The Programme Manual is aimed at project applicants and Lead Partners funded by the NPA 2014-2020. It offers guidance and instructions for all stages of the project lifecycle – from the preparation of the application to the implementation, monitoring, reporting and finalisation of an NPA project. The manual is designed to complement the Cooperation Programme document. It is also part of the application pack.

Programme Manual

Northern Periphery and Arctic Programme 2014-2020

Version 8.1 – November 2019

Northern Periphery and Arctic Programme
2014–2020

Contents

Preface

The Programme Manual is aimed at project applicants and Lead Partners funded by the Northern Periphery and Arctic Programme 2014-2020. It offers guidance and instructions for all stages of the project lifecycle – from the preparation of the application to the implementation, monitoring, reporting and finalisation of an NPA project.

The Programme Manual is divided into 6 chapters:

1. **Introduction to the NPA 2014-2020**
2. **How to Apply**
3. **How to Implement**
4. **How to Close**
5. **NPA Eligibility Rules**
6. **Annexes**

The Programme Manual is designed to complement the Cooperation Programme document for the Northern Periphery and Arctic Programme 2014-2020. It is also part of the application pack.

In the rest of this chapter, you can find a list of changes to this document.

Copenhagen, July 2019

List of changes

Version and date	New in this version
Version 1 – September 2014	No changes have been made so far.
Version 2 – January 2015	• New details about available funding (*section 1.5.1 Grant rates*) • New information about the use of lump sums for preparatory projects (*section 1.6.1 Preparatory Projects* and *2.5.1 Appropriate Budget Size*) • More extensive guidance on State Aid, mainly in connection to SME partners (*section 2.1.4 Private sector partners*) • Updated indicator system (*section 2.4 Indicators*) • Guidance on cost-sharing within the project partnership (*section 2.5.1 Appropriate Budget Size*) • Guidance on project net revenues (*section 5.3.8 Project net revenues*) • Minor updates to the Factsheet on eligibility of equipment costs (*section 6.3 Factsheets on Eligibility of Expenditure*)
Version 3 – March 2015	• Updated references to synergies with other programmes and strategies (*section 1.3.4 Synergies with other EU policies and funds*) • Updated Priority Axes on the basis of the approved Cooperation Programme (*section 1.4 Priority Axes*) • Clarification of the minimum requirements for preparatory projects (*section 1.6.1 Preparatory Projects*) • Updated programme management structure graph (*section 1.7 Programme Bodies*) • Updated information on the legal status of partners *(section 2.1.4 Private sector partners)* • Updated information on the use of lump sums for preparatory projects (*section 2.5.1 Appropriate Budget Size)* • New information about undertakings in difficulty *(section 2.1.4 Private sector partners)* • Updated selection criterion 10 (*section 0* • *Selection* criteria) • New chapter 3 How to Implement • Minor updates to the Factsheet on eligibility of office and administrative costs and the Factsheet on travel costs (*section 6.3 Factsheets on Eligibility of Expenditure*)
Version 4 – September 2015	• Whole document: references to legal status of public and private partner organisations have been made more consistent. • Whole document: where relevant, references to eMS have been added. • A reference to the "not in difficulty" declaration has been added *(section 2.1.4 Private sector partners).* • The expectation that projects should budget for attending programme events has been added (*section 2.3.1).* • New information on thresholds for minor and major changes has been included (*section 3.3.2 Changes in Project Implementation).* • New chapter 4: the preparatory final reporting process. • Chapter 5 and 6, eligibility rules and factsheets: the eligibility of gifts. A clarification on the standard 1720 annual working hours, and travel outside the Union part of the programme area. • References to the *de minimis*, and "not in difficulty" declarations have been added (*section 6.2 Information on State Aid*).
Version 5 – April 2016	• Section 1.2- Statement regarding Private partner intervention rate being 50% • Section 1.5.1 – Private partner grant rate 50% • Section 1.6 -Text update for expected results • Section 2.1.2- Statement on public partners outside programme area has been

	moved from section 1.5.2 • Section 2.1.4 – Statement regarding Private partner intervention rate being 50% as well as updated reference to non- profit organisations viewed as private sector partners. • Section 2.3.1- Update of how work packages are structured. • Section 2.4.1- Inclusion of baseline and target numerical indicators for Programme results. • Section 2.4.2- Inclusion of baseline and target numerical indicators for Programme outputs. • Section 2.5.1 – Statement regarding Private partner intervention rate being 50% • Section 2.5.3- Update of financial control and task to be performed in eMS. • Section 2.6.1- Update on how to compete a project application as well as a footnote referring to the preparatory project application form. • Section 2.6.1- Revision to text at point 4 (authorized changed to delegated mandate). • Section 3.2.1- Revision to MC decision and conditions inclusive of time limit, and eligibility of project expenditure. • Section 3.2.2- Statement update concerning the agreed start date of a project, as well as clarity of project end date, and the inclusion of final reporting in the agreed 36 month project duration. • Section 3.2.2- Deletion of text for minor budget changes referring to accumulated minor changes and a budget change tool. • Section 3.4.1- Update of First Level Control information and the use of the 20% source (how this source is certified). • Section 3.4.3- Update to frequency of on-the-spot checks, and accessibility of project partner records. • Section 3.5- Update to progress report, now called project report., renaming of main project reporting . • Section 3.5.1- Name change: Activity reporting changed to Project reporting, as well as an update to the two types of reporting forms. • Section 3.5.2- Update of the project claim methodology to include eMS, as well as information on eligible start up costs. • Section 3.5.2- Update to completing a project financial claim, and supporting documentation. References to eMS have also been included. • Section 5.3.1- Revision to eligibility rules (Staff Costs). • Section 5.3.2- Revision to eligibility rules (Office and Administration). • Factsheet- Office and Administration: Removal of the 25% flat rate, and other minor updates. • Diagrams 4- 7 removed and replaced with figure 3.
Version 6.1 – September 2017	• Section: 2.1.5 Any approved sub partner must be from the same country as the main partner it is linked to as well as from the same funding source. • Section 3.2.2: The preparatory project final report should be received no later than three month after project closure. • Section: 5.3.1 The option of part time staff cost being reimbursed on hourly rate determined by dividing the monthly gross employment cost by the monthly working time fixed in the employment document expressed in hrs is no longer an option. The text has been removed. • Section: Factsheet Staff Costs: Page 104- 105 The option of part time staff cost being reimbursed on hourly rate determined by dividing the monthly gross employment cost by the monthly working time fixed in the employment document expressed in hrs is no longer an option. The text has been removed.
Version 6.2 – February 2018	• Section 4 How to close. A new chapter has been added detailing the procedures for closing main projects.
Version 7	• Throughout Programme Manual reference made to private partner replaced with

- July 2018	"SME partner"
	• Reference made to "National public procurement rules" replaced with "National procurement rules
	• The project duration is no longer than three years, and will finish before the end of June 2022, changed from June 2021.
	• Additional statement added to Mandatory communications tools "specify that the poster must be displayed by each beneficiary, i.e. partner of the project".
	• In section 3.5.2 reference to uploaded Match Funding Commitment forms for - External Cash Contribution and External In-kind Contribution forms.
	• Chapter 6, eligibility rules and factsheets Statement regarding FLC not having to check if 1720 is correct, which is less time-consuming as of 4thth call.
Version 8 July 2019	• 2.1.4 Private sector partners: replaced "private" with "SME"
	• 3.3.2 Project implementation, chapter Major changes, new statement: Besides minor and major changes there are also changes to the projects that are of more technical character, often initiated by the programme management. If there are changes to the project implementation as compared to what is entered into the project application, there is a requirement by the lead partner to notify the NPA programme management as soon as possible.
	• 3.5.2 Project claim, new statement: Match funding contributors need to be entered in the project financing plan. Contribution to the project that is not part of the financing plan should be considered as net revenue, or a change to the funding set up of the project will be necessary.
	• 5.3.1 Eligibility rules Footnotes 33 and 34 changed as follows: 33 Projects in the Programmes´ first three calls may calculate the hourly rate by dividing the latest documented annual gross employment cost by the monthly working time fixed in the employment document expressed in hours. As of the 4th call this is removed as an option. 34 Projects in the Programmes' first three calls may calculate a flat rate of up to 25% of eligible direct costs, provided that the flat rate is calculated on the basis of a fair, equitable and verifiable calculation method, or a method applied under schemes for grants funded entirely by the Partner State for a similar type of operation and beneficiary.
Version 8.1 November 2019	• Addition of footnote 27 concerning invoicing between the LP and the partner in the 20% area in case of FLC costs incurred by the LP.

1.Introduction to the NPA 2014-2020

This chapter offers a quick insight into the contents and operational framework of the Northern Periphery and Arctic Programme 2014-2020. It is targeted at applicants and those who wish to familiarise themselves with the essential elements of the Programme. This chapter summarises the key points from the Cooperation Programme document, which provides a more comprehensive understanding of the Programme.

1.1. The Programme in short

The Northern Periphery and Arctic Programme 2014-2020 forms a cooperation between 9 programme partner countries; the Member States of Finland, Ireland, Sweden and the United Kingdom (Scotland and Northern Ireland) in cooperation with the Faroe Islands, Iceland, Greenland and Norway. This means that the programme area encompasses the Euro-Arctic zone, parts of the Atlantic zone and parts of the Barents region, neighbouring on Canada in the West and Russia in the East.

Despite geographical differences, the large programme area shares a number of common features, such as low population density, low accessibility, low economic diversity, abundant natural resources, and high impact of climate change. This unique combination of features results in joint challenges and joint opportunities that can best be overcome and realised by transnational cooperation.

The Northern Periphery and Arctic Programme 2014-2020 aims to expand the regions' horizons, building on concrete outcomes and enabling the programme area to be a 1st class region to live, study, work, visit and invest. It is the programme's vision is to help to generate vibrant, competitive and sustainable communities, by harnessing innovation, expanding the capacity for entrepreneurship and seizing the unique growth initiatives and opportunities of the Northern and Arctic regions in a resource efficient way.

The Northern Periphery and Arctic Programme 2014-2020 is part of the European Territorial Cooperation Objective in the framework of the cohesion policy, supported by the European Regional Development Fund. The programme operates in a multi-layered policy landscape, making it well positioned to contribute to and align with the Europe 2020 Strategy, national and regional policies and development strategies, macro regional and sea basin strategies, and other programmes covering parts of the geographical area. In addition, increased interest and rapid developments in Arctic regions have resulted in a more explicit recognition of the programme's Arctic dimension in regional development.

The Northern Periphery and Arctic Programme 2014-2020 builds on collaborations in the Article 10 (1998-1999), INTERREG IIIB Northern Periphery Programme (2000-2006) and Northern Periphery Programme 2007-2013, which have experienced incremental success and geographical expansion.

The development needs and potentials of the programme area, together with the policy and historic context have resulted in 4 priority axes to achieve the programme vision:

1. Using innovation to maintain and develop robust and competitive communities
2. Promoting entrepreneurship to realise the potential of the programme area's competitive advantage
3. Fostering energy-secure communities through promotion of renewable energy and energy efficiency
4. Protecting, promoting and developing cultural and natural heritage

The sparsely populated communities of the programme area are the focus point of all 4 priority axes.

During the period 2014-2020, the Programme will allocate approximately 56 million Euros to projects with a maximum total project budget of 2 million Euros. A precondition for funding is that projects provide at least 35-40% of the total project costs through own or national or regional sources. However, SMEs always have to match fund a minimum of 50% of their costs.

1.2. Programme Area

The Northern Periphery and Arctic Programme 2014-2020 covers a vast area, as shown on the map below. The programme partner countries are the EU Member States of Finland, Ireland, Northern Ireland, United Kingdom and Sweden and Non EU Member States Faroe Islands, Greenland, Iceland and Norway.

As a principle, project partners should be located in the programme area. Please note that it is not always the entire country that participates in the programme. Below you can find a list of the exact regions in the NPA Programme area. Under specific circumstances it can be accepted that a partner located outside the programme area in particular partners in North-eastern Canada or North West Russia are funded by the programme. **Please note** that a SME partner regardless of funding source can never receive more than 50% of the certified costs. For priority axis 4, private match funding is **not allowed**.

Geographical flexibility.

Figure 1 - NPA 2014-2020 Programme Area
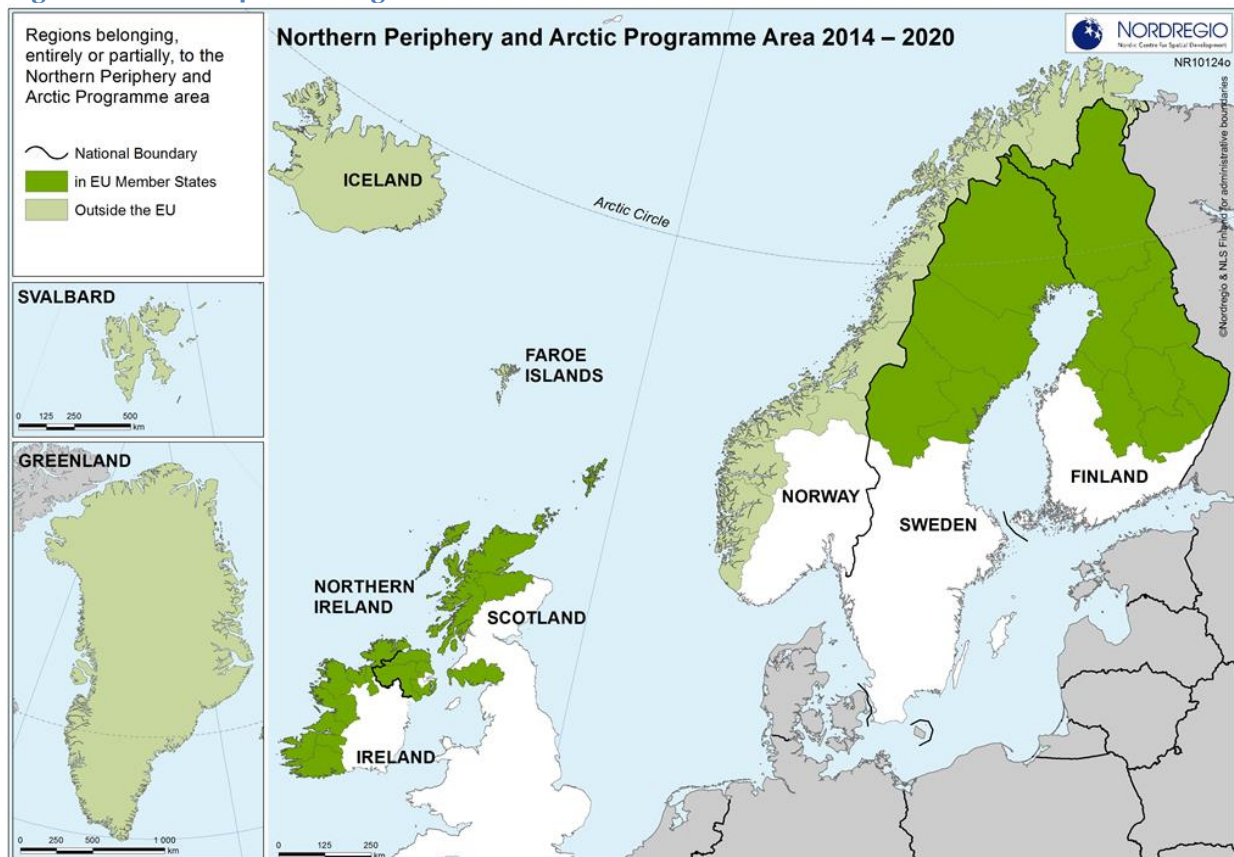
Table 1 - List of eligible regions

Programme partner country	NUTS code or equivalent	Eligible regions
EU Member States		
Finland	FI19	Länsi-Suomi (Keski-Suomi)
	FI1D	Pohjois-ja Itä-Suomi
Ireland	IE01	Border, Midland and Western (County Donegal, County Galway, County Leitrim, County Mayo, County Sligo)
	IE02	Southern and Eastern (County Clare, County Cork, County Kerry, County Limerick)
Northern Ireland	UKN0	Northern Ireland (excluding Belfast and Outer Belfast)
Scotland	UKM32	South Western Scotland (Dumfries and Galloway)
	UKM6	Highlands and Islands
Sweden	SE32	Mellersta Norrland
	SE33	Övre Norrland
Non Member States		
Faroe Islands	FO	Faeroerne
Greenland	GL	Greenland
Iceland	IS	Island
Norway	NO43	Rogaland
	NO05	Vestlandet
	NO06	Trondelag
	NO07	Nord-Norge
	SJ	Svalbard and Jan Mayen

1.3. Programme Strategy

1.3.1. Challenges and opportunities

The Programme area is in many respects diverse. A considerable part of the Programme area is located north of the Arctic Circle, while other areas belong to the subarctic or the northern temperate zone. The area has an extensive coastline, numerous islands and a high proportion of mountainous regions.

