



Interreg
Hungary – Croatia



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Eligibility of Expenditure
in the
INTERREG VI-A Hungary-Croatia Programme 2021-2027

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1. General rules

1.1. General requirements

Expenditure is eligible for funding when it is in accordance with the regulatory framework mentioned in the Subsidy Contract template and fulfils the following requirements:

- it relates to costs of implementing a project approved by the Monitoring Committee (MC) and activities listed in the Annex II of the Subsidy Contract for the EU Contribution (SC);
- it is incurred during the preparation and implementation of a project that contributes to the objectives of the Programme;
- it is compliant with EU, Programme and national rules, in particular with regard to the provisions of public procurement law;
- it is essential for the achievement of the project objectives/outputs and it would not be incurred if the project is not carried out;
- it is included in the approved project budget (to be annexed to the SC);
- it is not financed by other EU funds or other financial contributions from third parties, except national contributions to the Programme co-financing; i.e. no double-financing is allowed (Article 63(9) of EU Regulation 2021/1060 – Common Provisions Regulation, CPR);
- it complies with the principle of real costs except for costs calculated as flat rates, unit costs and lump sums (hereinafter together as Simplified Cost Options, SCO-s);
- it complies with the principle of sound financial management as set out in Regulation (EU) 2021/1059 and Regulation (EU) 2021/1060 of the European Parliament and of the Council;
- it has been incurred and paid by the Lead Partner or its Partner(s) within the eligibility period of the project, and it can be verified via INTERREG+ system on the basis of invoices or other accounting documents with equivalent probative value (except for SCO-s, where specific verification rules apply);
- expenditure has to be verified via the INTERREG+ system by an authorised controller;
- separate accounting is ensured.

1.2. Separate accounting

All Partners have to maintain either a separate accounting system or an adequate accounting code for transactions related to the project part with the following requirements:

The separate accounting has to contain:

- all expenditures which were reported on real cost basis and the relevant reimbursement of these expenditures from the Programme (received amounts);
- as income all payments from the Programme received as reimbursement for the SCO-s (e.g. based on flat rates).

It is important to note that it is not required to provide evidence of the separate accounting records for the actual costs covered by the simplified cost options.

The proof of the separate accounting has to be submitted to the controllers in every Project Partner Report (PPR).

Additional national requirements (if any) shall be taken into account.

1.3. Documentation policy

Supporting documents for reimbursement shall be kept in the form of originals or certified copies of the originals or on commonly accepted data carriers, including electronic versions of original documents or documents available only in electronic form.

If the original documents were created on paper, the paper form shall be retained. In the case of electronic documents the electronic version shall be archived. As a main rule, the scanned original invoices or accounting documents with equivalent probative value and the corresponding supporting documents shall be submitted for control via INTERREG+ system to the national controllers. The partner must indicate on the invoice the followings:

- “The total amount of the invoice is reported in Project ID”, or
- Reported eligible amount,¹ Project ID (in case the invoice is reported in more than one project).

Electronic and electronically generated invoices are also acceptable for control if the invoice contains the same information as above. In this case the information above must be indicated on the invoice by the invoice issuer.

If an invoice is reported to multiple programmes, the partner must indicate on the invoice each project ID and the reported amount² from which this activity is financed.

All files, documents and data relating to the project must be retained for audit purposes. The documents, the ownership and maintenance must be kept for at least 5 years, starting from 31 December of the year in which the last payment was made to the project by the Managing Authority (MA). The retention period is 10 years if State aid rules are applied.

1.4. Time-wise eligibility of expenditure

As a general rule, expenditure is eligible if it has been incurred for the preparation and implementation of the project. The eligibility period starts on 1 January 2021 and ends on 31 December 2029. Project preparation costs are eligible from the start of the eligibility period until the starting date of the project. Project implementation costs are eligible from the project starting

¹ The reported amount has to be indicated in the currency of the invoice.

² The reported amount has to be indicated in the currency of the invoice.

date, while the latest possible date for payment of expenditure is 30 calendar days after the end date of the project. In duly justified cases, the JS is entitled to extend the above-mentioned period upon official request of the respective partner. However, no payment by the partner is allowed after the end date of the eligibility period, i.e. 31 December 2029.

1.5. Non-eligible expenditure

The following costs are not eligible:

- a) fines, financial penalties and expenditure on legal disputes and litigation;
- b) costs of gifts;
- c) costs related to fluctuation of foreign exchange rate;
- d) interest on debt;
- e) value added tax (VAT);
if the total cost of the project (including VAT) is at least EUR 5.000.000 and it is recoverable under national VAT legislation;
- f) bank charges, unless a separate bank account is opened for the project;
- g) conversion costs, charges and exchange losses, as well as other purely financial expenses, except for charges for transnational financial transactions;
- h) fees between partners of the same project for services and work carried out or equipment purchased within the project;
- i) the purchase of land for an amount exceeding 10% of the total eligible expenditure of the project;
- j) tips;
- k) costs of guarantees and similar charges, unless that the guarantees are required by national or EU legislation;
- l) contributions in kind (e.g. free use of room, equipment or other facilities, unpaid voluntary work, generally any contribution without money flow)³;
- m) ad hoc bonuses⁴.

