without prejudice to national accounting rules;
- if an adequate audit trail exists.

Partners are responsible for providing the First Level controllers with the requested documents and explanations at any time on the verification process within the deadlines defined by the controller. The Partners are asked to contact their competent FLC body well in advance of the first Progress Report in order to clarify the schedule and concrete demands of the verification process.

Any corrections to the submitted report and the exchange of information between the partner and its controller will be available in SL 2014. Partners are also obliged to implement the recommendations issued by the controllers as a result of on-the-spot checks. It is necessary to inform the First Level controllers on any results of the previous verifications carried out by other control bodies that concerned project implementation and that may affect the work of the First Level controller, including the control results with regard to public procurement (see also in Section 7.1 "General principles").

#### Complaints against the decision of the First Level Control

Objections regarding the results of First Level Control, if envisaged, are examined based on the national solutions of the Programme Member State in which the project partner is seated:

- The Danish project partner may file objections regarding the results of verifications conducted by the First Level controller pursuant to provisions set in the service contract signed with the First Level controller.
- The German project partners may file objections regarding the results of verifications conducted by the First Level controller pursuant to provisions set in the service contract signed with the First Level controller.
- The Lithuanian project partner may file objections regarding the results of verifications conducted by the First Level controller pursuant to provisions set in the service contract signed with the First Level controller.
- The Polish project partner may file objections regarding the results of verifications conducted by the First Level controller pursuant to Article 25 of the Act on the rules for the implementation of the programmes of the Cohesion Policy financed under the financial perspective 2014-2020.
- The Swedish project partner may file objections regarding the results of verifications conducted by the First Level controller pursuant to SFS 2014:1383 Förordning om förvaltning av EU:s strukturfonder, 3 kap, 10 §.

The Managing Authority does not examine objections regarding the results of the First Level Control.

## 8.2 Second Level Control

The Programme Member States have appointed the joint Audit Authority (AA), as well as the Group of Auditors (GoA) responsible for Second Level Control in the South Baltic Programme.

In accordance with Article 127 of the General Regulation, the AA is responsible for:

- carrying out audits on the proper functioning of the management and control system of the Programme;
- carrying out audits on the sample of projects on the basis of the declared expenditure.

It is the responsibility of the national auditor (a member of the GoA) to audit partners located on its territory. The audit might include both desk checks and on-the-spot checks.

It is the duty of the lead partner and partners involved to provide requested documentation and access to locations and premises. Upon the completion of the audit, each partner will receive a report/minutes from the auditors<sup>26</sup>. Each audited partner has the right not to approve the above document. The results of the audit performed are issued by the respective national auditor in the final version of audit report/minutes.

The AA issues the final audit report on irregularities detected by the national auditors (member of the GoA). If the recovery of funds is necessary, the respective procedure is applied. The MA informs the lead partner in writing on the launch of the recovery process.

Each project may be audited during or after the project lifetime.

As a good practise FLCs may also assist partners when asked for help during the audits. This cooperation may be of crucial importance and has a positive impact on the reduction of Programme's error rate.

## 8.3 Irregularities

Detection of irregular expenditure may take place among others: during the monitoring of the project implementation, financial verification of the project's expenditure, or durability period. The irregular expenditure may be detected by the Programme or other Programme authorities being in charge (for example, during the audit from the European Commission).

In cases where irregular expenditure is detected, corrective measures will be undertaken by the Programme authorities. The measures – financial corrections – have to lead to the

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<sup>26</sup> In Poland upon the completion of the audit verification the Treasury Control Offices (acting on behalf of the AA) issue:

- minutes (according to the Article 172 of the Tax Ordinance Act from 29 of August 1997 -Journal of Laws of 2012, item. 749 with later amendments), which is forwarded to the project partner for a signature. The content of the minutes includes the information on who, when, where and what steps have been taken, who and with what competencies took part in the verification, what was detected, what the comments of the persons present during the verification were. The minutes does not include the information on detected ineligible expenditure. The project partner may refuse to sign the above-mentioned minutes ;

- summary of findings which is forwarded to the controller for a signature. The document includes information on detected irregularities in the project and the amount of ineligible costs. The controller may raise objections to the above-mentioned summary.



situation that 100% of the expenditure declared in the payment claim issued to the European Commission is eligible. In accordance with Article 143 (2) of the Regulation (EU) No 1303/2013 the financial correction will consist of cancelling all or part of the public contribution to a project.

With regard to the project in which there is need to correct expenditure before the project progress report is approved by the JS/MA, the project partner can declare another eligible expenditure in place of the corrected expenditure.

With regard to the project in which there is need to correct expenditure after a request for payment is approved by the JS/MA, the project partner cannot declare another eligible expenditure in place of the corrected expenditure.

Irregularities detected on the Programme level may result as a consequence in financial corrections or suspension of payments for the Programme. In case the suspension of payments is imposed by the EC at Programme level, the overall liquidity of the Programme is affected. This may significantly reduce the available support to beneficiaries. The MA/JS will do its utmost to clarify the issue with the EC and to lift suspension of payment. Nevertheless, this might lead to suspension of payments on project level depending on the availability of funds on the Programme accounts. The NA and the Lead Beneficiaries through MA/JS will be informed in all cases when an impact on project level is inevitable.

## VII PROJECT CLOSURE AND THE TIME BEYOND

### 1 Project closure

In order to consider the project completed, the last project progress report must be approved by the Programme.

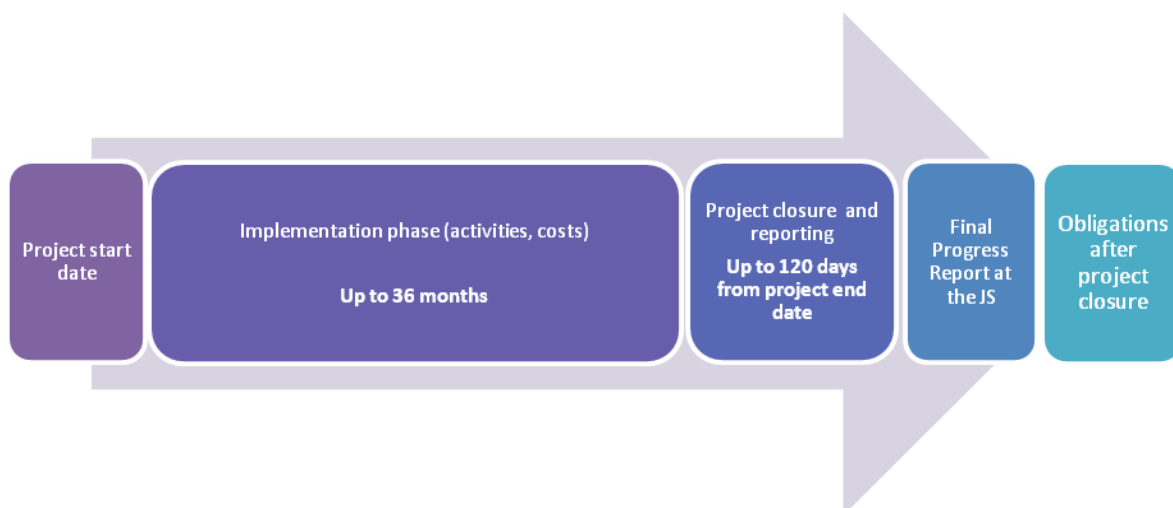
### 2 Eligibility of costs in the project closure phase