The primary characteristics that draw the area together are peripherality and low population density. Other related and shared features include sparse and imbalanced settlement structures, dispersed business base, long distances and physical barriers between the communities, difficulties for communications and accessibility, and extreme climates. Furthermore, the Programme area suffers from relatively low economic diversity, which means that the regions are dependent on relatively few economic sectors, such as fishery or forestry.

As well as these common development challenges , the Programme area is characterised by shared and common development resources, including the area's abundant natural resources, high quality biophysical environment, and versatile business sector. The main common characteristics of the Programme area are outlined below.

Low population density
As a whole, the average population density in the ice-free part of the NPA land area is 6 inhabitants per km² - compared to the European Union average of 117 inhabitants per km².

As well as low population density, the Programme has an unevenly distributed and increasingly concentrated population. As a result, the Programme area's small number of bigger cities and towns has an increasingly dominant position, while more peripheral areas suffer from out-migration, brain drain and ageing populations.

Low accessibility
Extremely low population density is linked to long distances between small and scattered settlements and low accessibility to large conurbations. Within the NPA Programme area, the time and distances involved in travelling to regional centres are particularly high, even compared to other sparsely populated areas of the EU.

Long distances, both internally between towns and settlements and internationally, mean that many communities are dependent on air transport. In addition, many areas suffer from extremely poor connectivity, - with air routes often only connecting peripheral areas with capital- city regions and few other bigger cities.

Lack of connectivity reduces market access and is an obstacle to achieving critical mass.

Low economic diversity

Viewed in a historical perspective, most of the NPA territory has been dependent on natural resources, with the exploitation of, for example, fish, wood and energy resources playing a key role in many of the local economies. More recently, industries based on natural resources such as mining nature-based tourism have become increasingly important.

Additionally, the public sector plays a crucial role as a major employer across the Programme area. In many cases, the public sector is the only opportunity locally for higher-skilled workers.

Abundant natural resources

The NPA-Programme Area as such has abundant natural resources, for example, the gas and oil in the North Sea and Europe's most important mineral resources in Northern Sweden and Finland. In addition, the Programme Area contains vast renewable resources as bio mass (wood, fish, seaweed) and renewable energy (wind, hydro, waves, geo thermal).

Linked to these resources, the rising interest from international investments in e.g. new mega size mining projects results in tensions between economic, social and environmental interests.

High impact of climate change

The climate varies considerably across the NPA-territories from an arctic climate in Greenland, the northern part of Iceland and the other Nordic countries to an oceanic climate in Faroe Islands, coastal Norway, Scotland, Northern Ireland and Ireland. However, climate change projections predict that   temperatures will rise higher and earlier in the Arctic region and neighbouring areas than in rest of the world. It is also expected that levels of precipitation will increase across the Programme area. Altogether, climate change will affect a wide range of human activities and welfare in different ways and to different extents.

1.3.2. Programme vision

In the context of globalisation and the growing international attention, and based on the region's economic, human and environmental strengths, the Programme area is open to considerable new opportunities and a promising future. The realisation of these opportunities depends on timely and wise engagement with the issues, and an even greater level of interaction across the area, and beyond the borders of the Programme area.

Vision

The Northern Periphery and Arctic Programme 2014-2020 aims to expand regions' horizons, building on concrete outcomes and enabling the NPA area to be a 1st class region to live, study, work, visit and invest.

To counteract the overwhelming challenges the Programme will help to generate vibrant, competitive and sustainable communities, by harnessing innovation, expanding the capacity for entrepreneurship and seizing the unique growth initiatives and opportunities of the Northern and Arctic regions in a resource efficient way.

1.3.3. The overall strategy

The overall strategy of the Programme is to foster more robust and dynamic local communities based on the abundance natural resources and a versatile business sector.

The rationale behind this is that more robust and dynamic local communities are preconditions for bottom-up counteracting the traditional peripheral challenges like ageing, lack of critical mass and low access to basic services. In addition, both the globalisation processes and climate change will shape the area's development challenges and opportunities - positively and negatively. Both processes have specific implications for the Programme Area and particular relevance for transnational territorial cooperation.

The outcome of transnational cooperation in general can be grouped as follows:

- **Knowledge transfer** - facilitating the transfer of economic development solutions, and their practical application, from one country/region to another;
- **Innovation** – working together to develop new or innovative economic development solutions that can be applied in practice in more than one country/region;
- **Development of transboundary products** - working together to produce a new product or service that has a transnational or transregional character;
- **Learning** – exchange of ideas, experience and good practice that improve the stock of organisational knowledge (rather than having short-term practical application or concrete results).

The project outputs (products and services) will in this way offer solutions and responses to the Programme area's development opportunities and challenges.

Types of changes fostered by the Programme include, for example:
- Change of attitude and of actual behaviour in relation to innovation processes, entrepreneurship and market behaviour among SMEs in the low densely populated areas outside the regional centres; and
- Enhanced capacity and preparedness in local and regional communities to handle the risks connected to climate change and large scale exploitation of natural resources.

A versatile business sector and more dynamic local economies
A versatile business sector in general is key for future economic growth and an important element of the overall NPA strategy. This presupposes even more dynamic local economies across the Programme area and implies:

- **A need for a more outward-looking enterprises, a better utilisation of the existing innovation capacity within the Programme Area, and a higher level of entrepreneurship.**

The high proportion of small and micro enterprises[1] scattered over a huge geographical area reinforces these needs; due to long distances and administrative borders (national, regional

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[1] According to "The new **SME definition**, User guide and model declaration" published by DG Enterprise and Industry in 2005, micro, small and medium –sized enterprises (SMEs) are defined in relation to three parameters: number of employees, annual turnover and/or annual balance sheet. Micro enterprises have below 10 employees and a turnover not exceeding EUR 2 million, while small enterprises have below 50 employees and a turnover not exceeding EUR 10 million. Medium sized

and local), only a very limited number of enterprises has established economic interaction and cooperation across the Programme Area. Lack of critical mass and lack of ability to utilise innovation and new technologies are related consequences. Transnational territorial cooperation through the NPA Programme can help to overcome some of these challenges. Higher levels of cooperation and interaction outside of the local area will open the way for SMEs in peripheral areas to interconnect with the innovation environments that exist within the regional centres in the Programme area.

The future extraction and exploitation of the region's mineral and energy resources will involve large-scale external investments, often in the form of mega projects, managed by multi-national companies and other global players. However, the balanced, long-term development of the NPA must also be based on: promoting a variety existing economic strengths within the Programme Area, e.g. in connection with food and drink production, the creative sectors and tourism.

Economically more robust local communities and regions will positively influence the economic, social and demographic development and the attractiveness of the area, which again will foster better opportunities for a more smart, sustainable and inclusive social development. In addition, a better gender-balanced labour market where peripheral areas can attract and maintain higher educated young persons will be an important result of such a strategy. For the public sector, transnational cooperation can compensate for lack of human resources to cover, for example, expertise required to handle complex development issues linked to balanced utilisation of natural resources and climate change adaptation.

The Arctic dimension

In general the NPA Programme has the potential to add a regional development level to the EU Arctic Policy as well as the national Arctic policies. It is the common challenges of the Northern Periphery Programme area, sparse population, peripherality, insularity and harsh conditions that also apply to Arctic cooperation. The Arctic dimension plays in that way a cross cutting role in the Programme.

More specifically, t he above mentioned challenges and solutions are particularly relevant for the Arctic parts of the Programme area:

- The NPA supports cooperation, innovation and transfer of knowledge and technology within themes, which are of specific significance for the Arctic territories, such as sustainable use of non-renewable and renewable resources and demographic development.

- The overall intension is that NPA projects shall contribute to economically more robust local communities and regions, which are of importance to people, including indigenous peoples, living in the Arctic area.

In addition, a more collaborative approach between territorial cooperation programmes that cover the Arctic region would benefit the NPA activities and strategic objectives, meaning that the NPA funded projects are encouraged to link to projects funded by other territorial cooperation programmes.

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enterprises have below 250 employees and a turnover not exceeding EUR 50 million. The overwhelming part of all enterprises in the Programme Area is either micro- or small sized enterprises.

1.3.4. Synergies with other EU policies and funds

The scope for synergies and up scaling projects either to, or from the NPA might be the most important link to other EU Programmes. For example, results from a Horizon 2020 project could be operationalized through a NPA project or opposite a NPA project might contribute the development of a Horizon 2020 project.

In addition, projects may exhibit synergies with other programmes or contribute to other EU or international strategies, including LIFE, the European Agricultural Fund for Rural Development (EAFRD), macro-regional and sea basin strategies, e.g. the EU Baltic Sea Region Strategy, the Maritime Strategy for the Atlantic Area, the EU Arctic Policy, the NORA strategy, etc. Other examples are the Integrated Maritime Policy for the European Union and the EU Blue Growth Strategy.

1.3.5. Horizontal principles

A horizontal principle is a principle that must be integrated throughout the Programme and in all projects. Every project approved by the Northern Periphery and Arctic Programme 2014-2020 is required to contribute to the improvement of the following horizontal principles according to the NPA definition:

- Environmental sustainability
- Inclusion and diversity
- Equality between men and women

The principles must be incorporated in every project and at all stages; from project design and delivery, through to project evaluation. Understanding and demonstrating equality issues and sustainability are highly relevant to all applicants and will influence the assessment process.

Environmental sustainability
The NPA will undertake actions throughout the Programme lifecycle to avoid, or reduce, the environmentally harmful effects of interventions and ensure beneficial social, environmental and climate results through:

- directing investments towards the most resource-efficient and sustainable options;
- avoiding investments that may have a significant negative environmental or climate impact, and supporting actions to mitigate any remaining impacts;
- taking a long-term perspective when 'life-cycle' costs of alternative options for investment are compared; and
- increasing the use of green public procurement.

The Programme has identified an indicative list of activities that may be implemented in projects submitted under any chosen priority axis and that aim at encouraging a reduced environmental footprint of operations and foster behavioural changes.

All projects funded by the Programme can incorporate efforts to 'green' their activities and/or minimize the carbon footprint of their activities, for example by:

- including environmental criteria in their procurement procedures (Green procurement procedures, GPP);
- adopting greening measures for the organization and implementation of events;
- giving preference to environmentally friendly transport options for short travel distances;
- follow the procedures described in the environmental management system and certification (EMAS); and
- offsetting CO_2 emissions when travelling by plane.

Consideration should be given to adopting a green business model encompassing the following principles and practices:
- Resource sufficiency (e.g. sharing models, 'less is more', higher energy efficiency, higher levels of recycling);
- Greater use of renewable energy;
- Implementing the concept of Eco-efficiency (e.g. enhancing resource productivity, giving preference to long-lasting materials over those with a short lifespan, slow-food, and slow-travelling);
- Efficiency beyond the market (use of open-source development software, wikis, shared knowledge environments, new non–monetized markets);
- Regional supply chain (reducing supply chain length and CO2 emissions); and
- Use of video conference facilities.

The application form contains 2 categories for environmental sustainable development:

- The project is **positive** in terms of environmental sustainable development
- The projects is **neutral** to environmental sustainable development

During the project selection process higher priority will be given to projects that make a positive impact on environmental sustainable development. Projects that are negative in terms of environmental sustainable development will not be supported.

Applicants are asked to justify their choice of indicator for environmental sustainability.

Inclusion and diversity
In general, discrimination describes a situation where an individual is disadvantaged in some way because of personal characteristics - these include gender, age, race ethnic group and family background, physical condition, religious belief or sexual orientation.

As observed in the Programme area analysis, the regions involved in the NPA are leaders in the field of equal opportunities and non-discrimination. However, the Programme can still make an important contribution in supporting communities on the path of inclusive development, focusing on increasing accessibility and in recognising the value of diversity and talents. It has, therefore, opted to focus on the positive dimension of the principle of non-discrimination, which is *inclusion and diversity*.

The Northern Periphery and Arctic Programme shall contribute to more inclusive and cohesive development by means of increasing opportunities that stimulate and maximize individual talents, in particular through a better understanding of people talents, differences, characteristics, circumstances, needs and conditions.

The NPA shall contribute to promoting the inclusive development in the Northern Periphery and Arctic area, as in the Universal Declaration of Human Rights, by supporting initiatives that enhance the integration skills of the people and strengthen their community based organisations. A list of indicative activities applicable under all the priority axes of the Programme is as follows:

- Open opportunities for work experience and/or training on the job for young people (aged between 16-25). E.g. by appointing young people through work experience, internships, placements and apprenticeships
- Increase the capacity and skills necessary to eliminate the unintentional creation of new barriers for specific groups
- Consider the economic potential of the ageing population both in terms of an adapted demand for products and services and as a supply of "social enterprise"[2] services
- Adopt working from home IT solutions for transnational cooperation
- When implementing their projects and developing products and services the partners shall consider if they inadvertently create new barriers for individuals or specific groups.
- Ensure that the implemented activities, products & services do not generate discrimination on the base of: sex, sexual orientation, disability, age, race, ethnicity, colour and membership of a national minority, nationality or national origin, religion or belief, language, social origin birth, property, political or other opinion.