Furthermore, the following expenditures are not eligible:

- any costs incurred after the implementation period of the project as defined in the SC;
- commissions and dividends, profit payment;
- purchase of business shares and stock exchange shares;

³ Benefits like vouchers / gift cards for grocery stores, gym, vacation, the use of company car, lunch vouchers which might appear on payslip but for which no transfer of financial resources / payment from employer/beneficiary to employee/project staff member occurred are considered in kind contribution and are ineligible.

⁴ Benefits appearing on payslips (e.g. cafeteria elements in Hungary, and e.g. holiday pay, Christmas- and Easter pay, gift for children (Saint Nicolas), aid for new child in family (birth), aid for death in family etc. in Croatia) are eligible.

- expenses of private consumption;
- cost of subcontracted activities increasing the cost of the project without adding proportionate value to it;
- cost of activities subcontracted by partners to other partners of the same project;
- unpaid invoice amounts or undrawn reduction of the price (cash discount, discount);
- services provided by contractors with whom there is conflict of interest in the meaning of Commission Notice Guidance 2021/C121/01;
- cost of subcontracts in which the payment is defined as a percentage of the total cost of the project (e.g. success fee);
- cost of any services, purchase of goods, construction works or movable assets, not directly related to the project;
- any expenditures not directly associated with the Lead Partner (LP) / Project Partner (PP);
- any form of double financing: expenditure, which is already supported by an EU or other international or national grant.

Expenses not included in the list above are not automatically eligible. The national or regional funds or subventions, which do not relate directly to the project or to its approved activities, do not influence the amount of the verified eligible expenditures. This project or its parts does not have to be classified as subject to this normative financing and is not to be declared in the relevant reports.

2. Cost categories

2.1. Preparation costs

Type of expenditures

There are two types of preparation costs in the Programme.

1. General preparation costs, covering the following:

- staff costs,
- project description document prepared as an annex to the application,
- translation,
- cost for partnership meetings,
- travel cost, and
- cost related to contracting procedure.

Approved projects are entitled to receive reimbursement of their preparatory and contracting costs in the form of a **lump sum in the total amount of 4.000 EUR**, which is automatically transferred together with the approved amount of the first application for reimbursement.

The following eligibility rules apply to preparation costs:

- a lump sum of maximum 4.000 EUR per project is acceptable;
- preparation costs need to be planned in the budget, in a division between the partners which is agreed between them when planning the budget;
- reallocations of preparation costs are not acceptable after contracting of the project.

Certain conditions must be fulfilled in order for the Programme to pay a lump sum for preparation costs:

- The project proposal is selected for funding by the MC;
- The LP signs the SC with the MA.

Any difference between the granted lump sum and the costs incurred in reality for preparatory and contracting activities is neither checked nor further monitored by the programme implementing structure (including the controllers). PP-s do not need to document that the expenditure has been incurred and paid, or that the expenditure corresponds to reality.

The reimbursement of the preparation costs is connected to the approval of the first Project Report (PR).

It is important to know that in case the project (or part of it) is not implemented in line with the SC and therefore it cannot be closed successfully (or just partly), the MA has to recover from the LP in full (or in part) the granted amount of preparation costs in line with the rules applied for recoveries.

2. **Other preparatory costs**, such as technical plans or studies required by the call and/or national legislation for implementation, **may be reimbursed on real cost basis and are included in the cost category of external services**⁵. For details please see the footnote. The eligibility of the preparation cost is from 1 January 2021 until the start date of the SC. As a general rule, preparation costs have to be reported in the first reporting period.

2.2. Staff costs

Type of expenditures

Expenditure on staff costs consists of the gross employment costs of staff employed by or engaged by the LP/PP institution for implementing the project administratively and professionally (e.g. internal experts).

As a general rule, staff costs will be planned and reimbursed on a flat rate basis – see Chapter 2.2.1. In special cases the staff costs may be planned as real costs – see Chapter 2.2.2. Please note

⁵ It is important to mention that some costs can be an exemption from this rule, e.g. cost of building permit, which has to be reported in the cost category of infrastructure and works.

that the reimbursement **method chosen in the Application Form cannot be changed** during the implementation period.

2.2.1 Staff cost as flat rate

The applicable flat rate is defined as the percentage of direct costs that includes the costs of external expertise and services, equipment, infrastructure and works. This means that all costs other than office and administrative costs, travel expenses and preparation costs covered by the applicable simplified cost option are direct costs.

The applicable rate at PP level is either 10% (in case of project parts with works component) or 20% (in case of project parts without works).

Specific eligibility requirements:

- If any direct cost is found to be ineligible, staff costs must be re-calculated and reduced accordingly.
- If flat rate is applied, it is not possible to introduce external project management staff in the budget, except for special expertise e.g. procurement expert, technical inspector/supervisor.
- In case of budget amendment during project implementation, the applicable rate that was originally set based on the approved Application Form shall remain in force.

Audit trail:

The LP / PP does not have to document that the expenditure has been incurred and paid. Nevertheless, they shall attach a declaration to each PPR stating that at least one employee is working on the project.