Costs for the project closure might occur even after the end date of the project in the **closure phase** until submitting the report to the JS, but no more than 120 calendar days from the project end date. They include expenditures that are related to the preparation and First Level Control of the final project progress report, as well as costs related to the activities carried out in the implementation phase (see also chapter Chapter VI, Section 3 "Time wise eligibility of costs - project implementation" and for further details the information box below). No costs can be reported after the submission of the final project progress report. It is recommended for the lead partner to deliver the final project progress report to the JS within 120 days of the project end date. However, if it is not possible the lead partner will inform the JS about such a case in advance.

#### Important information

Activities related to the project implementation phase are not allowed to be implemented in the project closure phase. Costs which arose in the project implementation phase can however, be paid in the project closure phase.

Costs related to the project closure are eligible under Work Package 1 only and should be incurred before the submission of the final progress report but no more than 120 calendar days from the project end date on, whichever is earlier.



### 3 Income and revenues in and after the project closure phase

Projects with a total budget of over €1m, generating net revenue also after project completion will find additional information concerning this topic in Annex 2 "Projects over €1m generating net revenue after completion of implementation".

### 4 Partners obligations after project closure

The lead partner and all project partners will store the project documents in a safe and proper manner and retain them until at least five years from the date of the reimbursement of the final project progress report to the lead partner. This time can be extended if the

final project progress report cannot be certified to the European Commission for some time after the final payment for the project – e.g. in case of detected irregularities within the project – the LP will be informed about the prolongation by the JS.

The lead partner should inform project partners about receiving the reimbursement of the final project progress report and eventual prolongation of storing the project documents, so that the project partners can carry out necessary arrangements for the storage of the documents.

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It must be underlined that the representatives of the Managing Authority, the JS, the Audit Authority and the Group of Auditors, other auditing bodies of the Programme countries, officials of the Community and their authorised representatives, the European Commission and the European Court of Auditors also have the right to examine the project, all relevant documentation and accounts of the project after its closure.

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## 5 Durability of the project

If the projects of the Programme will include investments (including equipment), the Programme will follow the rules laid down in Article 71 of the Regulation (EU) No 1303/2013. If a depreciation period for an equipment item is shorter than the durability period for the project, the durability period for equipment lasts as long as the depreciation period in accordance with the applicable national law.

The project will repay the ERDF contribution received from the Programme if, within five years of final payment to the Lead Partner (if the final project progress report does not include expenditure, then five years are counted from the approval of the final project progress report) it was subject to main changes according to Article 71 of Regulation (EU) No 1303/2013.

If the applicable state aid requirements stipulate stricter requirements, stricter rules will apply. Sums unduly paid will be recovered by the Programme in proportion to the period for which the requirements have not been fulfilled. The durability principle does not apply in a situation where the project partner undergoes cessation of a productive activity due to a non-fraudulent bankruptcy!

To monitor the compliance of the projects with the above-mentioned requirements, durability controls will be performed by the Programme bodies.

### Post-closure monitoring

To monitor the long-term impacts and effects of the co-financed projects, the JS will communicate with the project LPs after the project closure. In particular, informal interviews with selected project partners might be conducted, including the end users of the project results (see Chapter III, Section 4 "Durability and impact" and Chapter VI, Section 5 "Communication and management of outputs and results").

## VIII ANNEXES

### ANNEX 1 Most common irregularities in the field of awarding contracts

1. The most common breaches in the area of awarding public contracts are related to the:

- dividing or underrating the estimated value of the contract in order to avoid the application of the law;
- conducting the procedure in the wrong manner (e.g. the award of contracts using non-competitive procedures where there are no grounds for applying such procedures; in the case of priority services, the application of the procedure dedicated to non-priority services);
- non-competitive description of the subject of the contract by the groundless indication of trademarks, patents or the origin of goods, without allowing the equivalent tender submission and description of equivalence;
- setting improper deadlines for the tender submission or illegal shortening of deadlines for the tender submission;
- determining improper conditions of participation in the public contract award procedure, leading to discrimination of contractors;
- determining the conditions of participation in the public contract award procedure that exceed the needs necessary to achieve contract objectives;
- demanding from consortium members to meet the conditions of participation in the procedure by each consortium member;
- demanding submission of documents not required by the regulations;
- demanding proof of experience in the execution of contracts co-financed from EU or national funds where it is not necessary to confirm the contractor's abilities to execute the contract;
- non-compliance with the regulations on publishing the contract notice or any amendments thereto;
- illegal restriction of subcontracting;
- setting the improper tender evaluation criteria;
- conducting the procedure in breach of the principle of transparency, fair competition and equal treatment of contractors;
- illegal modification to the content of the agreement concluded with the contractor.

2. Most common breaches in the area of awarding contracts in accordance with the Programme procurement requirements (applied to Polish project partners) are:

- dividing or underrating the estimated value of the contract in order to circumvent the application of the Programme procurement requirements;
- failure to publish the announcement of the procurement;
- failure to set the evaluation criteria;
- awarding the contract to entities related in personal or capital terms;
- setting the proposal deadline in a way that prevents preparation and submission of the proposals;
- concluding the contract with an operator related in personal or capital terms (in cases when there is another potential contractor in the market);

- failure to publish the information about the selection of the proposal according to the requirements;
- concluding an oral agreement.

## ANNEX 2 Projects over €1m generating net revenue after completion of implementation

1. The following rules concern projects generating net revenue after completion of the implementation in accordance with Article 61 of the Regulation 1303/2013:

- projects where the total eligible expenditure amounts to at least EUR 1,000,000.00 and, at the same time;
- the Programme support for a given project/a distinct part of the project that generates the net revenue does not constitute a form of state aid as defined in Article 61(8) of the Regulation 1303/2013.

2. ERDF co-financing for the projects where there is sufficient data and experience acquired as a result of implementation of similar projects/investments (for example, data on demand for services and market fees) will be reduced in advance taking into account the probability of a project generating net revenue over a specific reference period.