The application form contains 2 categories for inclusion and diversity:

- The projects is **positive** in terms of inclusion and diversity
- The project is **neutral** in terms of inclusion and diversity

During the selection process, higher priority will be given to projects that are positive in terms of inclusion and diversity. Projects that have a negative effect on inclusion and diversity will not be supported.

Applicants are asked to justify their choice of indicator for inclusion and diversity.

Equality between men and women

Gender equality in broader economic terms means utilizing everyone and allowing everybody – both men and women – to be assets for development through such means as higher education, employment in the labour market, research, innovation and entrepreneurship.

According to the SWOT-analysis, the Programme Area faces challenges such as:
- Youth out-migration;
- Gender segregated labour market; and
- Lack of study and career opportunities, "brain drain".

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[2] Definition: *"**Social enterprises** are businesses that trade to tackle social problems, improve communities, people's life chances, or the environment. They make their money from selling goods and services in the open market, but they reinvest their profits back into the business or the local community"*, source: www.socialenterprise.org.uk.

These challenges are all related to gendered inequalities, within the Programme area they can reach the highest levels in the most peripheral regions, causing gender imbalance. Young women have higher out-migration rates than young men. This is partly due to lack of educational opportunities and a segregated labour market, with traditionally more male-dominated industries and high levels of female employment in public services such as healthcare, welfare and education. This segregated labour market discourages young women, as well as young men, who prefer other kinds of careers. It is also important to note that the number of women entrepreneurs in the Programme area is generally lower compared to men, especially in the most peripheral areas.

The Northern Periphery and Arctic Programme shall aim to contribute to a higher level of equality between men and women and in that way contribute to more fair and inclusive social development. Specifically, the Programme shall contribute to a more diversified and attractive labour market for women, and, at the same time, support opportunities for women to play a more active role in innovation processes and in the formation of new enterprises. At the level of operations, all projects shall strive to integrate into their activities equal participation of men and women.

A list of indicative activities applicable under all the priority axes of the Programme is as follows:

- Equal representation of men and women in the project organisation at all levels and active involvement of both genders in the decision making.
- Elimination of the risk for unintentional creation of new barriers for specific genders.
- Contribution to a more gender-balanced labour market in the NPA-area
- Making use of the economic potential of the female population, both in terms of entrepreneurship and as partners in innovation processes.
- Ensuring that the implemented activities, products and services do not generate discrimination on the basis of gender.

The application form contains 2 categories for equality between men and women:

- The projects is **positive** in terms of equality between men and women
- The project is **neutral** in terms of equality between men and women

During the selection process, higher priority will be given to projects that are positive in terms of equality between men and women. Projects that have a negative effect on equality between men and women will not be supported.

Applicants are asked to justify their choice of indicator for equality between men and women.

1.4. Priority Axes

1.4.1. Introduction to the Priorities

The development needs and potentials of the Programme area, together with its policy and historic context have resulted in 4 priority axes, to achieve the vision:
1. Using Innovation to Maintain And Develop Robust And Competitive Communities
2. Promoting Entrepreneurship to Realise the Potential of the Programme Area's Competitive Advantage
3. Fostering Energy-Secure Communities through Promotion of Renewable Energy and Energy Efficiency
4. Protecting, Promoting and Developing Cultural and Natural Heritage

The sparsely populated communities of the Programme area are the focus point of all 4 priority axes. The 4 priority axes contain 6 specific objectives. These are defined in the following sections.

Applicants are free to develop their own ideas, as long as they address one of the priority axes and inside this, one specific objective of the Programme.

To assist with project development, the Programme has defined for each priority axis the Programme result sought, which is the change the Programme wishes to contribute to in the Programme area. Similarly, for each specific objective, the Programme has provided an indicative list of project examples, examples of target groups, and project partners.

To measure progress towards the result sought, the Programme has defined a set of result indicators on Programme level, and a set of output indicators to measure the tangible outputs produced by the projects funded by the Programme, primarily products and services. More information can be found in section 2.2 below Project results and outputs.

In order to ensure that products and services contribute to the change the Programme seeks, they need to meet a certain quality standard. For this reason, the Programme has defined a set of quality objectives. These quality objectives form the basis for project selection and project monitoring criteria outlined in section 2.7 Eligibility and selection criteria.

Figure 2 - Priority structure

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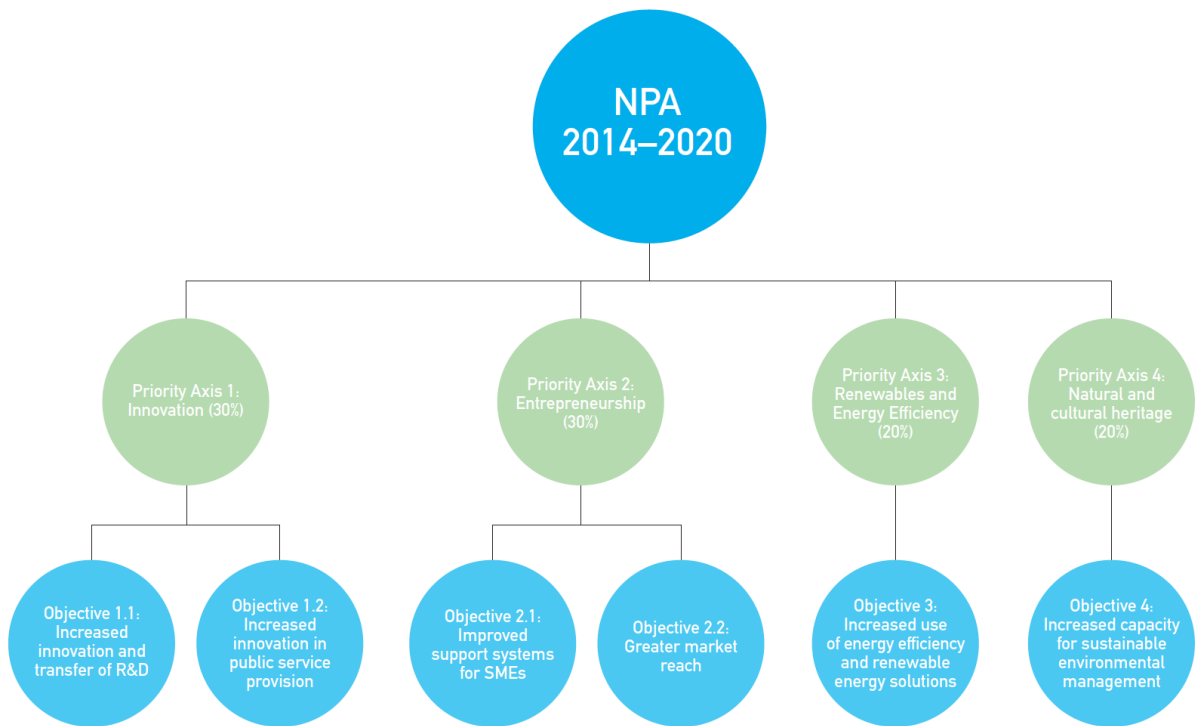
1.4.2. Priority 1: Using Innovation to Maintain and Develop Robust and Competitive Communities

Specific Objective 1.1: Increased innovation and transfer of new technology to SMEs in remote sparsely populated areas

SMEs, among these in particular micro enterprises[3], in remote and sparsely populated communities commonly suffer from a lack of critical mass and weak external links to access innovation support.

SMEs are often isolated, with few similar firms in the same area, mostly local activities and little competition or interaction with colleagues. In addition, SMEs often have poor access to innovation environments in regional centres, or access to support in connection to innovation and technology transfer. SMEs that are cooperating in business-driven SME-networks are developing more innovative skills, and growing their businesses and markets faster than SMEs without access to such networks. Consequently, it is important to stimulate SMEs to create or join such networks.

Transnational cooperation can help to overcome these challenges by contributing to transnational collaboration between businesses and research institutes, facilitating the clustering of businesses across borders, supporting transnational business networks, building innovation infrastructures, and connecting knowledge-brokers to SMEs. Through these actions, transnational cooperation can also contribute to attitude change among the different actors in the innovation system, collaborations on targeted and demand-driven innovation support, and technology transfer for local and regional SMEs in remote areas.

Key drivers of this process include the following:

- Regional centres across the Programme area where innovation actors are concentrated, such as university campuses and larger firms with R&D departments.
- Intermediary actors that can help cluster SMEs and connect them to research institutions, e.g. triple helix approaches.
- Creative industries and end-user demands, which can be drivers for innovative product and service design. An example of user-driven innovation is the development of clean technologies and other environmentally sustainable innovations, in response to a growing Green Economy[4].

Programme Result sought

As a result of transnational cooperation, the NPA 2014-2020 seeks to contribute to an **improved innovation environment in peripheral areas**, with support infrastructures that encourage SMEs in these regions to participate in innovation processes, and contribute to **more outward-looking attitudes towards innovation,** which facilitate interaction between SMEs and R&D actors across regional and national borders. A tangible Programme-

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[3] See foot note 1.
[4] UNEP: *"**Green economy** - one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities. In its simplest expression, a green economy can be thought of as one which is low carbon, resource efficient and socially inclusive."*

level result in the medium term will be changing attitudes to innovation and changing behaviour among SMEs and intermediary actors. In the longer term, the result will be a higher level of innovation and competitiveness in remote and sparsely populated areas.

Table 2 – Examples Specific Objective 1.1 – Increased innovation and transfer of R&D

Examples of project actions supported[5]
Particularly relevant for sectors in which the Programme area has strengths, for example, but not limited to, cold climate and climate change adaptation, natural resources and renewables, energy, maritime and marine sectors, forestry, and minerals. In addition, R&D potential in the innovation cycle can focus on solutions that improve living conditions in the Arctic and other sparsely populated areas.   • Transfer and development of models or solutions for clustering SMEs with shared needs in relation to accessing R&D in order to develop critical mass and support access to R&D links across regional and national borders.   • Transfer and development of models or solutions enabling R&D support for SME demand-driven innovation.   • Transfer and development of models or solutions facilitating technology transfer to, or across, the Programme area, in particular benefiting SMEs.   • Transfer and development of models or solutions facilitating business networks across regional and national borders to help to diversify and broaden the regional sector base.   • Transfer and development of models or solutions, linking the creative sector and SMEs to promote innovation.   • Transfer and development of models or solutions facilitating user-driven innovation in SMEs, including environmentally sustainable innovations.   • Developments in relation to the maritime and marine sectors will be particularly relevant for Atlantic coastal areas. Developments in relation to cold climate and the exploitation of natural resources will be particularly relevant to the Arctic areas.   • HORIZONTAL: Transfer and development of models or solutions facilitating activities aimed encouraging the participation of underrepresented groups, such as young women, in innovative sectors.

Examples of target groups of project actions	Examples of project partners
• Local and regional SMEs, among these especially micro enterprises in remote and sparsely populated areas. • Local communities, in particular in terms of opportunities for high skilled jobs for young people and local residents resulting from increased innovation. • Furthermore, it is the Programme's ambition to involve underrepresented groups into SME innovation processes.	• Actors in the innovation system (or the innovation cycle), including knowledge brokers such as universities and research institutes, individual SMEs, organisations representing SMEs, intermediary bodies (public or private) involved in clustering SMEs, and the business services sector, including the creative sector. • In addition, larger companies may play a role as R&D providers.

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[5] Please keep in mind that these lists are only indicative. Applicants are free to develop their own ideas, as long as they meet the priorities and objectives of the programme.

Specific Objective 1.2: Increased innovation within public service provision in remote, sparsely populated areas

Remote and sparsely populated areas in the Programme area face shared challenges in accessing key public services, such as healthcare, social care, education and energy. Within these areas, public service providers are faced with the challenge of reconciling limited resources and a lack of the needed competences and critical mass, with an increasing demand for public service provision, - especially seen in relation to the demographic development. In addition, markets can fail to service extremely remote areas, even in terms of the provision of basic goods.

Transnational cooperation can facilitate the transfer and development of innovative organisational models, processes and solutions to address the viability of public service provision and the provision of basic goods and services, e.g. through private-public partnerships, urban-rural cooperation, social enterprises[6] and other innovative approaches to pooling competences and resources.

In addition, collaboration with R&D institutes and educational institutions could result in innovative and distance-spanning technologies that enable new ways to deliver public services, such as mobile health and wellbeing services in sparsely populated areas. Such developments are especially relevant in the NPA Programme area which faces particular challenges in terms of an ageing population, lifestyle diseases, cold climate and long distances.

Programme Result sought

As a result of transnational cooperation, the NPA 2014-2020 seeks to contribute to **an increased awareness of and openness to new approaches to providing and using public services that will meet future demands** in remote and sparsely populated areas. A more tangible result in the medium term will be development of new concepts for public service provision. In the longer term, transnational cooperation shall contribute to a "future proofing" of public service in remote, sparsely populated areas.

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[6] See foot note 2.

Table 3 – Examples Specific Objective 1.2 – Increased innovation in public service provision

Examples of project actions supported[7]
The following actions are viewed as especially important for, but not limited to, the development of a future-proof service provision of (renewable) energy, healthcare, social care, education and (low carbon)public transport services. • Transfer and development of innovative models or solutions addressing viability and low critical mass in public service provision in remote and sparsely populated areas. • Transfer and development of innovative models or solutions for provision of the needed competences and human resources within public services in remote and sparsely populated areas • Transfer and development of technology-driven solutions for public service provision in remote and sparsely populated areas.

Examples of target groups of project actions	Examples of project partners
• Local communities in remote and sparsely populated areas.	• Public sector organisations, private entities delivering a public service, private-public partnerships, social enterprises, and third sector organisations. • In addition, key actors within innovation system, including knowledge brokers such as universities and research institutes, and the business services sector, including the creative sector, and voluntary/third sector organisations including community groups[8].

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[7] Please keep in mind that these lists are only indicative. Applicants are free to develop their own ideas, as long as they meet the priorities and objectives of the programme.

[8] Please note that the terms community groups, social enterprises and third sector organisations often have different meanings in different countries. We advise you to be in touch with the Regional Contact Point of the programme partner country involved.

1.4.3. Priority 2: Promoting Entrepreneurship to Realise the Potential of the Programme Area's Competitive Advantage

Specific Objective 2.1: Improved support systems tailored for start-ups and existing SMEs in remote and sparsely populated areas

In the current economic climate, start-ups and existing SMEs face particular operational challenges, such as obtaining finance. In remote and sparsely populated areas these challenges are amplified by long distances to support systems, other start-ups and existing SMEs. In addition, as companies in the periphery, they face the challenges, such as a small local customer base, long distances to market, and generally, a poor business environment, which threaten the survival and growth of start-up and existing SMEs.

Transnational cooperation can contribute to an improved entrepreneurial climate by facilitating the transfer and development of business support strategies and solutions to overcome the challenges faced by start-ups and existing SMEs in remote and peripheral regions. This is particularly valid for SMEs in non-traditional sectors, which could contribute to a more dynamic business sector.

