

Eligibility rules of expenditure

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State aid

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What is state aid?

“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”

EU Treaty, Article 107

State aid assessment criteria

- ❖ Transfer of state resources: always YES for Interreg
- ❖ Resources granted to an UNDERTAKING -> Is the partner involved in economic activities through the project?
- ❖ Advantage -> Does the partner receive an undue advantage in the framework of the project?
- ❖ Selectivity: Almost certainly YES in Interreg
- ❖ Potential distorting effect on competition and trade within the Union: Most often YES

If answer to all questions is YES = the support from the NPA programme is likely to constitute State Aid

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Is the project partner an undertaking?

- Entities engaged in economic activities through the project
 - Irrelevant: legal form (SME, university etc), public/private, non profit concept
- Questions to ask:
 - Will the partner develop/offer goods/services for which a market exists (even hypothetically)?
 - Are there project activities/goods/services that could have been undertaken by an operator with the view to making profit?

Is there a selective advantage?

Questions to ask:

- Does the measure give an economic advantage (a benefit) which an undertaking would not have obtained under normal market conditions?

Or

- Is there no advantage, e.g. it is merely a service at market price

State Aid can occur at 2 levels

- In relation to project partners; one or more partner might be an undertaking (direct State Aid)
- In relation to end users; e.g. support is provided by the project to end beneficiaries, such as training, business support etc. (indirect State Aid)

State aid self-check: Is the partner involved in economic activities through the project?

State aid question	Answer	Justification
1. Will the project applicant implement activities and/or offer goods/services for which a market exists?	<div><div>Yes</div><div>No</div></div>	<div>Enter text here</div> <div></div>
2. Are there project activities/goods/services that could have been undertaken by an operator with the view to making profit (even if this is not the applicant's intention)?	<div><div>Yes</div><div>No</div></div>	<div>Enter text here</div> <div></div>

State aid self-check: Does the partner receive an undue advantage in the framework of the project?

State aid question	Answer	Justification
1. Does the project applicant plan to carry out the economic activities on its own i.e. not to select an external service provider via public procurement procedures for example?	<div><div>Yes</div><div>No</div></div>	<div>Enter text here</div> <div></div>
2. Will the project applicant, any other operator not included in the project as a project partner or the target audience gain any benefits from its project economic activities, not received in the normal course of business (i.e. not received in the absence of funding granted through the project)?	<div><div>Yes</div><div>No</div></div>	<div>Enter text here</div> <div></div>

Conclusions State Aid assessment

- No State Aid relevant activities = no further action
- The support is regarded as State Aid = granted under any of the exemption regulations, if applicable:
 - General Block Exemption Regulation, Article 20
 - General Block Exemption Regulation, Article 20a
 - De Minimis
- For further guidance; NPA Programme Manual, section 2.9

GBER Regulation

- The regulation applies to aid for European Territorial Cooperation projects
(Article 1(1)(o) of Regulation (EU) 2021/1237)
- The regulation does NOT apply to:
 - aid to export-related activities
 - aid contingent upon the use of domestic over imported goods.
 - aid to undertakings in difficulty, with certain exceptions.

GBER Article 20

- Eligible costs are:
 - (a) staff costs;
 - (b) office and administrative costs;
 - (c) travel and accommodation costs;
 - (d) external expertise and services costs;
 - (e) equipment costs;
- The aid intensity shall not exceed 80%
- Limitation of 2 million EUR per undertaking, per project

GBER Article 20a

- Limited amounts of aid to undertakings' participation in Interreg projects
- In cases where a partner provides State Aid to end users
- Limitation of 20 000 EUR per undertaking, per project
- The partner is responsible for ensuring that the terms of the GBER regulation are met, including monitoring and administrative arrangements.

De Minimis

- Partners can receive funds from NPA only if they did not receive public aid under the de minimis rule totalling more than EUR 200.000 within the previous three fiscal years from the date of granting the aid.
- The regulation does NOT apply to undertakings active in:
 - Fishery and aquaculture sectors,
 - Primary production of agricultural product
 - Export-related activities.

Eligibility Rules

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Hierarchy of rules on eligibility of expenditure

1. Rules defined in EU legal framework

2. Programme rules

- ✓ Established jointly by the Programme partner countries in the programme monitoring committee
- ✓ Apply to the programme as a whole
- ✓ Without prejudice to the rules on EU level

3. National rules

- ✓ For any other matters not covered by EU rules and programme rules
- ✓ Stricter rules in areas prescribed by EU rules

General principles of eligibility



All expenditure in the allowed cost categories has to be:

- Project-related.
- Clearly connected to project activities traceable in the approved application form.
- incurred, entered in the project accounts and paid by, or on behalf of, the project partner during the project period.

General principles of eligibility

- National public procurement rules have to be observed for all purchases and full documentation of the procurement is obligatory for expenditure to be regarded as eligible.
- Value added tax (VAT) is eligible (even if it is recoverable for the project partner).