3. In order to determine the amount of net revenue of such projects, the applicant will use a financial gap method. In order to calculate the financing gap indicator it is necessary to carry out a financial analysis of the project investments taking into account requirements of Section III of the Regulation No 480/2014 and Chapter 2.7 "Financial analysis" of [Guide to Cost-Benefit Analysis of Investment Projects](#) (prepared by the European Commission; financial analysis should take into account the reference periods that include both project implementation and the period after its completion).

Method of calculation of financing gap indicator in the project is as follows:

**step 1.** Determination of the financing gap indicator (R):

$$R = (DIC - DNR) / DIC$$

where: DIC – sum of discounted investment capital for project implementation

-DNR – sum of discounted net revenue, plus residual value.

**step 2.** Determination of eligible costs adjusted by financing gap indicator (ECR):

$$ECR = EC * R$$

where: EC – eligible costs (undiscounted)

**step 3.** Determination of (maximum possible) EU grant (EU Grant):

$$EU \text{ Grant} = ECR * \text{Max CRpa}$$

where: Max CRpa – maximum co-financing rate determined for the priority axis for a given project partner.

4. Monitoring of such projects consists of the monitoring of net revenue generated during project implementation. In cases where the project generates net revenue from new sources (not identified in the calculation of the financial gap), the project partners are obliged to provide relevant information on the net revenue with the project partner progress report. The amount of ERDF co-financing is reduced according to the amount of the generated net revenue.

4. Monitoring does not include net revenue generated after the completion of project implementation. This exclusion refers to situations where actually generated net revenue will differ from the underlying assumptions, as well as in case of emergence of the new net revenue sources that were not taken into account in the financial analysis or significant changes of level of fees applied in the project.

5. If the project partner, in order to obtain a higher amount of co-financing, deliberately underestimated the net revenue generated by the project or deliberately overestimated

investment costs of the project at the stage of financial analysis, this could be treated as irregularity. Similarly, if the net revenue generated during the implementation of the project was not deducted from the eligible expenditure, this could be regarded as irregularity, if detected after the submission of the final progress report.

### **Projects for which, objectively, it is not possible to determine the revenue in advance**

1. This group includes projects for which there is no sufficient data and experience acquired as a result of implementation of similar projects/investments allowing estimation of two key factors influencing the amount of revenue generated by the project, i.e. the level of demand for goods or services provided by the project and fees for their provision (most frequently these would be innovation projects). This category will not include projects from sectors or subsectors for which the flat rate net revenue percentage was determined.

2. Project partners of such projects should inform the JS about the net revenue generated within three years of the completion of a project (or by the deadline for the submission of documents for the Programme closure, whichever is the earlier). Eligible expenditure of the project and the value of co-financing assigned to the beneficiary will be reduced by the generated net revenue. The net revenue generated after the completion of the project implementation should be reimbursed by the project partner.

### **Calculation of net revenue generated after completion of the project**

Total costs of the project amount to EUR 1000, where EUR 900 is eligible expenditure. Net revenue generated by the project amounts to EUR 100. Therefore, the amount of EUR 90 ( $100 \text{ EUR} * (900 \text{ EUR}/1000 \text{ EUR})$ ) should be deducted from the expenditure declared to the European Commission.

The amount which should be reimbursed by the project partner is 76.50 EUR (determined by applying the applicable co-financing rate;  $90 \text{ EUR} * 85\% = 76.5 \text{ EUR}$ ).

## ANNEX 3

### Additional eligibility rules and guidance for Polish partners

#### 1 General rules and assessment of eligibility of expenditure

1. The description of the accounting document should be drawn up on the original accounting document and should include at least:
  - project number;
  - amount eligible under the project;
2. It is recommended that the project number is provided on the first page of the document. The other remaining elements of the description can be presented on the reverse side of the accounting document. The description may also have the form of a rubber stamp.
3. If the verification of documents by the national controller/other authorised bodies reveals gaps or errors in the description of an accounting document, all corrections must be made on the original accounting document.
4. The obligation to maintain separate accounting records or to use a separate accounting code arises upon signing of the subsidy contract.
5. If the subsidy contract is signed after a part of the project eligible expenditure is incurred, the project partner should (if it is allowed by the accounting system) transfer the said expenditure in the books to appropriate analytical accounts (synthetic or non-balance sheet) in order to meet the requirement of maintaining separate accounting records. Otherwise, the project partner should mark the accounting documents with an adequate code and draw up a list of all accounting documents confirming the expenditure incurred under the project before signing of the subsidy contract.
6. In the case of cash expenditure, the following dates are considered to be the dates of incurring expenditure:
  - made by a bank transfer or debit card – the date when the bank account of the project partner was debited;
  - made by a credit card or similar deferred payment instrument – the date of transaction resulting in debiting the bank account of the credit card or similar instrument;
  - made in cash – the date of actual payment. If the cost is incurred directly by an employee of the project partner, the project partner must keep the documents evidencing this fact. The date of disbursement of cash or the bank account of the project partner is considered as the date of expenditure. If an employee received an advance from the project partner institution for expenditure related to the project, the date of incurring the expenditure is the date of actual payment of the invoice/bill, etc.
7. In the case of **contribution in-kind**: the date when the contribution was actually made (the date of unpaid work of a volunteer).
8. In the case of **depreciation**: date of depreciation write-off.
9. In the case of **compensation of amounts due**: for example, the date of compensation approval by the other party.



## 2 Staff costs

2.1. Expenditure on remuneration of a person working on a project under a civil law contract, who is also an employee of the project partner, is non-eligible, except for specific task contracts (umowa o dzieło).

2.2. Expenditure related to project partner staff remuneration, based on a specific task contract is eligible, if the nature of the performed tasks go over and above the tasks derived from the employment contract (what in fact justifies the conclusion of the specific task contract), and the specific task contract is settled based on the task acceptance protocol.

2.3. Additional benefits may be eligible, if the duties of a given project partner staff member increase temporarily due to project implementation and provided that they were granted in accordance with the applicable labour law. The benefits may be granted both as the only remuneration for work on the project and as a supplement to the remuneration of the project partner staff, settled under the project. A benefit may be eligible, provided that the following conditions are met:

- the possibility to grant the benefit results directly from the labour law;
- the benefit has been provided for in the staff regulations or in the salary regulations of the project partner institution or in other applicable provisions of labour law;
- the benefit was introduced at the project partner's institution at least 6 months before the submission of the Application Form (the condition does not apply to cases where the possibility to grant the additional benefit comes from universally applicable legal acts);
- the benefit can be potentially applied to all project partner employees and its granting rules are the same for staff involved in project implementation and for other project partner employees;
- the benefit is eligible in the framework of the project only during the involvement of the given person to the project;
- the amount of the benefit depends on the scope of additional obligations, however, in case of carrying out tasks in several projects of the same project partner, the project staff member is granted only one benefit, which is calculated proportionately to the employee's involvement in a given project.