2.2.2 Staff cost as real cost

In the case of an LP / PP where staff costs represent the majority of expenditure in the project part (e.g. where a significant number of internal experts work on the project), they are **planned and reimbursed on real cost basis, and all remaining costs will be covered by applying a 40% flat rate** on direct staff costs, in line with Article 56 of the CPR. (In this case no flat rate for office and administration and for travel and accommodation applies – the 40% shall cover those costs as well.) The calculation will be performed by the INTERREG+ system automatically at the time of preparing the application.

Staff costs shall consist of gross employment costs of staff employed by the LP / PP in one of the following ways:

- **Full-time employee:**
Employees who work 100% of their work time on a project, regardless of the number of hours they were hired for; the total gross employment costs incurred by the employer are to be considered as eligible.
- **Part-time employment with fixed percentage of time per month dedicated to the project:**
Individuals employed by the LP / PP to work part of their time on the project according to a fixed percentage of time per month. Reimbursement of staff costs shall be calculated by applying the percentage stipulated in the employment contract (and/or an official assignment of the employee to the project) to the monthly gross employment cost.

The expenditure is limited to:

- **salary payments** related to the activities which the entity would not carry out if the project concerned was not undertaken;

Payments have to be based on an employment document (employment contract or any other equivalent legal agreement/appointment decision that permits the identification of the employment relationship with the LP / PP organisation), and relating to responsibilities specified in the job description of the staff member concerned.

- **any other costs directly linked to salary payments** incurred and paid by the employer (such as employment taxes and social security including pensions), on condition that they are:
 - fixed in an employment document or by legislation;
 - in accordance with the legislation referred to in the employment document and with standard practices in the country and/or institution where the individual staff member is working; and
 - not recoverable by the employer.

Specific eligibility requirements

- Staff costs must be calculated individually for each staff member assigned to the project.
- The chosen option for the reporting of costs related to the individual employees shall be maintained during the whole project implementation. Justified changes are possible in the following cases:
 - between full time employment and part time employment with a fixed percentage;
 - different percentage in the option part time employment with fixed percentage;
 - replacement of an employee.
- Salaries, other payments are only eligible if foreseen in the legislation, the company's internal regulations, collective wage agreements or in a works council agreement, and they are in line with the employment policy of the LP / PP organisation. (*Ad-hoc* regulations applicable only to the project are not allowed.)
- Unjustified *ad-hoc* salary increases or bonuses for project purposes are not eligible.
- Where foreseen by the employment document, overtime is eligible, provided it is related to the project and is in compliance with the national eligibility rules and the standard practice of the LP / PP.

- The remuneration ⁶ of project staff is an eligible cost only if it is related to the project activities and not related to their usual day-to-day management tasks and statutory responsibilities.

When staff costs are forming the basis cost for the application of the 40% flat rate that covers all other costs, the correctness of the applied 40% needs to be checked by the controllers as well (mathematic check). Moreover, the deliverable outputs defined during the application (and included in the SC) will be checked ⁷ to ensure that they were implemented accordingly. In case of no or insufficient results, cost cuts may be applicable ⁸.

Audit trail:

Full-time employee

The LP / PP shall attach the following documents to all PPR-s, for each employee:

- 1) employment contract ⁹ or an appointment decision/contract ¹⁰;
- 2) job description providing information on responsibilities related to the project (if not included in the employment document) ¹¹;
- 3) documentation of the monthly gross staff costs;
- 4) proofs of payments;
- 5) salary contributions (social contributions, personal income tax advance etc.): declaration that there are no outstanding debts related to ancillary wage costs or proof that salary contributions are paid;
- 6) payslips;
- 7) other additional documents based on national requirements (if any, e.g. periodic staff report).

⁶ Employee compensation including, but not limited to, salary, material rights, and similar payments.

⁷ National Controllers will check the existence of the outputs while their quality will be checked by the JS (and MA).

⁸ In cases such as, but not limited to, no or insufficient results, or delays in implementation of all or some activities or deliverable outputs, that are detected during control of a partner report (by controllers) or a project reports (by JS or MA), or any subsequent level of control and later audits, cuts may be applied on reported staff costs. MA, in consultation with relevant NC and JS, taking into account their respective recommendations, decides on the scope, proportion (percentage) and/or amount of the cut to the reported real staff costs.

⁹ The minimum content for employment contracts: contracting parties; position; first day of employment; employment period; remuneration; trial- and notice period; place of work; working hours; vacation and leave entitlement; collective bargaining agreements; and job description.

¹⁰ To be attached by LP/PP for project staff who work continuously on the project only in the first PPR and if there are any changes in the project staff.

¹¹ To be attached by LP/PP for project staff who work continuously on the project only in the first PPR and if there are any changes in the project staff.

Part-time employment with fixed percentage of time per month dedicated to the project

The LP / PP shall attach the following documents ¹² to all PPR-s, for each employee:

- 1) employment contract or an appointment decision/contract;
- 2) job description providing information on responsibilities related to the project (if not included in the employment document);
- 3) the employment document and/or the official assignment to the project, signed by both the employer (delegated person) and the employee at the beginning of the assignment, containing the following information (if not included in the employment document and/or job description):
 - a. the percentage of the employee's working time on the project;
 - b. in the case that the employee is involved in other EU and/or national co-funded projects, name and funding reference of the concerned project(s) as well as the percentage of the employee's working time on each co-funded project;
 - c. description of the main tasks to be performed by the employee within the duration of the assignment to the project, making reference to the outputs and deliverables as foreseen in the application and/or its annexes.
- 4) documentation of the monthly gross staff costs;
- 5) proofs of payments;
- 6) salary contributions (social contributions, personal income tax advance etc.): declaration that there are no outstanding debts related to ancillary wage costs or proof that salary contributions are paid;
- 7) payslips;
- 8) other additional documents based on national requirements (if any, e.g. periodic staff report).