- Business support systems will focus on removing barriers and bottlenecks for SMEs, for example by facilitating campus incubator support and other types of business support over distance, promoting innovative funding mechanisms to attract internal and external investments such as crowd-funding, creating support networks of peers, developing inclusive business models and jobs or training positions based on recognising and utilising people's different talents and skills, targeted use of public procurement, and support to facilitate the uptake of ICT innovation and connectivity by SMEs[9].
- Business support systems will also focus on realising the potential of 'place-based' development opportunities. For example, the Programme area's unique cultural and natural heritage is a basis for tourism and experience industries based on the area unique natural environment, indigenous lifestyles, and creative industries. This also includes environmentally sustainable business opportunities offered by the Green Economy and Blue Growth[10].
- In addition, NPA interventions will aim to support and encourage entrepreneurship among underrepresented groups, such as young women.

Programme result sought

As a result of transnational cooperation, the NPA 2014-2020 seeks to contribute to an **improved entrepreneurial business environment** supporting start-ups and existing companies in remote and sparsely populated areas. A tangible result in the medium term will

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[9] Support to facilitate the uptake of ICT could pilot ICT Innovation and broadband connectivity voucher schemes (such as satellite end-user equipment), once it is rolled out to the NPA Programme area.

[10] European Commission Communication COM/2012/0494: *"**Blue Growth** - An initiative to harness the untapped potential of Europe's oceans, seas and coasts for jobs and growth. (...) It represents the maritime dimension of the Europe 2020 strategy. It can contribute to the EU's international competitiveness, resource efficiency, job creation and new sources of growth whilst safeguarding biodiversity and protecting the marine environment, thus preserving the services that healthy and resilient marine and coastal ecosystems provide."*

be development of new business support systems. In the longer term, transnational cooperation will contribute to a higher frequency and success rate of start ups and survival of existing SMEs in remote, sparsely populated areas.

Table 4 – Examples Specific Objective 2.1 – Improved support systems for SMEs

Examples of project actions supported[11]

These actions are envisaged to be mainly based on, but not limited to, shared characteristics such as climate conditions, demographic profile, abundance of natural resources, rich cultural and natural heritage and the Green Economy and Blue Growth.
 	
• Transfer and development of models and solutions for support to start-ups and existing SMEs[12] aimed at:
    o Removing barriers for start-ups and existing SMEs,
    o Encouragement of entrepreneurship, especially among underrepresented groups , such as young women
    o Realising place-based opportunities in a new way.

Examples of target groups of project actions	Examples of project partners
• New start-up and existing SMEs, self-employed individuals, and social enterprises. • It is the Programme's ambition to encourage entrepreneurship, especially among underrepresented groups.	• Intermediary bodies dealing with start-ups, existing SMEs, and self-employed individuals, such as the public sector, regional development agencies, Chambers of Commerce, education and training providers, associations and other bodies representing the private sector. • In addition, representatives of logistics and distribution companies, port authorities, business services including ICT and marketing as well as business services provided by the creative industries and civil society organisations.

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[11] Please keep in mind that these lists are only indicative. Applicants are free to develop their own ideas, as long as they meet the priorities and objectives of the programme.
[12] There are potential synergies between the actions supported and support to SMEs offered by the Enterprise Europe Network, link: http://een.ec.europa.eu.

Specific Objective 2.2: Greater market reach beyond local markets for SMEs in remote and sparsely populated areas

In addition to the well-recognised challenges faced by entrepreneurs, SMEs, among these more specifically micro enterprises in remote and sparsely populated areas, are faced by particular challenges, such as a small local customer base and long distances to market. In addition, micro enterprises - SMEs with fewer than 10 employees - commonly lack experience or a tradition of cooperation with enterprises outside the local area.

Transnational cooperation can contribute to a better access to key markets and a wider customer base by facilitating the transfer and development of marketing concepts and models:

- Marketing models will be used to transnationally cluster SMEs with a complementary product or service portfolio. For example, exclusive product or service packages can be developed to attract high-end customers; a joint market approach can be used for high quality natural products of the Programme area, such as Arctic products, or products aimed at the growing global market in health products, cosmetics, pharmaceuticals and regional food and drinks; business can even form their own networks to take advantage of trends such as increasing cruise tourism in the Programme area or use market research to discover new consumer markets and measures supporting trade facilitation, for example helping to meet product standards, and labelling requirements.
- Crucially, marketing models will focus on the use of ICT solutions, e-commerce and social media, and cooperation on logistics to overcome barriers such as distance to markets.
- Marketing models will be used to realise the potential of 'place-based' development opportunities. For example, the Programme area's unique cultural and natural heritage is a basis for tourism and experience industries based on the area unique natural environment, indigenous lifestyles, and creative industries. Further place-based opportunities include cold climate testing facilities for equipment and vehicles, a first-mover advantage in the Silver Economy, locally derived eco-products or environmental friendly products, new products based on Blue Growth, and natural resources, such as fisheries, forestry and agriculture.
- Marketing models will also focus on capturing spinoffs from local or regional large-scale investments, such as models to reduce risks for SMEs in up-scaling their production and delivery capacity. It is the programme's intention to foster initiatives that enhance the local business communities' ability to respond to the new business opportunities emerging in connection with these mega investments.

Programme result sought

As a result of transnational cooperation, the NPA 2014-2020 seeks to contribute to an **increased awareness of and increased capacity to act on business opportunities beyond local markets** to overcome challenges faced by SMEs in remote and sparsely populated areas, such as a small customer base and long distance to market. A tangible result in the medium term will be changed attitudes and market behaviour among SMEs in remote, sparsely populated areas. In the longer term, transnational cooperation will contribute to an enhanced integration of the Programme area within the global economy.

Table 5 – Examples Specific Objective 2.2 – Greater market reach

Examples of project actions supported[13]

These actions are envisaged to be mainly based on, but not limited to, shared characteristics such as climate conditions, demographic profile, abundance of natural resources, rich cultural and natural heritage. The actions are also viewed as appropriate for business opportunities arising from mega investments, such as new mining projects or new wind farms, and business opportunities arising from the Green Economy and Blue Growth. These kinds of actions[14] are viewed as especially appropriate for reaching an international customer base, beyond the NPA area.

- Transfer and development of marketing models and solutions suitable for SMEs in remote, sparsely populated areas, to increase their market reach.
- Transfer and development of concepts for clustering and creating networks of SMEs to meet a larger-scale, more diverse and/or more complex demand.
- Transfer and development of marketing models and solutions facilitating the use of distance-spanning technology to overcome long distance to market.

Examples of target groups of project actions	Examples of project partners
- Existing SMEs, including those organised as cooperatives, self-employed individuals, and social enterprises. - It is the Programme's ambition to encourage entrepreneurship, especially among underrepresented groups , such as young women.	- Intermediary bodies dealing with the private sector and self-employed individuals, such as the public sector, regional development agencies, Chambers of Commerce, education and training providers, associations and other bodies representing the private sector. - In addition, actors in the export chain that can facilitate trade, such as export agencies, international Chambers of Commerce, trade organisations, sector specific organisations, representatives of logistics and distribution companies, port authorities, business services including marketing as well as business services provided by the creative industries and civil society organisations. - In addition, projects could cooperate with technical partners, such as eBay, Google and so on.

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[13] Please keep in mind that these lists are only indicative. Applicants are free to develop their own ideas, as long as they meet the priorities and objectives of the programme.
[14] There are potential synergies between the actions supported and support to SMEs offered by the Enterprise Europe Network, link: http://een.ec.europa.eu.

1.4.4. Priority 3: Fostering Energy-Secure Communities through Promotion of Renewable Energy and Energy Efficiency

Specific Objective 3: Increased use of energy efficiency and renewable energy solutions in housing and public infrastructures in remote, sparsely populated areas

Ensuring a reliable, sustainable and affordable energy supply is particularly challenging in the remote and sparsely populated communities in the Programme area, especially due to low critical mass and issues linked to the harsh climatic conditions of many parts of the area.

In regions that have historically had access to relatively cheap energy, such as hydropower, a tradition of energy efficiency and high-yield insulation of buildings is sometimes missing. Regions without access to cheap energy are more dependent on fluctuating fuel prices and could benefit from a greater degree of energy self-sufficiency, especially in cold regions.

A change in awareness and public policy is required to achieve a higher uptake of energy efficiency measures and renewable energy solutions in housing and public infrastructures. This includes community assets, such as heritage buildings owned by NGOs. Relevant actions could include incentives for retrofitting houses, changes of demands on constructing houses, a change of urban planning, a change of energy policy, and so on.

Transnational cooperation can help address these challenges in a number of ways:
* Facilitating the transfer and development of models and approaches to help communities access and utilise renewable energy solutions for housing and public infrastructures and for cold climates and dispersed settlements. For example, opportunities include enabling communities to use energy sources based on local natural resources, 'symbiotic' solutions can be developed, using the by-products of one activity to provide energy for public infrastructures or housing, e.g. using cooling water to heat buildings.
* Facilitating the transfer and development of new energy efficiency concepts for constructing, maintaining and running housing and public infrastructures, suitable for cold climates and dispersed settlements. These include new housing concepts and the innovative use of building materials, the use of ICT for energy efficiency such as smart metering, and other energy efficiency measures, such as using low energy building materials based on natural products from the Programme area, recycling buildings and building materials, and the promotion of low/zero energy housing, in particular in the Arctic.

Programme result sought

As a result of transnational cooperation, the NPA 2014-2020 seeks to contribute to **increased awareness about and increased readiness to invest in energy efficiency measures and renewable energy solutions suitable for constructing, maintaining and running housing and public infrastructures** in cold climates and dispersed settlements. A tangible result in the medium term will be development of a number of new concepts for energy saving and use of renewable energy suited for small dispersed settlements and public infrastructures in cold climates. In addition, such a shift to new concepts could create business opportunities for companies developing and installing

such solutions. In the longer term, transnational cooperation will contribute to higher energy efficiency in remote, sparsely populated areas.

Table 6 – Examples Specific Objective 3 – Increased use of energy efficiency and renewable energy solutions

Examples of project actions supported[15]
• Facilitating decision making about the development and use of renewable energy solutions for public infrastructures and housing, suitable for cold climates and dispersed settlements • Developing models to sustainably utilise by-products from economic activities as energy sources for public infrastructures and housing. • Promoting and facilitating the transfer and development of new energy efficiency concepts and smart energy management concepts for constructing, maintaining and running housing and public infrastructures, suitable for cold climates and dispersed settlements. This includes the use of ICT technologies for the development and promotion of natural and cultural heritage sites.

Examples of target groups of project actions	Examples of project partners
• Local communities, the public sector and local companies involved in supplying products and services related to energy efficiency and renewable energy solutions for housing and public infrastructures.	• Public sector organisations, private sector organisations and representative bodies, private-public partnerships, social enterprises, and third sector organisations related to public infrastructure or the housing sector. • Public and private organisations and utility companies dealing with (renewable) energy supply and energy efficient products/services. • Academic and training institutes in the field of construction, planning and renewable energy for housing and public infrastructures.

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[15] Please keep in mind that these lists are only indicative. Applicants are free to develop their own ideas, as long as they meet the priorities and objectives of the programme.

1.4.5. Priority Axis 4 - Protecting, promoting and developing cultural and natural heritage

Specific Objective 4: Increased capacity of remote and sparsely populated communities for sustainable environmental management

The NPA area is characterised by a high quality but fragile natural environments and a rich cultural heritage. However, local communities in the Programme area are also faced by the impacts of major global trends, such as climate change impacts on people, and rapid economic and environmental changes as large-scale investment projects. These developments can lead to major environmental, as well as associated economic and social, upheavals. The scale of the issues is often beyond the scope of individual communities to cope with on their own, and requires a wide range of competences and expertise.

This is particularly relevant in the Arctic and subarctic regions of the Programme area, where the impacts of climate change are expected to be more dramatic than in other places and where small communities are faced by major commercial interests of multinational companies, such as mineral extraction. In addition, as a result of megaprojects, these small communities are often impacted not only economically, but also environmentally, facing the risk of pollution and damage to natural and cultural heritage, and socially, for example by hosting a community of fly-in-fly-out professionals. It is the Programme's intention to help communities mitigate any negative impacts from mega investments.

Remote and sparsely populated communities should be empowered to find a dynamic balance between environmental, economic, and social interests to sustain their welfare and viability. Sustainable environmental management not only helps to prevent and mitigate damage to natural and cultural heritage sites as a result of economic, social and environmental change. It also fosters the awareness that effective environmental management is needed to continue to be able to make use of natural in general, and natural and cultural heritage sites as assets to achieve sustainable growth in the community.

Transnational cooperation can help these communities by:
- Facilitating the transfer of best-practice models and the transnational pooling of competence and expertise to build capacity, share knowledge, and know-how and develop tools to help local authorities and remote and sparsely populated communities with sustainable environmental management to address the economic, environmental and social tensions arising from major developments (often accessing natural resources) and to derive socio economic benefit from such developments.
- Facilitating the transfer and development of decision-making tools and solutions to help local authorities and communities in remote and sparsely populated areas deal with sustainable environmental management to capitalise on the development opportunities presented by the environmental and cultural heritage of the NPA.
- Facilitating the transfer and development of concepts and models for the protection[16], promotion and sustainable development of the natural and cultural heritage according to promote a more dynamic interpretation of sustainable environmental management.

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[16] This includes knowledge exchange about habitat and green infrastructure protection, such as Natura 2000.

Programme result sought

As a result of transnational cooperation, the NPA 2014-2020 seeks to contribute to an **increased preparedness for community-based sustainable environmental management. This enhanced management shall facilitate community development whilst at the same time balancing environmental, economic and social interests** in remote and sparsely populated areas. In particular, this shall be seen in relation to exploitation of natural recourses and big new investments, for example within the mineral and renewable energy sectors. A tangible result in the medium term perspective will be development of new management processes and competence development activities within public authorities. A longer term result of transnational cooperation will be a higher level of capability to handle changes that impact the cultural and natural heritage within the Programme area.

Table 7 – Examples Specific Objective 4 – Increased capacity for sustainable environment al management

Examples of project actions supported[17]
These actions are envisaged to be mainly focused on, but not limited to, issues such as land use, fresh water supply, coastal management, ocean acidification, natural resource management, biodiversity, natural hazards, and climate change impacts.   • Development and transfer of best-practice models and solutions for "up skilling" local authorities and community groups, focusing on skills and competences like negotiation skills, change management skills, expertise on climate change impacts, environmental impacts, social impacts, and economic impacts.   • Development and transfer of new organisational models, such as pooling of competences across regional and national borders, facilitating local authorities and community groups for sustainable environmental management.   • Development and transfer of decision-making tools and solutions, such as new types of environmental assessments, to help local authorities deal with sustainable environmental management.   • Development and transfer of new governance concepts that involve all groups of civil society in the decision and policy making process   • Development and transfer of concepts models for the protection, promotion and development of natural and cultural heritage according to a more dynamic interpretation of sustainable environmental management. This includes the use of ICT technologies for the development and promotion of natural and cultural heritage sites.