2.4. Benefits will be eligible only up to 40% of the basic salary along with other components of remuneration, with the restriction that any exceeding of this limit may be solely based on generally applicable law.

2.5. Rewards (with the exception of a jubilee award) or bonuses might be eligible, provided that the following conditions are met:

- rewards or bonuses are granted with regard to the involvement of the project partner's employee in the implementation of tasks related to the project;
- rewards or bonuses are provided for in the staff regulations or in the salary regulations of the project partner's institution or in other applicable provisions of labour law;
- rewards or bonuses were introduced at the project partner's institution at least 6 months before the submission of the Application Form;
- rewards or bonuses potentially cover all project partner employees and the granting rules are the same for both the staff involved in project implementation and for other employees.

2.6. Monthly expenditures related to a given person's involvement in a project(s) are eligible if total professional involvement of the person in implementation of all projects financed with structural funds and Cohesion Fund and activities financed from other sources including own partner resources and other entities, shall not exceed 276 hour per month.. The project partner should verify the fulfilment of this condition before involving a given person in the project. This condition should be fulfilled during the whole period of eligibility of salary of a given person in the project.

In case of any irregularities in the fulfilment of the above-mentioned term, the remuneration of the employee is considered as non-eligible (fully or partially) in the project, in which the involvement of the employee resulted in a breach of this condition.

2.7. The salary of the project staff employed simultaneously on the basis of an employment contract at the institution participating in Programme implementation will be deemed non-eligible, unless there is no conflict of interest or double financing.

2.8. A person entitled to make binding financial decisions on behalf of the project partner must not have a record of being subject of a judgment which has the force of res judicata for crime against property, against business trading, against the functioning of the state and local government institutions, against the credibility of the documents or of committing a tax offence, what will be verified by the project partner on the basis of a statement of that person.

### **Non-eligible expenditure**

2.9. Examples of non-eligible expenditure for staff costs:

- payments to the State Fund for Rehabilitation of Disabled Persons (Państwowy Fundusz Rehabilitacji Osób Niepełnosprawnych (PFRON));
- the benefits for the project staff that are paid from the ZFŚS;
- costs of civil insurance of public officials for damage caused in the exercise of public authority;
- costs of contributions and optional fees, which are not required by the applicable national law.
- benefits not related to the project under implementation (e.g. for arriving at work on time, for not smoking, for abiding by the work regulations).

## **3 Travel and accommodation**

3.1. Daily allowances – is eligible in the amount not higher than rates established in the national law (applicable for all project partners, not only those from the public sector)

3.2. Accommodation costs – only in justified cases can eligible expenditure be higher than rates established in national law (applicable for all project partners, not only those from the public sector)

## **4 Equipment**

### **Lease**

4.1. In the case where the provisions of tax law stipulate the issue of a single invoice on the date of concluding the lease agreement, and reimbursement is made to the lessee, the proof of incurring expenditure is the repayment schedule together with information on payments and an account statement.

4.2. If the term of the lease agreement exceeds the end date of expenditure eligibility, expenditure eligible for co-financing are only lease instalments whose payment date falls within the period of incurring eligible expenditure defined in the subsidy contract and actually paid during this period.

4.3. The maximum amount of eligible expenditure may not exceed the market value of the leased item. This means that the amount eligible for co-financing may not exceed the amount stated in the proof of purchase issued to the lessor by the supplier of the co-financed item – in the case of goods purchased not earlier than within 12 months before submitting the Application Form by the project partner;

- the market value of the leased item, stated in the appraisal prepared by an authorised expert or in the appraisal prepared on the basis of the methodology presented by the project partner – in the case of goods purchased earlier than within 12 months before submitting the Application Form by the project partner. The appraisal may be replaced by documenting the selection of the leased item in the tendering procedure/market research.

4.4. The following forms of lease are eligible for co-financing: finance lease, operating lease and leaseback:

- the essence of a finance lease is a lease agreement under which the risk and benefits from using the leased good are transferred to the lessee (the project partner). Such agreements frequently include the option to acquire the leased item or provide for a minimum lease period that corresponds to the period of using the leased assets;
- the essence of operating lease is a lease agreement under which the risk and benefits resulting from the possession of the object of the lease are generally not fully transferred onto the lessee (project partner), and the period of using the leased item may be shorter than the period of its economic usability (depreciation period);
- the essence of leaseback is to link the lease agreement with a sale agreement that precedes it. In the case of concluding a leaseback transaction, the project partner sells an item he/she owns to a leasing company and, at the same time, acquires the right to continue using the item, on terms defined in the lease agreement. Thanks to this operation, the project partner continues to use the item although he/she has sold it, and pays lease instalments on its use. The principal of the lease instalment, paid by the project partner in leaseback, is an expenditure eligible for co-financing. It should be borne in mind however, that EU co-financing may not be used towards re-acquisition of an item if its acquisition had been co-financed from EU funds or under a subsidy from national public funds.

## 5 VAT

5.1. There is no legal possibility to reclaim VAT if the project partner does not acquire the right to reduce due tax (related to taxable activities under the project) by accrued tax (related to the purchases of goods, services and fixed assets reimbursed under the project). Such a situation may take place in the five following cases (in the three initial cases, VAT may be an eligible expenditure in full):

- the project partner is not a VAT payer in the project (when the project is not accompanied by any revenue – acquired goods, services or fixed assets are not used for taxable sale, or under the project there is no direct or indisputable relation between the acquired goods, services or fixed assets and taxable actions – therefore, there is no right to a deduction);
- the project partner is exempt from VAT because the value of their sales did not exceed the value defined in Article 113 of the Act on the goods and services tax cumulatively in the previous fiscal year. One should nonetheless bear in mind that such an exemption can be lost or resigned from;
- the project partner carries out only activities exempt from VAT;

- the project partner performs taxable activities, but some purchases are listed in Article 88 of the Act on the goods and services tax. In such case, these purchases do not yield the right to a deduction. VAT included in these purchases is an eligible cost, while for other purchases it may be deducted and may not be an eligible cost;
- the project partner performs taxable and VAT-exempt activities. In such a situation, eligible cost is only the VAT that serves VAT-exempt activities - if VAT paid in relation to incurring an eligible expenditure may be reclaimed in part, the VAT part that cannot be reclaimed is eligible. This is the case when the project partner performs activities that are VAT-exempt and taxable. The project partner should assign the accrued VAT on his activities to three groups:
  - accrued VAT, resulting from the performance of activities in relation to which the project partner has the right to deduct accrued tax – VAT is deducted in full (and hence may not be eligible expenditure);
  - accrued VAT, resulting from the performance of activities in relation to which the project partner does not have the right to deduct accrued tax – VAT is not deducted at all (and hence may be eligible expenditure);
  - accrued VAT, resulting from the performance of activities in relation to which the project partner has the right to deduct accrued tax and activities in relation to which the project partner does not have the right to deduct accrued tax – in such case the project partner should specify the part of accrued VAT that cannot be deducted. Only this part of VAT can be considered eligible. If such specification is impossible to make and the project partner can only define the amount of accrued VAT pursuant to Article 90 of the Act on the goods and services tax (so-called sales proportion), VAT may not be considered as eligible expenditure.