Important: In case of staff cost reimbursement on real cost basis the LP has to provide a detailed list of outputs with a clear link to the planned activities in the AF that will be covered by the 40% flat rate for costs other than staff.

2.3. Office and administration costs

Type of expenditures

Office and administration expenditure covers operating and administrative expenses of the LP / PP in relation to the project implementation. Expenditure in this category shall be limited to the following elements:

- a) office rent;

¹² Please note that footnotes 9 to 11 above, related to full-time employment are valid for part-time employment as well.

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

This list is exhaustive. Cost items listed above cannot be reimbursed under any other cost category.

Simplified cost option

Office and administration expenditure incurred by the LP / PP shall be reimbursed according to a flat rate of 15% of the staff costs. In case the project partner applies a 40 % flat rate of eligible staff costs for the calculation of all other costs, office and administration expenditure are already included in the 40%.

Specific eligibility requirements

Taking into account that staff costs are used as calculation basis for determining office and administration costs, if staff expenditure is found to be ineligible, the determined office and administration costs must be re-calculated and reduced accordingly.

Audit trail:

The LP / PP does not have to document that the expenditure has been incurred and paid.

2.4. Travel and accommodation

Type of expenditures

Expenditure on travel and accommodation costs of the project management staff and internal experts for missions necessary for project implementation (e.g. participation in project meetings, project site visits, meetings with the Programme bodies, seminars, conferences etc). Expenditure on travel and accommodation costs shall be limited to the following elements:

- a) travel costs (such as tickets, travel and car insurance, fuel, car mileage, toll, and parking fees),
- b) the cost of meals,

- c) accommodation costs,
- d) visa costs and other documents required for international travel,
- e) daily allowances.

This list is exhaustive. Cost items listed above cannot be reimbursed under any other cost category.

Simplified cost option

1. Travel and accommodation costs of a project shall be reimbursed according to a flat rate of 15% of the staff costs.
2. In case the Project Partner applies a 40 % flat rate of eligible staff costs for the calculation of all other costs, the flat rate for travel and accommodation costs is already included in the 40%.

Specific eligibility requirements

- Expenditures may be incurred and paid in or outside the eligible programme area, as long as they relate with the project's delivery and are essential for the project activities.
- Any element listed in points a) to d) which is covered by a daily allowance cannot be reimbursed in addition to the daily allowance.
- The travel and accommodation expenses of external experts and service providers fall under external expertise and services costs.
- The PP-s shall respect the national legislation regarding the ceilings applicable for travel, accommodation and daily allowance.
- Taking into account that staff cost used as calculation basis for determining travel and accommodation, if staff expenditure is found to be ineligible, the determined travel and accommodation must be re-calculated and reduced accordingly.

Audit trail:

Management verifications will examine PPR-s, referring to travel and accommodation as part of the project's activities. If travel and accommodation are not explicitly mentioned in a PPR, any supporting documents of activities which only relate to travel and accommodation are to be considered sufficient evidence. It is sufficient to provide such evidence of only a single occurrence of travel and accommodation, during the entire implementation period of the project.

2.5. External expertise and services

Type of expenditures

External expertise and service costs shall be limited to the following services and expertise provided by a public or private body or a natural person other than the LP / PP of the project:

- a) studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- b) trainings;
- c) translations;
- d) development, modifications and updates to IT systems;
- e) promotion, communication, publicity or information;
- f) services related to the organisation and implementation of events or meetings (including rent, catering or interpretation).
- g) participation in events (e.g. registration fees);
- h) legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- i) intellectual property rights;
- j) travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
- k) technical plans and permits (excluding building permits);
- l) other specific expertise and services needed for the project.

This list is exhaustive and projects cannot add additional cost types to it.

Please note that the developing of new project websites is not an eligible cost under the Programme, except for specialised websites the creation/development of which is one of the professional activities of the project.

LP-s of supported projects will have to create a project-specific subpage on their already existing website, presenting the entire project, and the official website of the Programme will contain links to these in order to help the dissemination of the projects' results.

Specific eligibility requirements

- External expertise and services must be clearly linked to the project and be essential for its effective implementation.
- **Selection procedure must be in line with latest EU-, programme- or national public procurement rules**, depending on the type of entities and the estimated value of the contract.
- Please note that **public procurement procedures should be in line with applicable national requirements and relevant thresholds**.
- **Programme procurement rules** shall require the following from Project Partners:
 - **For contracts having a value below 10.000 EUR (excl. VAT)** the principles of sound financial management must be applied. However, in such cases PP-s do not have to provide evidence of a special selection procedure, i.e. no specific proof of the market price is required to be submitted by the PP-s.

Nevertheless, please note that the controllers have the right to check the compliance with market prices during the verification of expenditures. Please also note that a procurement must not be split artificially in order to circumvent the 10.000 EUR threshold!