Examples of target groups of project actions	Examples of project partners
• Local and regional communities, local businesses, local employees and visitors.	• Public sector organisations, education and training providers, private organisations and representative bodies, private-public partnerships, social enterprises, and third sector organisations.

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[17] Please keep in mind that these lists are only indicative. Applicants are free to develop their own ideas, as long as they meet the priorities and objectives of the programme.

1.5. Programme Funding

Between 2014 and 2020, the Programme will allocate 55,2 million Euros to projects, of which 47,2 MEUR in European funding (ERDF) will be available to partners in Member States (Finland, Ireland, Northern Ireland, Scotland, Sweden) and 8 MEUR for partners in the Non-EU partner countries (Faroe Islands, Greenland, Iceland, Norway).

The Euro (€) is used for all transactions in the Programme.

The funding available for projects (100%) has been distributed as follows:
- Priority Axis 1: 30%
- Priority Axis 2: 30%
- Priority Axis 3: 20%
- Priority Axis 4: 20%

1.5.1. Grant rates

The Programme is financed by European Regional Development Fund (ERDF) contributions from the Member States, ERDF equivalent funding from the Non-EU partner countries, supplemented by match funding from projects. Projects apply to the Programme for ERDF or ERDF equivalent co-financing and contribute to the project with public or private match funding.

In general, partners located in EU Member States may apply a grant rate of up to 65% and partners located in the Non-EU partner countries of Faroe Islands, Iceland, Greenland and Norway may apply a grant rate of up to 50-65%, depending on the country. In exceptional circumstances, the Monitoring Committee (MC) may approve a higher grant rate. For small and medium sized enterprises (SMEs), a maximum grant rate of 50% applies for all funding sources.

Detailed instructions for developing the project budget are provided in section 2.5 Budget.

The table below gives an overview of the 6 different funding sources available in the NPA 2014-2020. It also refers to the geographical flexibility rule (20%) as described in section 1.5.2.

Table 8 – Funding Sources NPA 2014-2020

Source	Type	Funding allocation	Grant Rate[18]
Member States	ERDF	47 197 306 EUR	65%
Norway	ERDF equivalent	4 840 000 EUR	50%
Iceland	ERDF equivalent	1 584 000 EUR	60%
Faroe Islands	ERDF equivalent	701 501 EUR	65%
Greenland	ERDF equivalent	878 294 EUR	65%
20% source for Non Member State partners and partners outside the Programme area	ERDF	Allocated from the MS ERDF source.	65%

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[18] Please note that grant rates for ERDF equivalent funding sources may be changed on a call-by-call basis. In addition, regardless of funding source, SMEs always have a maximum grant rate of 50%.

Please note that a SME partner regardless of funding source can never receive more than 50% of the certified costs. For priority axis 4, private match funding is **not allowed**.

1.5.2. Geographical flexibility

In exceptional and fully justified circumstances the Monitoring Committee may approve a partner located outside the programme area, if the geographical flexibility criteria are met. **Note** that the criteria are only applied as an exception and where a partner from outside the programme area has a significant asset that is not otherwise available and benefits the programme area.

The application form should contain a justification for the inclusion of a partner from outside the programme area. Justification should outline the added value of external cooperation and a description of how the project and the Programme area will profit from the cooperation. In cases where the justification is deemed sufficient, the Monitoring Committee may apply the flexibility criteria but it is not an obligation and the final decision is at the discretion of the MC.

The geographical flexibility criteria can be used in different ways:

Up to 20% of ERDF funds may be used to finance expenditure incurred by:
- Partners located outside the Programme area but inside the European Union.
- Partners located outside the Union part of the programme area, in particular from neighbouring peripheral regions in the North West Federal District in Russia (primarily Murmansk, Karelia and Arkhangelsk) and the regions of Nunavut, Labrador, Newfoundland and Nova Scotia in North East Canada. The rule may also support other regions outside the Union part of the Programme area, provided that sufficient justification is presented.
- Partners located in the Faroe Islands and Greenland. This is a Monitoring Committee decision, and geographical flexibility in this case is additional to the normal funding sources for these programme partner countries. No special justification is required in the application form, as these partners are located within the eligible Programme area. The circumstances mentioned below do not apply to partners from Faroe Islands and Greenland.

Circumstances that permit the use of geographical flexibility:

- The specific expertise of a certain partner from outside the eligible area is deemed crucial for the project and the expertise cannot be found in the programme area, or the project would not be able to fulfil its objectives without participation of the external partner.
- The external cooperation adds value to the project and the benefit accrues within the programme area.
- The addition of the partner enhances the results of the project in a clear and easily justified way.
- Inclusion of the external partner facilitates a particularly strategic cooperation, as defined by the Monitoring Committee.

Please note that special requirements for certification apply under this rule. In addition, there are special requirements for ERDF partners to keep track of costs spent outside the Union part of the programme area.

1.6. Project types

The Northern Periphery and Arctic Programme 2014-2020 has 2 types of projects:
- preparatory projects
- main projects

1.6.1. Preparatory Projects

Distance and costs are often obstacles to the development of a strong and well balanced project partnership, due to the dispersed geography of the NPA Programme area. For that reason, preparatory projects are a tool developed to bring potential project partners together and to generate high-quality main project applications.

Experience from previous Programmes has shown that preparatory projects often result in more successful main project applications. In addition, preparatory project have been useful in the launch of strategic and thematically focused calls for applications.

Typically, a preparatory project runs for up to 6 months. However, the MC may decide on other arrangements on a call-by-call basis.

Purpose of preparatory projects

- Assist with building suitable and well-balanced transnational partnerships
- Facilitate the joint development of transnational implementation models that correspond with the objectives of the Programme
- Commit partners to their contribution to the project
- Reduce the risks associated with developing a main project application
- Further develop the indicative products and services and their features into viable solutions that can be implemented by a main project.

Minimum requirements

- An eligible project idea
- The project involves a minimum of 2 partners from2 different programme partner countries, one of which is located in a European Union Member State
- An eligible Lead Partner (see section 2.1.3)
- Eligible match funding in place
- Completion of the preparatory project application form
- Financial information for all partners

Expected results

A preparatory project is intended to lead to an application for main project funding in the Northern Periphery and Arctic Programme.

At the end of the preparatory project, the Lead Partner is expected to submit a final report describing project activities and the final outcomes. If the project cannot produce an application for main project funding, it is essential that the reasons for this outcome be described in full.

For more information about budget limits, please see section 2.5.1 Appropriate *Budget Size*. For more information about the application procedure, please see section 2.6.1 *Preparatory Projects*.

1.6.2. Main Projects

Compared to preparatory projects, main projects have a more complex setup and need to fulfil more requirements, such as addressing one of the priorities, a solid project partnership consisting of three or more partners from at least three different Programme partner countries and contributing with project results and outputs.

Chapter 2 *How to Apply* offers more guidance on the setup of a main project.

1.7. Programme Bodies

The programme is managed and supported by a series of programme bodies that are responsible for administering the programme and assisting projects.

If you are interested in applying for a project or running a project, it cannot be emphasised enough how useful it is to consult the Joint Secretariat and the Regional Contact Points as they are valuable sources of information and support.

Contact details for the programme bodies can be found on the programme website: www.interreg-npa.eu.

1.7.1. Joint Secretariat

The Northern Periphery and Arctic Programme Joint Secretariat (Secretariat) carries out the day-to-day operational administration of the programme. The Secretariat consists of a small team based in Copenhagen, Denmark. The Secretariat is happy to assist with any queries regarding project ideas, partnerships, draft applications, project management, etc. The Secretariat also has a role in the assessment of project applications and in the drafting of decision proposals. Applicants are strongly encouraged to consult and involve the Secretariat in the development of their projects. The Secretariat works in close cooperation with the Regional Contact Points.

1.7.2. Regional Contact Points (RCPs)

The Northern Periphery and Arctic Programme 2014-2020 covers a large geographical area and each of the participating programme partner countries has a Regional Contact Point, who is a local source of advice and information on the programme.

The RCPs work in close cooperation with the Secretariat and have expertise and knowledge on how to develop and manage a transnational project. They also hold programme events throughout the year. This is why it is always worthwhile to consult your RCP in the planning and implementation of your project.

1.7.3. Managing Authority (MA)

The MA is the body formally responsible for managing the programme on behalf of the participating partner countries. It is the County Administrative Board of Västerbotten based in Umeå, Sweden. The MA issues the Grant Offer Letter and signs the contracts on behalf of the programme. The MA also plays an important role in the financial claim process for project partners, where the MA must make sure that all project expenditure has been adequately checked and validated by the financial controllers before it can be authorised for payment. The MA also handles the transfer of payments to projects and makes the claim to the European Commission

1.7.4. Monitoring Committee (MC)

The MC is in charge of supervising the programme and its overall task is to ensure the quality and effectiveness of the programme's implementation. The MC is also responsible for the assessment and selection of project applications. Each programme partner country is represented on the committee and decisions are made by consensus. The committee also includes the following permanent observers: representatives from North-Western Russia, North-Eastern Canada, the Nordic Atlantic Cooperation (NORA), and organisations representing indigenous peoples in the Arctic. In addition, the European Commission is an observer in an advisory capacity.

1.7.5. Management Group (MG)

A Management Group has been set up to support and assist the MC, the MA as well as the Secretariat in carrying out their tasks, especially those related to the administration of ERDF funds. It also facilitates contacts and the flow of information between programme partners. The MG consists of national representatives from each programme partner country.

1.7.6. Regional Advisory Groups (RAGs)

Regional Advisory Groups have been established in each programme partner country. These groups have an advisory role in the assessment procedure of project applications. RAGs consider the suitability and priority of project applications from a regional perspective and make a recommendation on whether or not to support the project. Their input is used in the Secretariat's decision proposal to the MC before it takes a final decision on the project application. The members of the RAGs have different fields of expertise upon which they base their recommendations. The RAGs also promote and facilitate project development.

1.7.7. Audit Authority (AA)

The Audit Authority is responsible for sample checks of projects to ensure compliance with the necessary rules and regulations. It is the Swedish National Financial Management

Authority (*Ekonomistyrningsverket - ESV*). The Audit Authority is assisted by a Group of Auditors composed by a representative from each programme partner country. For Faroe Islands and Greenland, a special agreement is set up.

Figure 3 - Programme management structure
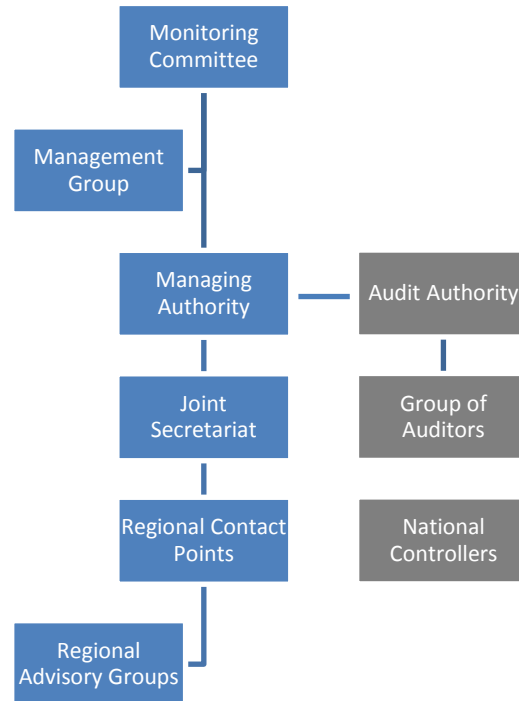
2. How to Apply

This chapter is targeted at project applicants. It provides guidance on key steps in project preparation. It also describes the application procedure. After reading this chapter, applicants should be able to submit a high quality project application.

2.1. Partnership

Partnerships in the NPA 2014-2020 are built on four types of partners: Lead Partner, Project partners and associated partners from either the public or private sector, and sub partners. Ensuring the correct mix of transnational partners in a project is crucial to achieving genuine transnational cooperation and successful results.

In general, all partners should have the capacity and knowledge in the project subject area to participate fully and to deliver the products and/or services. For main projects, at least three eligible project partners from three different programme partner countries are required, of which one must be from an EU Member State.

In addition, all partners need to have the administrative and adequate resources required to participate in a transnational projects. Furthermore, all partners are required to provide supporting documents required by the MA, Joint Secretariat, First Level Controllers, or auditors.

Where suitable, partnerships should try to involve a cross-sector of partners from the national, regional and local level.

2.1.1. Appropriate Partnership Constellation

In order to develop tangible and viable products and services, it is essential to have the appropriate partnership constellation capable of developing and implementing the project outcomes. Your project application will be judged on the partnership constellation and this can be a deciding factor in the project's approval.

Important aspects to bear in mind when constructing a partnership:

- **Apply a results-driven approach**
In most cases, the NPA programme welcomes a results-driven perspective. This bottom-up approach should be reflected in the partnership. The partnership should consist of partners that have a need for the specific product or service and that will implement the solutions in their daily work. The implementation of the developed solutions should preferably take place in all countries participating in the project. This implies that the partnership should include implementing partners in all countries where the project aims to implement its solutions. To achieve a transnational impact, at least three implementing partners from three different programme partner countries within NPA 2014-2020 should be connected to the project. **NOTE**: the partnership can also include private partners, who are eligible for ERDF co-financing.

- **Invite partners whose main interest is closely associated with the project aim and field of intervention**
The Northern Periphery and Arctic Programme works with the concept of organisational learning; knowledge obtained from the project implementation in the participating organisations should be shared with the whole organisation and not kept to the few persons involved in project implementation. Connected to organisational learning is the aspect that knowledge from the project should be implemented in the organisation's daily work. For more information please see section 1.3.3 *The overall strategy* for a description of the transnational results.

- **Involve expert organisations (universities, institutions, authorities) and SMEs**

Expert organisations are normally viewed as essential to the development of products and services in NPA projects. However, these expert organisations should not form the partnership; unless, a top-down approach is favoured. An example where it is appropriate for experts organisations to form the partnership could be when authorities come together to facilitate necessary policy changes on a transnational level. In some cases, the partnership choses to contract the expert organisations to the project through tender procedures. An expert organisation cannot be contracted if they can be viewed as a main beneficiary of the project results.

- **Select a Lead Partner with the administrative capacity and experience to implement and coordinate a transnational project**

In many cases, the selected Lead Partner is part of the partnership. However, the most important factor to succeed as a Lead Partner is that the relevant experience is in place, especially when the cooperation involves different types of organisations from different countries. This means that the selected Lead Partner does not always have to be part of the implementing partnership, as long as the Lead Partner has the relevant experience and understanding of the task. For more information please see the section *Legal Status* below for a description of the eligibility, role and responsibilities of Lead Partners.

- **Triple helix partnership**

A triple helix partnership constellation provides an ideal networking solution to capture the competences from the academia, public and business sectors in the development of new products and services. An example could be products and services produced/provided by SMEs, which needs to be supported by governmental policies, with expertise knowledge from universities.