5.2. A situation where VAT is eligible for part of a project is admissible. In such a case, a transparent project settlement system should be ensured, so that there are no doubts as to which part or to what extent VAT may be considered eligible.

5.3. In individual cases, should there be doubts as to the nature of expenditure or the right to deduct accrued VAT, the project partner may be requested to enquire with a competent tax authority for an individual interpretation of tax law.

5.4. A project partner is obliged to deliver to the FLC a statement on the eligibility of VAT with the first and the final partner progress report and upon the request of the First Level controller.

## 6 Contractual penalties

6.1. In cases of breach of the contract signed between project partner and contractor (for example, delays which are the fault of the contractor, delivery of sub-standard goods or services), the penalties indicated in the contract will apply. The contractual penalties should be settled according to the provisions detailed in the contract between the project partner and contractor. For instance, contractual penalties can be settled in one of following ways:

- on the basis of a VAT invoice (or another equivalent document) issued by the contractor, the project partner pays the contractor the invoice amount less the contractual penalty. Then, reimbursement concerns only the amount actually paid by the project partner, in line with the general rule on eligibility, which states that expenditure actually incurred by the project partner is eligible for co-financing;
- the project partner makes a payment in line with the VAT invoice (or another equivalent document) issued by the contractor, i.e. without deducting the contractual penalty. Having paid the total amount due on the VAT invoice, the project partner receives a payment of the required amount (contractual penalty) from the contractor. The project partner can then present the amount equal to the

VAT invoice amount for settlement, for which they have a payment confirmation of 100%.

If the project partner fails to apply contractual penalties, a part of the expenditures related to the contract is considered ineligible. The ineligible expenditures will be calculated as the amount of the penalties that have arisen according to the contract concluded, but were not applied by the project partner.

## ANNEX 4 Specific rules of awarding contracts under the project - specific rules for Polish beneficiaries

### 1. Contracts awarded under projects

1) The beneficiary is obliged to prepare and conduct the procedure of awarding contracts<sup>27</sup> under the project in the manner ensuring in particular fair competition and equal treatment of contractors, as well as in accordance with the terms and conditions and procedures specified in this Chapter.

2) Expenditures under the project must be incurred in a transparent, reasonable and effective manner.

3) Entities obliged to comply with the Public Procurement Law (further: PPL) carry out the procedure in accordance with the PPL. The principle of competitiveness has been described in Section 1.2 of this Sub-chapter.

4) If the beneficiary is a public administration body, in accordance with Article 5(2)(1) of the Act of 24 April 2003 on public benefit activity and voluntary work it may vest the implementation of public tasks under the procedure specified in the Act.

5) If, pursuant to effective regulations other than the Public Procurement Law, provisions of the PPL no longer apply, the beneficiary referred to in Article 3 of the PPL conducts a public procurement procedure in compliance with those regulations<sup>28</sup>.

6) The procedures specified in this Section do not apply to:

- a) contracts referred to in Article 4 of the PPL, except for contracts referred to in Article 4(8) of the PPL, whereas the award of a contract for the acquisition of ownership or other rights to the existing buildings or real property by an entity other than the contracting authority within the meaning of the PPL without application of the principle of competitiveness is only possible when no personal or capital ties referred to in Section 1.2(2)(a) exist, and to contracts specified in Article 4d of the PPL;
- b) expenditures settled by simplified methods referred to in chapter 4 of the Programme Manual;
- c) contracts awarded by the beneficiaries selected in accordance with the procedure specified in the Act on public-private partnership or in the Act on concession for construction works or services in order to implement the project under a public-private partnership (hybrid project).

7) Contracting authorities may be exempt from the obligation to follow the procedures specified in this Section with regard to awarding contracts in the following cases:<sup>29</sup>

- a) where, as a result of the procedure specified in Section 1.2, no tender is submitted, or all submitted tenders are rejected, or all contractors are excluded

<sup>27</sup> A contract means a contract concluded for consideration in accordance with the PPL or with the contract for project co-financing between the contracting authority and the contractor, having as its subject services, supplies or construction works provided for in the project implemented under the Programme.

<sup>28</sup> Please be advised that in the opinion of the European Commission, entities managing the Special Economic Zones are bodies governed by public law, which are obliged to apply the Public Procurement Law.

<sup>29</sup> The circumstances specified in Points 8 and 9 of this Section allowing for non-application of the procedures should be interpreted in the context of the interpretation of relevant provisions of the PPL, i.e. Articles 62 and 67, which permit to apply a non-competitive procedure if specific conditions are met.

from the procedure or failed to meet the requirements to participate in the procedure, provided that the initial terms and conditions of contract have not been materially amended;

- b) where the contract may only be performed by a sole contractor for any of the following reasons:
  - i. lack of competition for technical reasons of objective nature;
  - ii. the subject of the contract is covered by the protection of exclusive rights, including intellectual property rights;

the exemption may apply, unless there is an alternative or substitutive solution and lack of competition results from artificial narrowing down of the parameters of the contract;