- **For contracts having a value equal to or above 10.000 EUR (excl. VAT)**, Project Partners shall conduct and document adequate market research (e.g. at least three different offers requested). This shall allow PP-s to collect sufficient information on the relevant market and perform a sound comparison of offers in terms of price or quality, and a comprehensive assessment of the adequacy of the price.
- **In case of differences between EU-, programme- and national rules** (and internal, if applicable), **PP-s must always follow the stricter rule.**
- Failure to comply with the procurement rules set out at EU-, national- or programme level shall result in financial consequences in accordance with the ‘Guidelines for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement’¹³ through the application of correction rates based on the type and level of the non-compliance.
- **When controllers check the compliance** with the market prices, if the compliance is not ensured, the relevant amount can be deducted.
- Procurements must comply also with the **basic principles of transparency, non-discrimination and equal treatment.**
- **Additional national requirements** (if any, e.g. in the ‘Hungarian National eligibility Guidance, Procurement guidance’) shall be taken into account.
- In case of services related to the organisation and implementation of events or meetings (including rent, catering or interpretation), **the costs of services cannot contain any cost related to the project staff** (e.g. catering, accommodation and transportation as well) in order to prevent double funding, because those are covered by travel and accommodation flat rate.
- Where applicable, deliverables and outputs produced by experts/service providers must **respect the communication and visibility rules of the Programme.**
- **For experts paid on the basis of a daily/hourly fee**, the daily/hourly rate together with the number of days/hours contracted and the total amount of the contract must be provided. The invoice must include a clear quantification of the days/hours charged, price per unit and total price.
- **Subcontracting among PP-s within the same project is not allowed.**

Audit trail:

Expenditures can be reimbursed if the following documents are attached to the PPR:

- 1) evidence of the selection procedure;

¹³ [https://ec.europa.eu/transparency/documents-register/detail?ref=C\(2019\)3452&lang=en](https://ec.europa.eu/transparency/documents-register/detail?ref=C(2019)3452&lang=en)

- 2) contract or written agreement laying down the services to be provided, with a clear reference to the project and the Programme;
- 3) invoice or request for reimbursement providing all relevant information in line with the applicable accountancy rules, as well as references to the project and the Programme and a detailed description of the services provided in line with the contents of the contract;
- 4) deliverables produced (e.g. studies, promotional materials) or, where applicable, documentation of the delivery (e.g. in case of events: agenda, list of participants, photo-documentation etc);
- 5) document proving the completion of the service (proof of fulfilment);
- 6) in case of studies a declaration ¹⁴ by the author that the study (as a whole or any part of it) was not financed by any other programme;
- 7) proof of payment (e.g. bank statement, extract from a reliable accounting system of the LP / PP);
- 8) any other document based on the requirements of the national rules (if any).

2.6. Equipment

Type of expenditures

Equipment expenditure refers to equipment purchased or rented by the LP / PP other than those covered by the cost category 'office and administration expenditure' and necessary for the implementation of the project. Expenditure for the financing of equipment purchased or rented by the LP / PP shall be limited to the following:

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

This list is exhaustive. Cost items listed above cannot be reimbursed under any other cost category.

¹⁴ 'I, The Undersigned (expert) hereby declare that [issued invoice number] related to the contract prepared within the framework of project number [project ID] on invoice number [invoice amount], a study prepared by me has not been accounted for in any other tender implemented with EU- or national funding. I also declare that the study I prepared is my own intellectual product, its use is unrestricted and its reference list is complete.'

Specific eligibility requirements

- Equipment must be clearly linked to the project and be essential for its effective implementation.
- Full cost for realising equipment within the project is eligible, i.e. **no depreciation is necessary**.
- **Selection procedure must be in line with latest EU-, programme- or national (including institutional) public procurement rules**, depending on the type of entities and the estimated value of the contract.
- Please note that public procurement procedures should be in line with national requirements and relevant thresholds.
- **Programme procurement rules** shall require the following from Project Partners:
 - **For contracts having a value below 10.000 EUR (excl. VAT)** the principles of sound financial management must be applied. However, in such cases the PP-s do not have to provide evidence of a specific selection procedure, i.e. no specific proof of the market price is required to be submitted by the PP-s.

Nevertheless, please note that the controllers have the right to check the compliance with market prices during the verification of expenditures. Please also note that a procurement must not be split artificially in order to circumvent the 10.000 EUR threshold!
 - **For contracts having a value equal to or above 10.000 EUR (excl. VAT)**, PP-s shall conduct and document adequate market research (e.g. at least three different offers requested). This shall allow PP-s to collect sufficient information on the relevant market and perform a sound comparison of offers in terms of price or quality and a comprehensive assessment of the adequacy of the price.
- **In case of differences between EU-, programme- and national rules** (and internal, if applicable), **PP-s must always follow the stricter rule**.
- Failure to comply with the procurement rules set out at EU-, national- or programme level shall result in financial consequences in accordance with the ‘Guidelines for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement’ through the application of correction rates based on the type and level of the non-compliance.
- **When controllers check the compliance** with the market prices, if the compliance is not ensured, the relevant amount can be deducted.
- Procurements must comply also with **the basic principles of transparency, non-discrimination and equal treatment**.
- **Additional national requirements** (if any, e.g. in the ‘Hungarian National eligibility Guidance, Procurement guidance’) shall be taken into account.
- **Equipment cannot be purchased or rented from another PP** within the project.