2.1.2. Eligible Partners

Organisations from the public and private sectors are able to participate in Northern Periphery and Arctic Programme projects and receive direct financial support, including:

- National, regional and local authorities
- Regional and local development agencies, chambers of commerce
- Universities, colleges, higher education, research institutions
- Non-governmental organisations (NGOs)
- Sectoral agencies and business support organisation
- Voluntary sector organisations
- Other relevant organisations contributing to the development of the programme area
- Micro, and small and medium sized enterprises (SMEs)

Legal status

Please note that the legal status of a partner organisation impacts on their eligibility to be a Lead Partner and on their intervention rate.

A 3-step legal status assessment template can be downloaded from the programme website, www.interreg-npa.eu. The template is based on the public procurement Directive 2014/24/EU of the European Parliament and of the Council. A crucial point in this assessment is that a partner organisation is established for a specific purpose of meeting needs of general interest and the partner organisation is directly financed, for the most part of the State or other public authorities, or is subject to management supervision by those authorities in order to be considered as public.

Public partners situated outside the programme area that are deemed to have a national remit are deemed to be eligible partners within the ERDF funding source.

2.1.3. Lead Partners

The NPA Programme applies the "Lead Partner principle", meaning that a Lead Partner takes additional responsibilities and coordinates the project on behalf of the project partners. A Lead Partner should be nominated for each project. The Lead Partner is formally the final beneficiary of the ERDF funding and acts as a link between the project partners and the Programme.

The Lead Partner responsibilities are stipulated in Regulation (EC) No, 1299/2013 Article 13. The Lead Partner is responsible for the submission of the joint application form as well as:

- Overall project management;
- Being contact person for the Joint Secretariat in Copenhagen;
- Delivery of project reports and documentation;
- Informing the Managing Authority of the choice of project controllers;
- Delivery of project outputs;
- Producing the documents required for controls and payments and ensuring that all expenditure has been certified by National Controllers;
- Ensuring that the certified expenditures for all partners are matching activities outlined in the approved application and any other decisions.
- Concluding a partnership agreement for its relations with the other project partners.

Eligibility of Lead Partners

- The role of Lead Partner can only be held by a public organisation.
- The Lead Partner must be located in a NPA programme partner country in a Member State or Iceland or Norway.
- Partners in Greenland and the Faroe Islands are not eligible to be Lead Partners.
  - However, the Lead partner may delegate the whole, or part of the responsibility for ensuring implementation of the project activities to an assigned Co-Lead Partner in the project partnership within the programme area, including Greenland and Faroe Islands. Such an arrangement should be laid down in the project partnership agreement. The role as final beneficiary,

administrative coordinator and contact point for the programme authorities, and the overall legal and financial responsibility for the project can never be delegated.

The demands on a Lead Partner are higher than those on other project partners. A Lead Partner must have the proficient administrative and financial capacity to be able to run a transnational project. Therefore, all project applications must demonstrate that the Lead Partner has the capability to manage a transnational project.

2.1.4. Private sector partners

The NPA recognises the valuable contribution that the private sector can make to a project. The involvement of the private sector, primarily small and medium sized enterprises (SMEs), is encouraged. **Note** that some non-profit organisations are also viewed as having a private legal status, see section 2.1.2.

Private sector partners can participate as full partners, but not as lead partners and their match funding can generate ERDF financial support. If a project is co-financed with private match, that private match funding has to be paid out and certified before an ERDF or ERDF equivalent co-financing payment can be issued.
Please note that a SME partner can never receive more than 50% of the certified costs. For priority axis 4 ONLY, private match funding is not applicable.

SMEs are able to be recipients of aid in projects as a partner or direct recipient under any notified State Aid Scheme or GBER (General Block Exemption Rules). For indirect aid provided by the project to private sector end beneficiaries, the *de minimis* rules are applicable from the region in which the activity is being undertaken.

Regardless of its legal status, an organisation is considered an undertaking if it is engaged in economic activity meaning that there is or could be a market in comparable goods or services. The involvement of undertakings in the programme is governed by European Union and national competition rules in order to avoid an unfair advantage to an undertaking over its competitors. In addition, applicants are also expected to be aware of State Aid rules which are stipulated in Regulation (EC) No, 1303/2013 Article 37 and 61.

Besides that, partners shall be aware of the State aid rules and the exemptions during the development of the partnership, it is also important that the application gives sufficient information for the assessment process.

Firstly, it is important that the partner description under legal status and the annexed "Letter of legal status confirmation for partner organisation" gives sufficient information about the partner's activities, which also include information about economic activities, see the definition in section6.2. It is not sufficient only to state whether a partner is public or private; public as well as non-profit organisations may in the State aid context be labelled as entities that to some extend undertake economic activities.

Secondly, it is important to be aware that the State Aid rules cover beneficiaries on all levels, not only the project partners but also the "end beneficiaries", for example where the project provides support and other services to SMEs.

Therefore it is important that the target groups are described precisely in the application form. Indicate who would benefit from the outputs of the project and consider whether this might involve indirect aid. For example, the provision of free or subsidised training to SMEs would involve indirect aid.

Thirdly, it is important that the activities and not at least the outputs are well defined and described in the application.

Activities and outputs in relation to SMEs that may be exempted from the State rules can, for example, be development of joint business strategies or management structures, the provision of common services or services to facilitate cooperation, coordinated activities such as research or marketing, the support of networks and clusters, the improvement of accessibility and communication, and the use of joint instruments to encourage entrepreneurship and trade with SMEs.

Other activities that may be exempted are consulting, training, and exchange of knowledge and experiences or it may be development of websites, data banks, market research and handbooks. A condition for exemption is that the support given to SMEs in the format of open source, meaning that in principle all SMEs will have access or that the support from the project to the SMEs is given on market conditions meaning that the SMEs have to pay the market price for the service.

Also be aware that aid to export-related activities (aid directly linked to quantities exported) not is covered by any of the exemptions, neither *de minimis* or the General Block Exemption Rules.

Finally, according to Regulation (EC) No, 1299/2013, it is not eligible for the Programme to support undertakings in difficulty. An undertaking is considered to be in difficulty when it will almost certainly be condemned to going out of business in the short or medium term. This can be the case when more than half of its subscribed share capital has disappeared as a result of accumulated losses or in cases where the undertaking is subject to collective insolvency proceedings.

The Lead Partner is required to obtain the necessary information about the SME/private partners in relation to the application.

If an undertaking comes into difficulty during the project period, or if incorrect information has been provided in connection with the application, the Managing Authority is entitled to close the project or part of the project and to demand repayments of amounts already paid to the Lead Partner.

The Lead Partner is responsible for collecting "not in difficulty" declarations from undertakings in the partnership. For further details on these rules, please contact your Joint Secretariat Desk Officer or relevant Regional Contact Point and see section 6.2 *Information on State Aid*.

Reporting in connection with the use of GBER and *de minimis*
There are a number of obligations for publication, information and reporting to the EU Commission in relation to the use of the GBER or the *de minimis* regulation. In general the Managing Authority is responsible for the information and reporting the use of GBER, while the Lead Partner or other relevant Partners are obligated to report the use of *de minimis* to relevant national authorities. The latter is relevant in the case of indirect aid, when SMEs are the end users of the outcomes from projects, for example in the format of training or direct support. The Secretariat and the Regional Contact Points will supervise the projects where *de minimis* is used

2.1.5. Associated partners

Associated partners are not part of the formal partnership, but they are directly involved in the project's implementation for various reasons. Often an associated partner is closely linked to one particular project partner and a project partner may have several associated partners. For example, a project partner may wish to involve a number of companies in the project and, to avoid the administrative burden of full project partnership, they could become associated partners. The inclusion of associated partners can also lead to the creation of a network connected to the project, which could facilitate project implementation. However, if an organisation will play a vital role in the implementation of the project outcomes, it is expected to participate as a full partner where possible.

It is recommended to consider making a signed agreement with all associated partners to secure their participation for the benefit of the project.

2.1.6. Sub partners

Sub partners are partners that are attached to another project partner for administrative reasons; especially if the partner contribution to the project is relatively small. Any sub partner construction should be well justified and appropriate. Before an application is submitted, the sub partner construction should be communicated to the Joint Secretariat to ensure eligibility. A sub partner construction can only be set up within the same programme partner country. Normally, sub partner constructions are set up at the initiative of the Joint Secretariat. Any approved sub partner must be from the same country as the main partner it is linked to as well as from the same funding source.

2.1.6. Partnership Agreements

All projects in the Northern Periphery and Arctic Programme 2014-2020 have to sign a Partnership Agreement before the Grant Offer is issued by the Managing Authority. This is an agreement between the project Lead Partner and the project partners that guarantees each partner's match funding contribution and outlines each partner's responsibilities in the project. The agreement also refers to the project application and targets, and confirms the partnership's consensus on delivering the project as approved by the Monitoring Committee.

In the application applicants will be asked whether a partnership agreement is in place. Please note that the Managing Authority cannot issue the Grant Offer until the agreement has been signed. A sample Partnership Agreement Template is available on the website, www.interreg-npa.eu.

2.2. Project Results and Outputs

The aim of the NPA Programme is to foster change within the wider Programme Area, not only for project team members directly involved in the approved projects. This directly implies that the results of projects have to contribute to the wider Programme area change in relation to priority axes:

1. Using Innovation to Maintain and Develop Robust and Competitive Communities
2. Promoting Entrepreneurship to Realise the Potential of the Programme Area's Competitive Advantage
3. Fostering Energy-Secure Communities through Promotion of Renewable Energy and Energy Efficiency
4. Protecting, Promoting and Developing Cultural and Natural Heritage

It is important to note as a reference throughout this section, that Programme result indicators are not the same as project output indicators. Information on Programme result indicators can be found in section 2.4.1. In addition, the NPA 2014-2020 Monitoring Committee will apply quality objectives to ensure that projects meet high quality standards and contribute to the results sought by the Programme. More information about the selection and quality criteria can be found in section 0

Eligibility and Selection Criteria.

2.2.1. Common territorial challenges and opportunities

Territorial challenges and opportunities not only cross over national borders, but extend across many borders. The Programme area is characterised by shared and common development resources, including the area's abundant natural resources, high quality biophysical environment, and versatile business sector.

However, in terms of development challenges and opportunities, peripherality combined with low population density is identified as the key shared challenge for the Programme Area. A range of development issues, such as weak access to key markets, lack of critical mass and higher costs for service delivery and influences the NPA region's local economies, rural development, demography, labour markets and governance. See Cooperation Programme section 7.2.2 for further explanation.

Table 9 - Territorial challenges and opportunities

Challenges	Opportunities
• Peripherality • Fragile local economies • Shrinking rural communities • Demographic challenges • Labour market challenges • Governance challenges	• Abundance of natural resources • Versatile business sector (SMEs, few but world leading big enterprises) • Strong regional centres • Sectoral expertise and specialist knowledge • Demographic drivers as high in-migration • Labour market assets as demand for highly skilled workforce • Targeted development of local and regional economies • The Green Economy and Blue Growth & capitalising on the opportunities from climate change

Taking these factors together means that the NPA 2014-2020 has to address a complex range of transnational, often long-standing and interrelated, challenges as well as opportunities.

2.2.2. Project results contributing to changes sought by the NPA programme

Programme result

Projects are expected to deliver viable products and services, whose impact should contribute to programme level results. Each of the Priority axis have been designed to focus project applicants on delivering tangible, durable outputs, assisting the delivery of the programme's ambitions of measurable positive changes in the Programme area. Each project's intended results and outputs are expected to facilitate the changes sought by the NPA Programme.

To align with the Programme's results sought, each project should select the most appropriate Priority Axis, and inside this, the most appropriate specific objective. See Chapter *1.4 Priority Axes* for an explanation of changes sought under each specific objective, e.g. as attitude change, an openness to new approaches, an improved entrepreneurial business environment, a change in awareness and public policy or an increased preparedness. On programme level, the results are expressed and measured in result indicators.

Project result

A project result is a project's contribution to the programme result. A project applicant is expected to describe how the successfully implemented product or service will e.g. improve awareness, change attitudes, etc.

Project objectives

Project objectives are decided by the project partnership at the application stage and are the main tenements of the project's activities. Project objectives are seen as the overall direction of the project and should be in line with the envisaged project result, which is in turn in line with the programme result sought. In addition, project objectives contribute to the EU2020 strategy and, where relevant, demonstrate synergies with macro regional and sea basin strategies, and other international, national and regional strategies and policies in the Programme area.

Project outputs

All NPA projects are expected to develop tangible outputs: transnational products or services.

The development of the products and services is expected to be based on the added value of transnational cooperation:

- *Knowledge transfer* - facilitating the transfer of economic development solutions, and their practical application, from one country/region to another;
- *Innovation* – working together to develop new or innovative economic development solutions that can be applied in practice in more than one country/region;
- *Learning* – exchange of ideas, experience and good practice that improve the stock of organisational knowledge (rather than having short-term practical application or concrete results).

To ensure that products and services meet a quality standard and that they are likely to contribute to the envisaged project and programme result, the programme has defined quality criteria that products and services are expected to meet:

- *Concrete*: the outputs are recognisable as a tangible solution, and they contribute to increased awareness, attitude change or behaviour change.
- *Innovative*: the outputs go beyond existing practice in the sector/programme area/participating countries, or adapt or transfer already developed solutions.
- *Focused*: the outputs contribute to the result sought for the selected specific objective.
- *Relevant*: the development of the outputs is based on target group demands. Also, the outputs take into account the current situation in each partner area.
- *Viable*: the outputs are supported by appropriate marketing plans and realistic delivery/provision models that allow the project output to become durable and self-sustaining when the project support ends. Also, the outputs are applicable and replicable, e.g. transferable to other areas than the partner areas.
- *Value-for-money*: the development and implementation of the outputs is proportional to the challenge or opportunity addressed and the expected benefit/impact/return on investment. If applicable, the money generating or money saving aspect can be demonstrated.

Overall, the project activities and outputs are expected to take into account or make a positive impact on the horizontal principles of environmental sustainability, inclusion and diversity and equality between men and women, by integrating and/or mainstreaming them into the project.

Project outputs are expressed and measured at project level by output indicators, see section 2.4.2 of the Programme Manual and the NPA 2014- 2020 Cooperation Programme, Annexes Tables 7 & 8.

2.3. Work plan - Work Packages

In addition to giving a general project description, project applicants are asked to submit a description of the different work packages that the project partners have developed and agreed to in order to structure their project activities.

Structuring project activities into work packages helps improve project planning.

The work plan contained within each work package is intended to be an indicative plan and the NPA will exercise flexibility (within reasonable limits) when monitoring project activities. With the exception of Management and Communications work packages, all packages are expected to include key targeted deliverables. The completion of project work packages will result in an auto generated 'indicative time plan overview' detailing all work package activities against calendar month for activity implementation.