General principles of eligibility

- All or part of an operation may be implemented outside of the programme area, provided that the Interreg operation contributes to the objectives of the Programme. (Contact the JS to get approval in advance)
- Interact Fact sheets 2021-2027 (audit trail).

Cost Categories



1. Staff costs
2. Office and Administrative costs
3. Travel and accommodation costs
4. External expertise and services costs
5. Equipment costs

(Infrastructure and works not allowed in NPA)

Staff Cost

1. Staff costs shall consist of gross employment costs of staff employed by the Interreg partner in one of the following ways:

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

Staff Cost

2. Staff costs shall be limited to the following:

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

Staff Cost

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

Staff Cost

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

Staff Cost

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

Staff Cost

3. Staff costs may be reimbursed either:

- (a) as reimbursement of eligible costs actually incurred by a beneficiary, proven by the employment document and payslips;
- (b) as lump sums under simplified cost options as set out in point (c) of Article 53(1) of Regulation (EU) 2021/1060. In such cases, staff cost will be included in a lump sum. The lump sum is paid if the conditions as defined in the Grant Letter are met. No supporting documents are required for verification of the staff costs.

Staff Cost

4. Staff costs related to individuals who work on part-time assignment on the operation, should be calculated as:

- a fixed percentage of the gross employment cost in line with a fixed percentage of time worked on the operation per month, with no obligation to establish a separate working time registration system. The employer shall issue a document for employees setting out that fixed percentage and a description of tasks of the employee in the project.

Office and Administrative costs

- Office and administrative costs shall be limited to the elements mentioned in the eligibility rules section of the Programme manual.
- Office and administrative costs shall be financed as a flat rate only, and they shall be calculated as a fixed percentage of 15 % of the eligible direct staff costs.

Travel and accommodation costs

1. Travel and accommodation costs, regardless whether such costs are incurred and paid inside or outside the Programme area, 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
- (e) daily allowances.

Travel and accommodation costs

2. Any cost element listed in points (a) to (d) of paragraph 1 covered by a daily allowance shall not be reimbursed in addition to the daily allowance.

3. Travel and accommodation costs of external experts and service providers fall under external expertise and services costs.

Travel and accommodation costs

4. Direct payment of expenditure for cost elements listed in points (a) to (d) of paragraph 1 by an employee of the beneficiary shall be supported by a proof of reimbursement by the beneficiary to that employee.

5. Travel and accommodation costs of an operation may be calculated at a flat rate of up to 15 % of the direct staff costs of that operation. If the option of a flat rate is chosen, this must be applied on partner level for the entire duration of the project.

External expertise and services costs

External expertise and service costs cover expenditures paid by the partner organisation for the support in the project implementation provided by a public or private body or a natural person outside the partner organisation and all partners of the operation (See items in the eligibility rules section in the Programme manual).

To keep in mind:

Invoicing between partners is not allowed.

Travel and accomodation costs for external experts, speakers, chairpersons of meetings etc. should be reported in this category.

Equipment costs

Costs for equipment purchased, rented or leased by the beneficiary of the operation other than those covered by office and administrative costs shall be limited to the items listed in the eligibility rules section in the Programme manual

To keep in mind:

Costs for the purchase of second-hand equipment could be eligible if the circumstances are right and the conditions are fulfilled (no other support from the EU funds, not over price on the market etc.)

Ineligible expenditure

There are a few cost items that will not be eligible in NPA 2021-2027:

(a) fines, financial penalties and expenditure on legal disputes and litigation.

(b) costs of gifts.

(c) costs related to fluctuation of foreign exchange rate.

SCO – Simplified Cost Options

In order to minimize the administrative burden on the beneficiaries the below Simplified Cost Options (SCO's) provided in the EU regulations are made available:

- It is mandatory to use a 15 % flat rate for office and administration on staff costs.
- It is optional to use a 15 % flat rate for travel on staff costs.

SCO – Simplified Cost Options

- There is also an option to report costs as staff cost + a 40 % flat rate for all other costs than staff. Only the staff cost will be verified by the controllers. This SCO will be available case by case. (Not available in the first call).

SCO – Simplified Cost Options

- For staff cost related to individuals who work on part-time assignments, the costs should be calculated as a fixed percentage of the gross employment cost, in line with a fixed percentage of time worked on the project per month, with no obligation to establish a separate working time registration system.
- Lump sums for small-scale projects will be mandatory for projects where the total cost of the operation is less than EUR 200 000 (the EU part), except for operations for which the support constitutes State Aid.

Q & A



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A scenic view of a coastal town, likely in the Faroe Islands, with a large, steep, green mountain in the background. The town is built on a hillside overlooking a harbor filled with boats. The sky is cloudy.

Thank you for listening!

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