- Equipment **cannot be leased**.
- All equipment items have to be **clearly described in the application and/or its annexes** or if not the case, must be agreed by the JS/MA according to the modification rules.
- Where applicable, if the equipment forms a deliverable or an output of a project, **the communication and visibility rules of the Programme have to be respected**.
- Costs for **the purchase of second-hand equipment** may be eligible, subject to the following conditions:
 - no other assistance has been received for it from the Interreg funds or from the funds listed in point (a) of Article 1(1) of Regulation (EU) 2021/1060;
 - its price does not exceed the generally accepted price on the market in question; and
 - it has the technical characteristics necessary for the project and complies with applicable norms and standards.
- **Contractual advances in accordance with normal commercial law and practice**, stipulated in a contract between the LP / PP and the supplier, supported by receipted invoices (e.g. advance payment for the purchase of a piece of equipment) are eligible but depend on later confirmation that the equipment has been properly and timely delivered, i.e. they can be considered eligible once a proof of delivery in line with the contract has been provided.

Audit trail:

Expenditures can be reimbursed if the following documents are attached to the PPR:

- 1) evidence of the selection procedure;
- 2) contract or written agreement including adequate technical specifications and sufficiently detailed financial information about the purchase of equipment, with a clear reference to the project and the Programme;
- 3) invoice (or a supporting document having equivalent probative value to invoices) providing all relevant information in line with the applicable accountancy rules, documentation of inventory and, where applicable, references to the project and the Programme;
- 4) proof of payment (e.g. bank statement, extract from a reliable accounting system of the PP);
- 5) other supporting documents (e.g. documents of book-keeping, proof of receipt, documents of guarantees, photo documentation, acknowledgement of performance ¹⁵);
- 6) any other supporting documents based on the requirements of national rules (if any).

¹⁵ HU: teljesítésigazolás; HR: primopredajni zapisnik ili potvrda o urednom izvršenju ugovora ili jednakovrijedan dokument.

2.7. Infrastructure and works

Type of expenditures

Expenditure for the financing of works refers to costs incurred by the LP / PP for the execution of an item of infrastructure. Works expenditure may refer either to an object (e.g. building) that will be set up ex-novo or to the adaptation of already existing infrastructure. **Costs for infrastructure and works shall be limited to the following:**

- a) purchase of land in accordance with point (b) of Article 64(1) of the CPR;
- b) building permits;
- c) building material;
- d) labour; and
- e) specialised interventions (such as soil remediation, mine-clearing).

This cost category also includes costs for purchase of land that must not exceed 10% of the total budget of the LP / PP.

The above list is exhaustive.

Specific eligibility requirements

- Works must be clearly linked to the project and be essential for its effective implementation.
- Works have to be duly described in the application and/or its annexes or, if not the case, must have been agreed by the JS/MA or MC beforehand in order to be considered as eligible.
- Full cost for realising infrastructure and works within the project is eligible, i.e. **no depreciation is necessary.**
- **Selection procedure must be in line with latest EU-, programme- or national public procurement rules**, depending on the type of entities and the estimated value of the contract.
- Please note that **public procurement procedures should be in line with national requirements and relevant thresholds.**
- **Programme procurement rules** shall require the following from Project Partners:

For contracts having a value below 10.000 EUR (excl. VAT) the principles of sound financial management must be applied. However, in such cases PP-s do not have to provide evidence of a specific selection procedure, i.e. no specific proof of the market price is required to be submitted by the PP-s.

Nevertheless, please note that the controllers have the right to check the compliance with market prices during the verification of expenditures. Please also note that a procurement must not be split artificially to circumvent the 10.000 EUR threshold!

For contracts having a value equal to or above 10.000 EUR (excl. VAT), PP-s shall conduct and document adequate market research (e.g. at least three different offers requested). This shall allow PP-s to collect sufficient information on the relevant market and perform a sound

comparison of offers in terms of price or quality and a comprehensive assessment of the adequacy of the price.

- **In case of differences between EU-, programme- and national rules** (and internal, if applicable), **PP-s must always follow the stricter rule.**
- Failure to comply with the procurement rules set out at EU-, national- or programme level shall result in financial consequences in accordance with the 'Guidelines for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement' through the application of correction rates based on the type and level of the non-compliance.
- **When controllers check the compliance** with the market prices, if the compliance is not ensured, the relevant amount can be deducted.
- The procurement must comply with **the basic principles of transparency, non-discrimination and equal treatment.**
- Depending on the nature of the intervention linked to the works to be carried out, **all compulsory requirements set by EU and national legislation on environmental policies or in other relevant policies released by national/regional/local authorities (e.g. building permit) must be fulfilled.** In particular, any requirement deriving from the different directives in force must be strictly observed.
- The land and/or buildings where the works will be carried out must be **in the ownership or long term use of the LP / PP** for at least 10 years from the end of project implementation.
- Infrastructure and works expenditure cannot refer to items financed by other subsidies (e.g. EU, national or regional) and must not be already depreciated.
- In the case of works being part of a larger infrastructural investment, the part financed by the Programme must be clearly and unequivocally identifiable.
- The relevant publicity requirements must be respected **in line with the communication and visibility rules of the Programme.**
- Controllers must verify on the spot, during the implementation period or at the latest before issuing the final control certificate, the existence of infrastructure and works realized by the project and their clear identification with the project.
- **Sub-contracting for the implementation of infrastructure and works among PP-s within the same project is not allowed.**
- Contractual advances in accordance with normal commercial law and practice, stipulated in a contract between the PP and the provider, supported by received invoices (e.g. advance payment for the company selected for construction works) are eligible but depend on later confirmation that infrastructure and works have been properly and timely executed, i.e. they can be considered eligible once a proof of delivery in line with the contract has been provided.