2.3.1. Structure

- All work packages should be given an individual title to describe the work that will be carried out in the work package.
- The overall objective of the project should be described in the application form.
- Each work package should describe the expected outcome of the work package's activities and how the work package will contribute to the overall objective of the project, and this description should include key dates.
- Activity implementation work packages require a project to link work package achievement to intended project products and services.
- The first work package will be "Management".
- The second work package will be "Communications"
- The other implementation work packages will be " T - "name of work package"
- All projects will be asked to split their activities into a maximum of 5 work packages, in addition to the two pre-defined work packages.

Work package 1, "Management", consist of internal communication, and all other tasks associated with the Lead Partner and / or Co Lead Partner coordination of the overall project administration. Some of the common tasks associated with Lead Partner and/ or the Co Lead Partner administration include coordinating the drafting of the Partner reports and final reports and organising the claim procedures for the project partnership, as well as acting as the responsible partner for all reporting. The Lead Partner and/ or the Co Lead Partner is normally the internal contact body for questions within the project partnership and is the main contact point for the Joint Secretariat. For projects that operate with a Lead and Co

Lead Partner, project management responsibilities can be fully delegated to the Co Lead Partner with the exception of the role as final beneficiary.

Work package 2 "Communications" consists of external communication, and all other tasks associated with the projects outward project communication activities, dissemination tools, and associated communication deliverables. Some of the common tasks associated with project communication may include devising ways to respond to pre defined communication activities such as 'Public Events', 'Promotional Material', and 'Publications'. The Programme will also have mandatory communication tasks and a requirement to produce certain communication tools, these are expected to be:

Table 10 Mandatory and recommended communication tools

Required within first reporting period of the project	Recommended tools tailored to the project's individual needs. Examples include:
• Project description on NPA website • Basic project website according to an NPA template • Online project presentation e.g. Prezi or PowerPoint format • Collection of project images/ photos • Portfolio of targeted promotional material for use at meetings/events • For projects above 500 000 EUR, a project poster based on an NPA template displayed at all partner organisations visible to the public	• Newsletters • Social media platforms e.g. Twitter/ Facebook • Project videos • Press kit • Website or online platform for delivering products/services • Apps or mobile websites for mobile devices/tablets • A product or service logo and branding • Other dissemination materials/ tools relevant for reaching a wide audience in the Programme area, the project's target groups, and relevant policy makers.

Note: projects are expected to budget attending events organised by the programme, such as Lead Partner seminars, partner seminars in the programme partner country, and thematic events.

Other Implementation Work packages , " T – "name of work package", concerns project implementing activities, project applicants are asked to provide detailed information regarding connectivity's between work packages, and the target groups associated the work package results. Activity implementation work packages also require the project applicant to provide concrete information on the products and services (project outputs) delivered by the project activities. Project applicants are required to demonstrate how the produced products and services contribute to project output indicators which are sought by the NPA. If applicable, project applicants are requested to quantify the project's contribution.

2.4. Indicators

The Northern Periphery and Arctic Programme aims to achieve a number of programme objectives. Progress towards achieving these objectives is measured in the form of indicators, regular monitoring and assessment helps to identify programme successes and to ensure the programme is on track to achieving its goals.

To assist the Programme bodies, European Commission and Programme partner countries a performance framework for the NPA 2014-2020 has been developed based on project milestones, financial milestones and implementation milestones. Essential to the aims of the NPA are approved projects that contribute to achieving the programme's objectives and consequently play a prominent role through the monitoring and recording of indicators.

Before project monitoring can take place, each project must detail the targets that they aim to achieve through indicators which can then be assessed. Project indicators must be provided in the Application Form and should be based on realistic projections of what the project will achieve.

Project indicators consist of Programme result indicators that and Project output indicators that should be chosen depending on the Priority Axis applied to.

2.4.1. Programme result indicators

Programme result indicators are collected only at the programme level by the Programme Secretariat and are reported to the European Commission at intervals during the programme's implementation. The indicators aim to capture the change that the programme is contributing to in the programme area over the programme period. To measure the change, baseline values were established during 2015, and target values for the year 2023 were set. Each applicant needs to indicate if their contribution to the result indicator is neutral or positive, for their chosen Priority Axis and specific objective.

Table 11 - Programme Result Indicators

Specific Objective	Result Indicator	2015 (Baseline)	2023 (Target)
Priority Axis 1 - INNOVATION			
1.1	Degree of collaborations between SMEs and R&D	100	181,7
1.2	Awareness and attitudes among health professionals towards the use of eHealth technologies.	100	293,1
Priority Axis 2 – ENTREPRENEURSHIP			
2.1	Conditions for start-ups in remote, sparsely populated areas	100	132,7
2.2	Awareness of business opportunities beyond local markets among SMEs	100	139,5
Priority Axis 3 – RENEWABLES AND ENERGY EFFICIENCY			
3	Awareness of energy efficiency opportunities and renewable solutions in housing sector and public infrastructures in remote and sparsely populated areas	100	111,1
Priority Axis 4 – PROTECTING, DEVELOPING AND PROMOTING NATURAL AND CULTURAL HERITAGE			
4	Preparedness of responsible authorities in remote and sparsely populated areas for environmental management in relation to climate change and impacts of new investments in exploitation of natural resources	100	131,3

2.4.2. Output indicators

Programme Output indicators have been developed to express and measure project outputs. They are dependent on the selected Priority Axis. Within the Programme output indicators there are two different types:

- **Common Output indicators** are collected at project level and reported to the European Commission at difference time intervals during the programme's implementation for European wide statistical and implementation purposes.

- **Specific Output indicators** are collected at project level and designed to demonstrate a project's progress towards its outputs.

All Output indicators are collected at project level and are reported to Programme bodies regularly

Table 12 - Output indicators - Priority Axis 1 Innovation

Type	Output Indicator	Measurement unit	Target 2023
Common indicators	Number of enterprises receiving support **Definition:** Number of enterprises receiving support in any form from ERDF (whether the support represents state aid or not). Enterprise: Organisation producing products or services to satisfy market needs in order to reach profit. The legal form of enterprise may be various (self-employed persons, partnerships, etc.)[19].	Enterprises	32 (On average 2 per project)
	Number of enterprises cooperating with research institutions **Definition**: Number of enterprises that cooperate with research institutions in R&D projects. At least one enterprise and one research institution participates in the project. One or more of the cooperating parties (research institution or enterprise) may receive the support but it must be conditional to the cooperation. The cooperation may be new or existing. The cooperation should last at least for the duration of the project. Enterprise: Organisation producing products or services to satisfy market needs in order to reach profit. The origin of the enterprise (inside or outside of the EU) does not matter. In case one enterprise takes the formal lead and others are subcontractors but still interacting with the research institution, all enterprises should be counted. Enterprises cooperating in different projects should be added up (provided that all projects receive support); this is not regarded as multiple counting. Research institution: an organisation of which R&D is a primary activity[20].	Enterprises	16 (On average 1 per project)
Specific indicators	Number of product and service opportunities to be developed, based on new or existing R&D	Products and services	
	Number of supported SMEs reporting productivity increase in %. (i.e. Increased sales, customer base and increased productivity)	SMEs	
	Number of innovative models/solutions addressing viability and low critical mass in public service provision	Collaborations	

[19] *Guidance Document on Monitoring and Evaluation – European Regional Development Fund and Cohesion Fund*, European Commission DG REGIO, March 2014
[20] *Guidance Document on Monitoring and Evaluation – European Regional Development Fund and Cohesion Fund*, European Commission DG REGIO, March 2014

Type	Output Indicator	Measurement unit	Target 2023
	Number of innovative technology-driven solutions for public service provision in remote areas	Services	

Table 13 - Output indicators - Priority Axis 2 Entrepreneurship

Type	Output Indicator	Measurement unit	Target 2023
Common indicators	Number of enterprises receiving support **Definition:** Number of enterprises receiving support in any form from ERDF (whether the support represents state aid or not). Enterprise: Organisation producing products or services to satisfy market needs in order to reach profit. The legal form of enterprise may be various (self-employed persons, partnerships, etc.)[21].	Enterprises	32 (On average 2 per project)
	Number of enterprises supported to introduce new to the market products **Definition**: The indicator measures if an enterprise receives support to develop a 'new to the market' product in any of its markets. Includes process innovation as long as the process contributes to the development of the product. Projects without the aim of actually developing a product are excluded. If an enterprise introduces several products or receives support for several projects, it is still counted as one enterprise. In case of cooperation projects, the indicator measures all participating enterprises. A product is new to the market if there is no other product available on a market that offers the same functionality, or the technology that the new product uses is fundamentally different from the technology of already existing products. *Products can be tangible or intangible (incl. services).* Supported projects that aimed to introduce new to the markets products but did not succeed are still counted[22].	Enterprises	16 (On average 1 per project)
Specific indicators	Number of business support solutions utilising place-based opportunities	Services	
	Number of new or sustained jobs reported	Jobs	
	Number of business support solutions removing barriers for start-ups/existing SMEs	Services	
	Number of new solutions using technology to overcome long distances to market	Services	

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[21] See previous footnote
[22] See previous footnote

Table 14 - Output indicators - Priority Axis 3 Renewables and energy efficiency

Type	Output Indicator	Measurement unit	Target 2023
Common indicators	Number of households with improved energy consumption classification **Definition**: Number of households in improved energy class – see Directive 2010/31/EU. Improved class must be the direct consequence of the project completion[23].	Household	250 (On average 23 per project)
Specific indicators	Number of models developed utilising by-products from economic activities as energy sources for public infrastructures and housing	Product	
	Number of renewable energy solutions for public infrastructures and housing	Services	
	Number of smart energy management solutions	Services	

Table 15 - Output indicators - Priority Axis 4 Protecting, developing and promoting natural and cultural heritage

Type	Output Indicator	Measurement unit	Target 2023
Common indicator	Productive Investment: Number of research institutions participating in cross-border, transnational or interregional research projects **Definition**: The indicator counts cooperating research institutions. If a participating organisation has departments operating in different places, the location of the participating department(s) should be taken into account to qualify as transnational project.[24]	Organisations	11 (On average 1 per project)
Specific indicators	Number of schemes/interventions involving sustainable environmental management	Services	
	Number of capacity building solutions to maintain the balance between competing environmental, economic and social interests	Services	
	Number of solutions for the sustainable management of natural and cultural heritage.	Service	
	Number of organisations introducing a decision-making tool or governance concept facilitating sustainable environmental management **Definition**: Number of organisations that has introduced a decision-making tool or governance	Organisations	22 (On average 2 per project)

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[23] See previous footnote
[24] Adapted from *Guidance Document on Monitoring and Evaluation – European Regional Development Fund and Cohesion Fund*, European Commission DG REGIO, March 2014

concept as a result of the project for the purpose of improved sustainable environmental management of their target area or a natural or cultural heritage site, by the end of the project, reported in a consistent and prescribed format. Organisations introducing multiple decision-making tools or governance concepts are counted as one. Organisation: any legal entity. This could also include community organisations.		

2.4.3. Environment indicators

On the basis of the Strategic Environmental Assessment carried out prior to approval of the NPA 2014 - 2020, 4 environmental indicators were developed to monitor the Programme's impact on the environment, one for each Priority Axis – See below.

Environmental indicators will be collected by the Joint Secretariat from all projects during their implementation through regular Partner reports.

Table 16 - Environmental indicators

Priority Axis	Environmental Indicator	Measurement unit
Priority Axis 1 - INNOVATION	Uptake of new technology leading to improved resource efficiency and/or reduced climate change impact	Solutions
Priority Axis 2 – ENTREPRENEURSHIP	Adoption of green business models	Models
Priority Axis 3 – RENEWABLES AND ENERGY EFFICIENCY	Efficient consumption of natural resources	Volume of natural resource saved (appropriate unit for natural resource)
Priority Axis 4 – PROTECTING, DEVELOPING AND PROMOTING NATURAL AND CULTURAL HERITAGE	Utilisation of environmental management tools or methodologies	Tools/methodologies

2.5. Budget

2.5.1. Appropriate Budget Size

Main Project total budgets are expected to fall between 250 000 EUR and 2 MEUR. This amount could be exceeded in duly justified cases, and would require prior notice from the applicant to the programme bodies. Applicants are recommended to align where possible with the recommended total project budget. The Monitoring Committee can review and approve projects with an exceptional budget. Justification for an exceptional project budget (small or large) should be made in the project's application form.

We recommend project partners, in particular from Non Member State regions, to be in touch with their Regional Contact Point to discuss an appropriate budget size.

Preparatory projects can normally have a total budget of up to 45 000 EUR, with a maximum programme grant of 29 250 EUR. For preparatory projects, a grant rate up to 65% of eligible costs applies to all partners (both Member State and Non Member State) with the exception of SMEs who are only eligible for a grant rate of up to 50%. The grant is on condition of public or private match funding confirmed through match funding commitments.

If a project is co-financed with private match funding, that private match funding has to be paid out and certified before an ERDF or ERDF equivalent co-financing payment can be issued.

Lump sums for preparatory projects

It has been decided that the simplified cost option of "lump sums" will be applied to all preparatory projects. This leads to a simplified payment procedure, as the preparatory project payment will be made based on a pre-established lump sum, provided that the final report, describing project activities and the final outcomes as stated above, is approved by the Joint Secretariat.

The lump sum will be calculated based on the budget in the preparatory project application **only**, and stated in the Offer of Grant from the MA. **Please note** that, according to the lump sum principle, only real costs are allowed when budgeting for the preparatory project established through a "fair, equitable and verifiable method".

The lump sum principle means that there is no need for a separate claiming procedure with first level control, and there is no checking of the actual spending related to the project or activity. If the result/outcome is reached and approved, payment will be made. If the result/outcome should not be reached, there will be no payment at all. It is not possible to make a partial payment.

For more information about the application procedure, please see section 2.6.1 *Preparatory Projects*.

Cost-sharing within the project partnership

In the NPA 2014-2020 there is no separate routine, established by the Programme authorities, for cost-sharing within the project partnership (compare with so called "common costs" in the NPP 2007-2013). The main principle is therefore that tasks and activities should be shared as far as possible to divide project expenditure between different partners in the projects.

In cases, where it is not possible to share tasks and activities proportionally between the partners, one project partner can carry the shared costs, including it as eligible expenditure in the individual project partner budget. The project partner in question will then receive a larger proportion of the NPA-funding in the project.

Please note, that invoicing between partners within the scope of the project book-keeping is not allowed, as it can cause time-lags and other problems for project partners at the reporting stage.

For tenders made by one partner on behalf of other partners in the project partnership, it may also be possible to share the cost through the setup of the actual tender. If it is formally agreed between the project partners (a written agreement and/or power of attorney might be needed), one partner could include other partner organizations in the terms of reference for the tender. The tendered organization could then invoice different project partners for their proportion of the contract. Please note, that it is the responsibility of the individual project partner to ensure that such a procedure is eligible according to national procurement rules, and that documentation requirements according to law and organizational guidelines are fulfilled.