- c) where the supplies, services or construction works may only be provided by one contractor, in the case of contracts relating to creative or artistic activity;
- d) in the case of contracts to which the principle of competitiveness applies, where the deadlines referred to in Section 1.2 cannot be kept due to the urgent need<sup>30</sup> to award the contract which could not have been foreseen, such urgent need have not resulted from any action or negligence of the contracting authority;
- e) in the case of contracts to which the principle of competitiveness applies, where the contract must be performed immediately and the deadlines referred to in Section 1.2 cannot be met due to the extraordinary situation which could not have been foreseen, such extraordinary situation have not resulted from any action or negligence of the contracting authority;
- f) where the contract for supplies concerns items produced solely for research, experimentation, scientific or development purposes, excluding contracts covering mass production aimed at achieving economic viability or coverage of research and development costs;
- g) where the contracting authority awards supplementary contracts<sup>31</sup> for additional supplies to a contractor selected in accordance with the principle of competitiveness, such supplementary contracts consisting in partial replacement of the supplied products or installations or in increasing the current supplies or in development of the existing installations, and a change of contractor would lead to a purchase of materials of different technical properties, which would result in technical incompatibility or disproportionately serious technical problems with the use and maintenance of such products or installations. Duration of an agreement on additional supplies cannot exceed three years;
- h) where the contracting authority awards supplementary contracts for services or construction works provided for in the request for quotation to a contractor selected in accordance with the principle of competitiveness within three years from the date of award of the main contract, supplementary contracts consisting in repetition of similar services or construction works;

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<sup>30</sup> For instance, the need to complete respective tasks under the project on time or the fact that the contracting authority failed to foresee adequate time for the completion of the tendering procedure or failed to initiate the procedure in sufficient advance do not imply "urgent need". Nor do delays in the previous public contract award procedures form "urgent need". An urgent need to award a public contract is thus only possible in a situation where the contracting authority is able to prove that it could not have foreseen the occurrence of specific circumstances while acting with due diligence.

- i) where the contract concerns supplies on particularly favourable conditions due to liquidation of operations of a third entity, or due to enforcement or bankruptcy proceedings;
- j) where the contract for supplies is executed on a commodity market within the meaning of regulations on commodity markets, including commodity markets of other European Economic Area member states;
- k) where the contract is awarded by a foreign service post within the meaning of foreign service regulations;
- l) where the contract is awarded for the exclusive purposes of a military unit within the meaning of regulations governing the use or stay of the Polish Armed Forces outside the territory of the Republic of Poland.

8) Contracting authorities may be exempt from the obligation to follow the procedures specified in this Sub-chapter in the cases specified in Article 67(1)(12) through (15) of the PPL. Such option applies solely to the entities specified in that provision.

9) Fulfilment of the conditions allowing for exemption from the obligation to follow the procedures specified in Points 7 and 8 must be proved in writing.

10) The value of the contract is estimated with due diligence, taking into account any potential contracts referred to in Point 7(g) and (h), and it is documented in the manner ensuring a correct audit trail. Understatement of the estimated value of the contract or its division resulting in the lowering of its estimated value is forbidden. In determination of the value of the contract, the following conditions must be jointly met<sup>32</sup>:

- a) services, supplies and construction works are identical in terms of type or function;
- d) contract may be awarded at the same time;
- e) contract may be performed by a sole contractor.

If a contract is awarded in parts (for specific economic, organisational or functional reasons), contract value is determined as total value of its respective parts<sup>33</sup>. The estimated value of the contract is a net value, i.e. exclusive of value added tax (VAT).

11) In the case of contracts performed by beneficiaries who are not contracting authorities within the meaning of the PPL, contract value is determined with regard to a specific project. Entities which are contracting authorities within the meaning of the PPL, having ascertained that the estimated value of the contract does not exceed the value specified in Article 4(8) of the PPL, determine the value of the contract with regard to a specific project in order to verify whether the contract is subject to the principle of competitiveness.

12) If the beneficiary violates the terms and procedures of soliciting a public contract defined in this Sub-chapter, all or part of the expenditures related to this public contract may be considered ineligible, pursuant to the Ordinance of the minister competent for regional development issued on the basis of Article 24(13) of the implementation act<sup>34</sup>.

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<sup>32</sup> The listed circumstances should be interpreted in line with the interpretation of the provisions of the PPL relating to estimation of the value of the contract.

<sup>33</sup> In the case of beneficiaries obliged to apply the PPL, it does not concern the contracts referred to in Article 6a of the PPL.

<sup>34</sup> Ordinance of the Minister of Economic Development on conditions for lowering the value of financial corrections and expenditure incurred incorrectly with regard to the award of contracts from 26 of January 2016.



## 1.2 Specific conditions for the performance of public contracts by entities obliged to apply the principle of competitiveness

1) The beneficiary awards the contract under the project in accordance with the principle of competitiveness in a situation:

- a) where the beneficiary is not the contracting authority within the meaning of the PPL and the value of the contract exceeds PLN 50,000 net, i.e. excluding value added tax (VAT);
- b) where the beneficiary is the contracting authority within the meaning of the PPL and the value of the contract is equal to or lower than the amount specified in Article 4(8) of the PPL, while exceeds PLN 50,000 net, i.e. excluding value added tax (VAT), or where the contract is a sectoral contract with the value that is lower than the amount specified in the regulations issued on the basis of Article 11(8) of the PPL while exceeds PLN 50,000 net, i.e. excluding value added tax (VAT).

2) In order to prevent a conflict of interests:

- a) in the case of beneficiaries not being the contracting authorities within the meaning of the PPL, contracts cannot be awarded to entities with personal or capital ties to such beneficiaries, excluding sectoral contracts and the contracts referred to in Sub-chapter 1.1(7)(g) or (h). Execution of an agreement with an entity with capital or personal ties in cases specified in Sub-chapter 1.1(7)(a) through (f) or Sub-chapter 1.1(7)(i) through (l) forms a breach of competitiveness and the beneficiary would be requested to reimburse the funds;
- b) persons carrying out the activities relating to contractor selection procedure on behalf of the contracting authority, including participation in the tender evaluation process, cannot have any personal or capital ties to the contractors who submitted tenders. Such persons should be impartial and objective.

3) Capital or personal ties mean mutual relationships between the beneficiary or persons authorised to undertake obligations on behalf of the beneficiary, or persons carrying out the activities relating to contractor selection procedure on behalf of the beneficiary, and the contractor, consisting in particular in:

- a) participation as a partner in a partnership or a civil law partnership;
- b) holding of at least 10% of shares or stocks, unless the effective regulations provide for a lower threshold;
- c) performance of the function of a member of the supervisory or management body, a proxy or an attorney;
- d) being a spouse, relative by lineal consanguinity or affinity, secondary relative in the second degree of consanguinity or the second degree of affinity, or in a relationship of adoption, care or guardianship.

If the beneficiary awards the contract to an entity with ties other than those listed in (a) through (d) and such ties form a breach of the principle of competitiveness, the beneficiary will be requested to reimburse the funds.

4) In the case of beneficiaries being the contracting authority within the meaning of the PPL, the principle of competitiveness will be considered satisfied if the public contract procedure is conducted on conditions and in accordance with the procedures specified in the PPL.