Audit trail:

Expenditures can be reimbursed if the following documents are attached to the application **at the latest by the time of contracting for the EU contribution:**

- 1) legal documents specifying the ownership or permission of use of land and/or buildings where the works will be carried out;
- 2) supporting documents for land purchase (e.g. pre-contract or decision of the relevant government office);
- 3) plans that enable a proper cost calculation (available draft plans if applicable, if not, a sufficient description of the works, in case of renovations a short technical specification of the works);
- 4) where applicable, necessary permits for the execution of the works, issued by the relevant national/regional/local authorities.

Expenditures can be reimbursed if the following documents are **attached to the PPR:**

- 1) evidence of the appropriate selection procedure;
- 2) contract or written agreement laying down the works and related supplies and/or services to be provided with a clear reference to the project and the Programme;
- 3) invoice providing all relevant information in line with the applicable accountancy rules as well as references to the project and the Programme and a detailed description of the works carried out in line with the content of the contract;
- 4) proof of payment (e.g. bank statement, extract from a reliable accounting system of the PP);
- 5) construction log ¹⁶;
- 6) photo documentation of the works;
- 7) documents of registration if applicable;
- 8) any other document based on the requirements of the national rules (if any).

Expenditures can be reimbursed if the following documents are **attached to the Final PPR:**

- 1) supporting documents for land purchase (contract, land registration sheets, proof of fulfilment) if not already submitted in the application phase;
- 2) if applicable, after the finalisation of the works but at the latest with the final PPR, the usage permit issued by the relevant authority.

¹⁶ Both the construction book and the construction diary.

3. State aid rules

Present Chapter aims at introducing the main rules on State aid as laid down in the Treaty on the Functioning of the European Union (TFEU) and in other pieces of EU legislation. These rules will be applied to all activities in all projects funded under the Programme.

Please note that the present Chapter contains the short review of applicable State aid rules for project proposals in this Programme **for information purposes**. Decisions on the applied rules will be taken in the assessment process and can affect the contracting conditions of the selected project proposals in terms of the **amount and ratio of EU contribution and state contribution as well**.

3.1. The notion of State aid

Funds granted by the Interreg VI-A Hungary-Croatia Programme 2021-2027 must comply with State aid rules. According to the Article 107 of the TFEU¹⁷, State aid is defined as *'any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market'*.

In practical terms, State aid applies when all five criteria listed below are met:

1. The recipient of the aid is an 'undertaking' which is carrying out an **economic activity** in the context of the project.
2. The aid is **granted by the State or through State resources and it is imputable to the State**, which is always the case for any Interreg programme.
3. The aid gives an **economic advantage (a benefit)**, which an undertaking would not have obtained under normal market conditions.
4. The aid is **selectively** favouring certain undertakings or the production of certain goods or provision of certain services.
5. The aid **distorts or threatens to distort competition** and affects trade within the EU.

Apart from compliance with the aid specific rules, State aid can be granted in consideration of the Chapter I-II of Commission Regulation (EU) 651/2014¹⁸ (hereinafter referred to as the '**GBER**') and Commission Regulation (EU) No 1407/2013¹⁹ (hereinafter referred to as the '**de minimis regulation**'). Comprehensive information on State aid can be found on the DG Competition website of the European Commission²⁰, where also a guideline on the notion of state aid is available²¹. Also

¹⁷ Treaty on the Functioning of the European Union.

¹⁸ Commission Regulation (EU) No 651/2014 of 17 June 2014 on declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (the GBER) (OJ L 187/1. 26.6.2014)

¹⁹ Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the TFEU to *de minimis* aid (OJ L 352, 24.12.2013)

²⁰ https://ec.europa.eu/competition-policy/state-aid_en

²¹ https://ec.europa.eu/competition-policy/state-aid/legislation/notion-aid_en.

relevant national or regional authorities may be consulted to obtain more specific information on rules and limitations concerning State aid.

3.2. State aid assessment and contractual conditions

Submitted project proposals undergo a specific State aid assessment focusing on the five criteria listed above. This is offered for the applicants as part of the Application Form in the Programme as a self-assessment, with particular attention to the assessment of the status as 'undertaking' (criterion 1) of the PP-s (i.e. the LP or any PP) and of the existence of an economic advantage for the undertaking (criterion 3).

Please note, however, that the State aid evaluation is the responsibility of the Member State, and the assessment by the responsible national bodies may overrule the applicants' self-assessment.

The results of the state aid assessment may lead to one or more of the following scenarios:

- a) **No State aid relevance.** In this case, no contractual conditions are set on State aid.
- b) **Risk of State aid that can be removed.** In this case, the MC may approve the project with certain conditions that are included in the SC in order to eliminate the State aid risks (e.g. wide dissemination, also to competitors, of certain project outputs).
- c) **Direct State aid granted to one or more PP-s.** In this case, the entire budget allocated to the concerned PP. If this aid measure is regarded as State aid according to Article 107 (1) of the TFEU, aid under Article 20 of the GBER or, in exceptional cases, under the de minimis regulation can be granted in the Programme.
- d) **Indirect state aid granted to third parties** outside the project partnership. The PP (as direct beneficiary of the Programme) does not gain advantage because it confers the advantage onto a third party, therefore the State aid assessment must be carried out in the relation between the PP and the final beneficiary. If the aid measure is regarded as State aid according to the Article 107 (1) of the TFEU, aid under Article 20a of the GBER can be granted in the Programme. A contractual condition setting a threshold to the aid granted to third parties is set.

During the implementation of the project, the MA/JS verifies that the concerned PP-s fulfil their contractual conditions on State aid. Any amendment to the project might be restricted if its activities are assessed as State aid relevant and/or additional contractual conditions on State aid may be given to projects in case of project amendments assessed as State aid relevant.

For PP-s receiving additional national public co-financing to their budgets, the aid granting shall comply with the cumulation and aid intensity rules.

Aid granted under the Programme can be cumulated also with other State aid under conditions laid down in Article 8 of the GBER.

Aid with identifiable eligible costs under Article 20 of the GBER may be cumulated with any other State aid with different identifiable eligible costs. Aid with identifiable eligible costs exempted under Article 20 of the GBER is not to be cumulated with any State aid, including de minimis aid, in respect

to the same eligible costs if such cumulation would result in an aid which exceeds 80% of the eligible costs.

Aid without identifiable eligible costs under Article 20a of the GBER may be cumulated with any other State aid with identifiable eligible costs. Aid without identifiable eligible costs may be cumulated with any other State aid without identifiable eligible costs, up to the highest relevant total financing threshold fixed in the specific circumstances of each case by the GBER or another block exemption regulation or decision adopted by the EC.

3.3. Direct aid granted under Article 20 of the GBER

As a general rule, the Programme grants direct State aid under this exemption for Interreg. The aid granted by the Programme is up to 2 000 000 EUR of total aid amount per undertaking and per project. In line with Article 20 (3) of the GBER, the aid intensity shall not exceed the maximum co-financing rate provided for in Regulation (EU) 2021/1060 and/or Regulation (EU) 2021/1059, whichever is applicable, which is in this case 80%.

The 80% maximum co-financing rate of the Programme cannot be exceeded with any additional public co-financing to their budgets. Such PP-s shall include information on applications for additional public co-financing in the budget co-financing section of the project proposal.

3.4. Direct aid granted under the de minimis regulation

Aid granted under the de minimis regulation **cannot exceed EUR 300 000 of total aid amount** over any period of the current fiscal year and the previous two fiscal years from the date of granting the aid. The Programme grants de minimis aid in line with the exclusions under Article 1 of the de minimis regulation. Please note that in Interreg an undertaking from the Partner Country may receive de minimis aid from the Partner Country participating in the Programme.

The de minimis thresholds count per 'single undertaking'. **In case a PP is part of a group, the entire group is therefore considered as one single undertaking** and the de minimis threshold applies to the entire group. This could be for example the case of a company owning (or controlling) one or more companies, or the different departments of a university.

3.5. Indirect aid granted under Article 20a of the GBER to third parties

Project activities might result in advantages granted to undertakings outside the project partnership that they would not have received under normal market conditions. This might be the case, for example, of free of charge services, training, or consultancy to companies. In such cases, the aid is granted to third parties who are the final beneficiaries of project activities. This aid is granted under Article 20a of the GBER, referring to exemption for aid of limited amount in the context of Interreg.

Aid granted under Article 20a of the GBER to an undertaking that is the final beneficiary of project activities **cannot exceed EUR 20.000 per undertaking, per project**. The amount of aid granted to

each final beneficiary is to be determined by the concerned PP-s prior to the implementation of project activities that are affected by indirect aid, and it shall be approved by the MA/JS²².

²² PP-s are advised to check national legislation and procedures related to aid to third parties, as these might apply even if the Programme applies Article 20a of the GBER.

LIST OF ABBREVIATIONS

AA	Audit Authority
CPR	Regulation (EU) No 2021/1060
DNSH principle	'Do no significant harm' principle
ERDF	European Regional Development Fund
ERDF Regulation	Regulation (EU) No 2021/1058
EC	European Commission
EU	European Union
GBER	Commission Regulation (EU) 651/2014 (General Block Exemption Regulation)
I+	INTERREG+, the monitoring system of the Programme
Interreg Regulation	Regulation (EU) No 2021/1059
JS	Joint Secretariat
LP	Lead Partner
MA	Managing Authority
MC	Monitoring Committee
MS	Member State
NA	National Authority
OSI	Operation of Strategic Importance
PIM	Project Implementation Manual
PP	Project Partner
PPR	Project Partner Report (partner level)
PR	Project Report (joint level)
SCO	Simplified cost option
TFEU	Treaty on the Functioning of the European Union
VAT	Value added tax