5) The subject of the contract is described by the names and codes specified in the Common Procurement Vocabulary referred to in Regulation (EC) No. 2195/2002 of the European Parliament and of the Council of 5 November 2002 on the Common Procurement Vocabulary (CPV) (OJ L 340 of 16.12.2002, p. 1, as amended; Special edition in Polish: Chapter 06, Volume 005, p. 3)<sup>35</sup>.

6) Conditions of participation in the contract award procedure and description of the methodology of evaluation of their fulfilment, provided such conditions are included in the request for quotation referred to in Point 8(a), are determined proportionally to the subject of the contract so as to ensure fair competition and equal treatment of contractors. The beneficiary cannot specify any conditions that would exceed the requirements sufficient for proper performance of the contract.

7) The criteria for the evaluation of tenders submitted under the contract award procedure are formulated in the manner guaranteeing fair competition and equal treatment of contractors, whereas:

- a) each tender evaluation criterion must refer to a specific subject of the contract;
- b) each criterion (and description of its application) must be formulated in a clear and precise manner so that all well-informed tenderers could interpret it identically with due diligence;
- c) the weights (significance) of respective criteria should be defined in the manner allowing for selection of the best possible tender;
- d) tender evaluation criteria cannot relate to the properties of the contractor, in particular to their economic, technical or financial credibility. This reservation does not apply to contracts for social services and other special services<sup>36</sup>, nor to non-priority contracts in the field of defence and security<sup>37</sup>;
- e) as a rule, apart from the price requirements, the criteria should also include other requirements relating to the subject of the contract, such as quality, functionality, technical parameters, environmental, social, innovative aspects, maintenance, contract performance deadline and operating costs.

8) In order to comply with the principle of competitiveness, the beneficiary should:

- a) publish the request for quotation in line with the conditions referred to in Point 10 or 11, including at least:
  - i. description of the subject of the contract, which should not refer to a specific product or source or the particular process which characterizes products or services provided by a particular contractor, trademark, patent, type or specific origin, unless such reference is justified by the subject of the contract and contracting authority cannot otherwise describe the subject of contract with

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<sup>35</sup> The Common Procurement Vocabulary is available e.g. at: <http://kody.uzp.gov.pl>.

<sup>36</sup> The list of social services and other special services forms Annex XIV to Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94 of 28.03.2014, p. 65) and Annex XVII to Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 94 of 28.03.2014, p. 243).

<sup>37</sup> The list of non-priority services in the fields of defence and security forms Annex II to Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC (OJ L 2009.216.76, as amended).

sufficient precision, provided that such references are accompanied by the words "or equivalent" (for business confidentiality reasons, it is allowed to limit the scope of description of the subject of the contract, whereas the supplement to the excluded description of the subject of the contract must be sent to potential contractor who obliged to keep the presented information confidential);

- ii. conditions of participation in the procedure and description of the methodology of evaluation of the fulfilment of those conditions, whereas determination of participation conditions is not mandatory;
  - iii. tender evaluation criteria;
  - iv. information about the weights in points or per cent attributed to respective criteria of tender evaluation;
  - v. description of the methodology of awarding points for the fulfilment of a specific criterion of tender evaluation;
  - vi. deadline for submission of tenders, in the case of supplies and services, no shorter than seven days and in the case of construction works, no shorter than 14 days from the date following the date of publication of the request for quotation. For contracts with estimated value equal to or exceeding EUR 5,225,000 in the case of construction works and EUR 209,000 in the case of supplies and services, the deadline for submission of tenders is no shorter than 30 days from the date following the date of publication of the request for quotation. The deadline expires at the end of the final day. If the end of the deadline is on a Saturday or a holiday, the deadline will expire on the day following the weekend or holiday;
  - vii. agreement performance deadline;
  - viii. information about the required lack of personal or capital ties referred to in Point (2)(a)<sup>38</sup>;
  - ix. determination of conditions of material amendment of the agreement executed as a result of the contract award procedure, if the contracting authority allows it;
  - x. information about the possibility of awarding a contract in the form of separate lots, if the contracting authority allows it;
  - xi. information about the planned contracts referred to in Section 1.1(7)(h), about their scope and the conditions on which the contracts will be awarded, if the contracting authority allows it.
- b) select the best possible tender from the tenders submitted by the contractors who meet the conditions of participation in the procedure<sup>39</sup>, based on the evaluation criteria defined in the request for quotation. Tender selection is documented by the report on the contract award procedure referred to in Point 14.

9) Publication of the request for quotation means that the procedure of awarding contracts under the project is initiated.

10) Publication of the request for quotation involves registration of such request in the competitiveness database<sup>40</sup>. In case the operational functionality of such database is suspended, which has been confirmed by a relevant communication of the minister competent for development - sending the request for quotation to at least three potential

<sup>38</sup> Not applicable to entities being contracting authorities within the meaning of the PPL.

<sup>39</sup> If the contracting authority allows to award a contract in the form of separate lots, the procedure may result in selection of more than one contractor.

<sup>40</sup> Website indicated in the communication of the minister competent for development, used for publication of requests for quotation (<https://bazakonkurencyjnosci.funduszeuropejskie.gov.pl/>).

contractors, if three potential contractors for a given contract exist on the market, and publication of the request at least on the beneficiary's website, if the beneficiary has such website, or on other website used for publication of requests for quotation.

11) Where due to the specific nature of the project an entity begins to implement the project at its own risk before signing the subsidy contract, in order to publish the request for quotation such entity should send the request for quotation to at least three potential contractors, if three potential contractors for a given contract exist on the market, and publish the request at least on its website, if it has such website, or on another website used for publication of requests for quotation.

12) For contracts with estimated value equal to or exceeding EUR 5,225,000 in the case of construction works and EUR 209,000 in the case of supplies and services, and EUR 750,000 in the case of social services<sup>41</sup>, the entity not being contracting authority within the meaning of the PPL may also publish the request for quotation in the Official Journal of the European Union.

13) The agreement with the contractor and the report on the contract award procedure must be made in writing.

14) The report on the contract award procedure should include at least:

- a) information about the method of publication of the request for quotation;
- b) list of tenders submitted in response to the request for quotation with indication of the dates when the tenders were received by the contracting authority;
- c) information about the fulfilment of the condition referred to in Point (2)(a);
- d) information about the fulfilment of the conditions of participation in the procedure by contractors, if such conditions were formulated;
- e) information about the weights in points or per cent attributed to respective criteria of tender evaluation and the methodology of awarding points to respective contractors for the fulfilment of a specific criterion;
- f) identification of the selected tender with justification of such selection,
- g) date of preparation of the report and signature of the contracting authority,
- h) the following appendices:
  - i. confirmation of publication of the request for quotation in the manner specified in Point 10 or 11;
  - ii. submitted tenders,
  - iii. declaration(s) of lack of ties with the contractors who submitted tenders, signed by the persons carrying out the activities relating to contractor selection procedure on behalf of the contracting authority, including participation in the tender evaluation process (i.e. the ties referred to in Point 2(b)).

15) Information about the result of the procedure is published in the same manner as the request for quotation. In the case of publication involving sending the request for quotation to at least three potential contractors, information about the result of the procedure is sent to the contractors who submitted tenders. Information about the result of the procedure should contain at least the name of the selected contractor. Upon request

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<sup>41</sup> The list of social services and other special services forms Annex XIV to Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94 of 28.03.2014, p. 65) and Annex XVII to Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 94 of 28.03.2014, p. 243).

of the contractor who submitted tender, the contracting authority is obliged to provide access to the report on the contract award procedure for such contractor, excluding the tenders covered by business confidentiality<sup>42</sup>.

16) After the completion of the procedure described in this Section, an agreement with the contractor is executed<sup>43</sup>. If the selected contractor withdraws from the execution of the agreement with the contracting authority, the agreement can be signed with other contractor with the second highest number of points awarded in the contract award procedure.

17) Provisions of the executed agreement may not be materially amended<sup>44</sup> with regard to the content of tender on the basis of which the contractor was selected, unless:

- a) possibility to amend the agreement was provided for by the contracting authority in the request for quotation or in the contract documentation and conditions of such amendment were specified, unless they result in a change of the nature of the agreement;
- b) the amendments relate to additional supplies, services or construction works by the current contractor that had not been covered by the main contract, provided such supplies, services or construction works are necessary and the following conditions are jointly met:
  - i. contractor cannot be changed for economic or technical reasons, in particular due to replacement potential or interoperability of the equipment, services or installations covered by the main contract;
  - ii. change of contractor could cause serious inconvenience or significant increase in costs for the contracting authority;
  - iii. the value of each subsequent amendment does not exceed 50% of the value of the contract initially determined in the agreement;
- c) the amendment does not change the nature of the agreement and the following conditions are jointly met:
  - i. the agreement must be amended for reasons the contracting authority could not have foreseen when acting with due diligence;
  - ii. the value of the amendment does not exceed 50% of the value of the contract initially determined in the agreement;
- d) the contractor to whom the contracting authority awarded the contract is to be replaced by a new contractor:
  - i. on the basis of the contractual provisions referred to in (a);

<sup>42</sup> Business confidentiality should be understood in accordance with the regulations on combating unfair competition (Act of 16 April 1993 on combating unfair competition, Dz. U. of 2003, No. 153, item 1503, as amended).

<sup>43</sup> If the contracting authority allows to award a contract in the form of separate lots, the procedure may result in execution of more than one agreement.

<sup>44</sup> An amendment is considered material if it changes the general nature of the agreement with regard to the nature of the agreement in its initial wording, or if it does not change the general nature of the agreement and at least one of the following circumstances occurs: the amendment introduces conditions which, were they formulated in the course of the contract award procedure, would result in a situation where other contractors participated or could have participated in the procedure, or other tenders could be accepted, or the amendment affects the economic balance of the agreement to the benefit of the contractor in the manner originally unforeseen in the agreement, or the amendment significantly broadens or narrows the scope of services and obligations resulting from the agreement, or consists in the replacement of the contractor to whom the contracting authority awarded the contract with a new contractor in cases other than listed in (d).

- ii. as a result of a merger, division, transformation, bankruptcy, restructuring or acquisition of the current contractor or their enterprise, provided that the new contractor meets the conditions of participation in the procedure, is not subject to exclusion and the replacement does not require any other material amendments to the agreement;
- iii. as a result of taking over the contractor's obligations towards their subcontractors by the contracting authority;
- e) the amendment does not change the nature of the agreement and the total value of amendments does not exceed EUR 5,225,000 in the case of construction works or EUR 209,000 in the case of supplies and services, and at the same time it does not exceed 10% of the value of the contract initially determined in the agreement in the case of supplies and services or, in the case of construction works, it does not exceed 15% of the value of the contract initially determined in the agreement.

18) The request for quotation may be amended before the end of deadline for submission of tenders provided for in the request for quotation. In such situation, information about the amendment should be included in the request for quotation published in accordance with Point 10 or 11. Such information should contain at least the date of publication of the amended request for quotation and the description of the amendments. The beneficiary extends the deadline for the submission of tenders for the period required for tender adjustment if it is necessary due to the scope of the amendments.

### 1.3. The most common breaches in the area of awarding public contracts are related to the:

- a) dividing or underrating the estimated value of the contract in order to avoid the application of the law;
- b) conducting the procedure in the wrong manner (e.g. the award of contracts using non-competitive procedures where there are no grounds for applying such procedures; in the case of priority services, the application of the procedure dedicated to non-priority services);
- c) non-competitive description of the subject of the contract by the groundless indication of trademarks, patents or the origin of goods, without allowing the equivalent tender submission and description of equivalence;
- d) setting improper deadlines for tender submission or illegal shortening of deadlines for the tender submission;
- e) determining improper conditions of participation in the public contract award procedure, leading to discrimination of contractors;
- f) determining the conditions of participation in the public contract award procedure that exceed the needs necessary to achieve contract objectives;
- g) demanding from consortium members to jointly meet all conditions of participation in the procedure;
- h) demanding submission of documents not required by the regulations;
- i) demanding proof of experience in the performance of contracts co-financed from EU or national funds where it is not necessary to confirm the contractor's abilities to perform the contract;
- j) non-compliance with the regulations on publishing the contract notice or any amendments thereto;
- k) illegal restriction of subcontracting;
- l) setting the improper tender evaluation criteria;
- m) conducting the procedure in breach of the principle of transparency, fair competition or equal treatment of contractors;
- n) illegal amendment of the content of the agreement concluded with the contractor.

**The most common breaches in the area of awarding contracts in accordance with the principle of competitiveness are related to the:**

- a) dividing or underrating the estimated value of the contract in order to avoid the application of the principle of competitiveness;
- b) failure to publish the request for quotation on a dedicated website if such website was created;
- c) if no website dedicated to the publication of requests for quotation was created, failure to send the request for quotation to the required number of potential contractors, or failure to publish the request for quotation on the contracting authority's website, if the contracting authority has such website;
- d) failure to define the tender evaluation criteria;
- e) setting deadlines for tender submission in the manner preventing potential contractors from submitting their tenders;
- f) execution of an agreement with an entity having personal or capital ties to the contracting authority, if other potential contractor for a given public contract exists on the market;
- g) failure to publish or improper publishing of information about the selection of the best tender;
- h) concluding a verbal agreement.