2.5.2.   Eligibility of expenditure

Programme eligibility rules have been developed to guide applicants and project managers regarding the eligibility of their costs. The *NPA Eligibility Rules* form Chapter 0 of this Programme Manual. **Please note** that only in cases where expenditure is not covered by the European Commission rules and/or the NPA Eligibility Rules, national rules of the country where the expenditure is incurred shall apply.

2.5.3.   Financial control

In the 2014- 2020 programming period the terms "audit" and "control" (and thus auditor and controller) are not interchangeable as they refer to two different meanings:

- The term "**control**" refers to the check performed by the first level controller, who is appointed by the programme partner country and whose duty it is to validate expenditure declared by each partner participating in a project. This process conducted in eMS and may include both desk and "on-the-spot" controls.

- The term "**audit**" (or second level auditing) refers to the checks performed on the project by an auditor, whose duty it is to carry out project audits on the basis of an appropriate sample to verify the expenditure declared.

In other words, the "first level control" is the check of project expenditure made when submitting a payment claim and covers all project expenditure. It is different from the "second level control", which is an additional check of expenditure organised by the partner country and only looks at a sample of projects.

2.5.4. National Controllers

In the regulations establishing the new programming period (2014- 2020) it is up to the participating partner countries to set up a control system and to designate the controllers responsible for verifying the legality and regularity of the expenditure declared by each beneficiary or partner. The procedures for the first level control in the NPP 2014- 2020 period will, therefore, vary from one partner country to another. Each partner should refer to

the control system of the partner country where it is located, regardless of the Lead Partner's location.

Centralized FLC systems operate in Sweden, Ireland, Northern Ireland, Iceland, and, decentralized systems operated in Finland, Scotland, Norway, Greenland, and Faroe Islands.

Projects should be aware that financial control of their project expenditure may incur a cost to the individual project partner being controlled. In such a situation, the cost of the control will normally be charged to the project but will be considered an eligible project cost. **When developing the project budget, it is recommended to budget approximately €1000 per partner, per claim. Rates will vary between programme partner countries and this is an indicative figure only.**

Further information on the claims and payment procedure will be made available in this Programme Manual.

Note: Due to European financial control requirements, costs for partners applying under and funded through the 20% geographical flexibility funding there is a separate procedure as described in section 3.4.1.

2.5.5. Budget Tables

An overview of the total project budget and details on the financial setup of the project can be found as part of the main project application. The project financial tables consist of a partner cost budget and a financing plan by 6-monthly period.

2.6. Application Procedure

All applications to the NPA Programme should be submitted through the electronic monitoring system eMS, which can be accessed on ems.interreg-npa.eu. Detailed instructions on how to complete the application form is available in separate eMS *Application Instructions* available on the NPA website.

2.6.1.Preparatory Projects

Calls for Applications

A continuous call system is in place for the submission of preparatory project applications, meaning that project applicants can be submitted at any time. Unless otherwise announced, the preparatory project call is open for all Priority Axes. Please find the latest information on our website, or contact your Regional Contact Point, alternatively the Joint Secretariat.

Filling in the Project Application Form

Applicants should complete a project application in the electronic monitoring system eMS[25]. Instructions for completing the different sections of the application form are available on the NPA website. Prior to completing the online application form, project applicants should familiarize themselves with the main NPA concepts and rules concerning a preparatory project.

Electronic Submission of Application

Applications for funding should be submitted by the Lead Partner of the project, in accordance with the preparatory project application instructions.

Selection Procedure

There is a simplified application process for preparatory project applications and the application procedure is expected to take approximately one month from submission of the application.

It proceeds as follows:

1. Completed applications should be submitted to the programme through eMS, after which the Joint Secretariat will assess them. Applications can be rejected at this first stage if there are already similar projects in the same field of work receiving funding from the NPA, or if the application is found inadmissible. For further information on admissibility and eligibility the applicant is advised to consult section 2.7.1 of the Programme Manual.

2. A check is carried out by the Joint Secretariat to verify the project's eligibility and relevance to the programme. The Joint Secretariat will consult the Regional Contact Points for regional input on the relevance of the project idea and may also consult the Chair of the Monitoring Committee.

3. The Joint Secretariat has been delegated the mandate to make funding decisions on preparatory project applications, and will take into account any comments from the Regional Contact Points. The Joint Secretariat will inform the Monitoring Committee of all preparatory project decisions.

4. The Joint Secretariat will inform the applicant whether the project application has been accepted or not. Details on all approved projects and a list of beneficiaries will be published on the NPA website.

5. For approved projects, the official decision and Grant Offer Letter will be issued by the Managing Authority. The Grant Offer Letter shows the start and end date for project funding. In addition, it states the obligations and rights of the contracting parties and constitutes the main agreement between the project and the programme.

2.6.2. Main Projects

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[25] Please note that the preparatory project application form is expected to be launched in eMS in May 2016

Calls for Project Applications

Calls for project applications will be launched regularly, approximately two per year from 2015 onwards. Calls for applications will be announced on the NPA website well in advance of the deadline, so it is worth checking for regular updates. Relevant information will also be distributed by the Regional Contact Points and Monitoring Committee members. Additional promotional material and activities may be used to widely publicise the calls.

The Monitoring Committee may decide on a specific focus or special requirements for individual calls. The call for applications and guidance will clearly outline any special requirements.

Filling in the Application Form

The main project application form (content and financial information) can be found in eMS. Where possible, the application information will follow a 'one time entry principle', so the applicant is not required to input the same information twice.

The application form requires a project applicant to provide a project summary as well as enter data on basic project information used to identify the application and provide a summary of the project. The application form will automatically generate a project budget summary using the information entered in the project financial tables.

The application form requires Lead Partner, Partner, and Associated Partner information, as well as supporting evidence for their legal status. The project applicant is also asked to provide more detailed description of the project, work packages, intended project results and outputs, completion of indicator tables, and requests notification for the use of external experts, equipment, and service, as well as detailing the financial setup of the project for each partner in financial tables.

Submission of Application

Prior to submitting the application form the Lead Partner is required to upload a signature to verify the application form and request for Programme funding. The Lead Partner is also required to check that all required and where applicable signed annexes have been uploaded. As a minimum, the project should provide signed match funding commitments for all partners.

Once a project application has been successfully submitted the applicant will receive an automatic confirmation of submission.

Detailed instructions on how to fill in the application form are provided in the *Application Instructions* available on the NPA website.

Applications for funding should be submitted by the Lead Partner of the project to the Joint Secretariat, in accordance with the eMS *Application Instructions*.

Only complete applications submitted by the deadline will be accepted by the Northern Periphery and Arctic Programme.

Selection Procedure

The selection and approval of projects is through an open and competitive process based on the merits of each project.

Following submission of an application form by the relevant deadline, the application is automatically registered and the Lead Partner will be sent an electronic notification of the application's receipt by the programme.

After registration, each main application submitted will be subject to a 4-step selection procedure:

1. **Eligibility assessment by the Joint Secretariat**
    The first stage of the eligibility assessment is an admissibility check, normally within the first two weeks. Before deeming an application inadmissible, the Programme Secretariat will discuss the case with the Lead Partner Applicant concerned. Project applications will then be checked against the eligibility criteria to ensure that they fulfil the technical requirements of the Programme. Details on the eligibility criteria can be found in section 2.7.1. An application could be rejected at this stage if it does not meet the eligibility criteria

2. **Regional Advisory Group (RAG) Appraisal**
    RAGs will conduct an appraisal of the application, considering the project idea, and the application in general from a regional perspective. The RAGs will make recommendations to the Northern Periphery Secretariat on whether the requests for funding should be supported.

3. **Programme Secretariat completes Assessment and Decision Proposal**
    On the basis of their assessment and the recommendations from the Regional Advisory Groups, the Joint Secretariat will prepare proposals for decision to the Monitoring Committee.

4. **Selection of projects by Monitoring Committee (MC)**
    A recommendation for the approval or rejection of the project application will be made by a Monitoring Committee made up of representatives from each of the participating partner countries on the basis of prioritisation against the selection criteria, which can be found in section 0.

    A project will be given a recommendation by the MC in line with one of the following categories:

    - Approval without conditions
    - Approval with conditions
    - Rejection with recommendations on how to strengthen the proposal
    - Rejection

    Following the MC meeting, a member of the Joint Secretariat will inform the Lead Partner of the MC's recommendation. The Lead Partner will be responsible for communicating the MC's recommendation to the other project partners. In circumstances where a project has been recommended 'approved with conditions' the Lead Partner is required to respond to the conditions of approval within a set period,

depending on the project start date. This task should be completed in correspondence with the Programme Secretariat.

5. **Final offer by the Managing Authority**
   For projects recommended to be approved with or without conditions by the MC, an Offer of Grant (contract) will be issued by the Managing Authority. A contract states the obligations and rights of the contracting parties and constitutes the main agreement between the project and the programme.

   The Offer of grant contains information on the project start and end date as well as the responsibilities of the project partners post project funding. An example of this is the maintenance of the project website. Detailed information on responsibilities beyond the project life time can be found in the Offer of Grant.

Timescale

Following the closure of a call, the decision procedure outlined above should normally be completed within 8 full working weeks.

2.6.3.   Where to get guidance

A project applicant has number of NPA resources to assist in the application procedure all resources are available online and can be downloaded from the NPA website, www.interreg-npa.eu.

The NPA will also offer guidance by organising events targeted at project applicants. An example of such an event is a "How to Apply Seminar" organised by the Joint Secretariat and Managing Authority. Training and guidance events specific to project applicants will be publicised through the NPA website.

In addition, applicants are recommended to contact their Regional Contact Points if they have any questions about their project idea, the application procedure, eligibility rules, partner search, and so on.

2.7. Eligibility and Selection Criteria

2.7.1. Eligibility Criteria

In order to be considered for funding from the Northern Periphery and Arctic Programme, each main project application must fulfil the following eligibility criteria.

Eligibility Criteria
Admissibility Check

1. The application is delivered to the right location by the deadline of the call.
    a. The application is submitted in electronic form.
    b. The application is submitted electronically no later than the deadline of the call.
2. The application is delivered in the right format.
3. The application is correctly filled in, and all sections have been completed.
    a. The correct version of the application form has been used and the fields are filled in as required.
    b. The application is completed in English.
4. The application is signed by the authorised signatory.
5. Supporting documents include at least signed match funding commitments in Euros.

Eligibility Check

1. The project involves a minimum of 3 partners from 3 different programme partner countries, one of which is located in a European Union Member State.
2. The Lead Partner organisation is eligible.
    a. The Lead Partner organisation is public.
    b. The Lead Partner organisation is located in an EU programme partner country, Norway or Iceland[26]. The Lead Partner is located inside the Programme area unless the organisation has a national remit.
3. All project partners are eligible organisations.
    a. Partner organisations have an eligible legal status.
    b. Partners are located in the programme area, unless in exceptional circumstances when sufficient justification is provided for the use of geographical flexibility.
    c. The partnership is clearly transnational rather than cross-border: partnerships should include an appropriate combination of partners from the Nordic countries (Finland, Sweden, Norway) and the West Atlantic (Scotland, Ireland, Northern Ireland, Iceland, Greenland, Faroe Islands).
4. The application has been assigned to one of the 4 priority axes.
5. The project duration is no longer than three years, and will finish before the end of 2022.
6. The budget and request for funding is within the limits agreed by the Monitoring Committee in the call for applications.
7. Match funding is secured according to the minimum requirements regarding its type, and intervention rate.
8. The project complies with relevant European legislation (in particular eligibility of expenditure rules and State Aid).
9. There is no evidence of double funding of activities.
10. The project takes into account horizontal principles of environmental sustainability, inclusion and diversity, and equality between men and women.
11. The project will result in the development of a defined transboundary product or service.

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[26] Co-Lead Partners may come from any programme partner country, but are not viewed as eligible Lead beneficiaries.

2.7.2. Selection criteria

Selection criteria

General selection criteria for ranking of projects

Projects will be given higher priority if they:

1. Contribute significantly to achieving the specific objectives of the programme:
   a. Increased innovation and transfer of new technology to SMEs in remote sparsely populated areas
   b. Increased innovation within public service provision in remote, sparsely populated areas
   c. Improved support systems tailored for start-ups and existing SMEs in remote and sparsely populated areas
   d. Greater market reach beyond local markets for SMEs in remote and sparsely populated areas
   e. Increased use of energy efficiency and renewable energy solutions in housing and public infrastructures in remote, sparsely populated areas
   f. Increased capacity of remote and sparsely populated communities for sustainable environmental management
2. Focus on topics of particular relevance and importance to the programme area and the Arctic challenges, such as low population density, low accessibility, low economic diversity, abundance of natural resources, high impact of climate change, etc.
3. Make a specific contribution to the EU2020 Strategy by targeting:
   a. Smart growth
   b. Sustainable growth
   c. Inclusive growth
4. If applicable, the project facilitates the implementation of national or regional development policies/strategies or informs them.
5. Make a positive impact on environmental sustainability, inclusion and diversity and equality between men and women, by integrating and/or mainstreaming them into the project. (see section 1.3.5 for examples)
6. Demonstrate a high level of transnationality and a strong transnational impact throughout the programme area. The results cannot be achieved to the same extent without cooperation or the cooperation has a significant added value. There is a clear benefit from cooperating for the partners/target groups/project area.
7. If appropriate, adopt a triple-helix partnership or work in a triple helix context.
8. Play a role in the development of innovative actions that could subsequently be taken forward in complementary funding instruments or programmes.
9. Draw on experience and results from previously funded EU or international projects to develop and implement innovative actions at a transnational level.
10. Exhibit synergies with other programmes or contribute to other EU or international strategies, including LIFE, the European Agricultural Fund for Rural Development (EAFRD), macro-regional and sea basin strategies, e.g. the EU Baltic Sea Region Strategy, the Maritime Strategy for the Atlantic Area, the EU Arctic Policy, the NORA strategy, etc.

Quality Criteria

1. There is coherence between the issue/challenge to be addressed and the project response/intended results.
2. Project outputs are:
   a. *Concrete*: the outputs are recognisable as a tangible solution, and they contribute to increased awareness, attitude change or behaviour change.
   b. *Innovative*: the outputs go beyond existing practice in the sector/programme area/participating countries, or adapt or transfer already developed solutions.
   c. *Focused*: the outputs contribute to the result sought for the selected specific objective.
   d. *Relevant*: the development of the outputs is based on target group demands. Also, the outputs take into account the current situation in each partner area.

e. *Viable*: the outputs are supported by appropriate marketing plans and realistic delivery/provision models that allow the project output to become self-sustaining when the project support ends. Also, the outputs are applicable and replicable.

f. *Value-for-money*: the development and implementation of the outputs is proportional to the challenge or opportunity addressed and the expected benefit/impact/return on investment. If applicable, the money generating or money saving aspect can be demonstrated.

3. The work packages are logical and well organised. The division of tasks is reasonable and there is a realistic and transparent work plan. The project activities are consistent and concrete.

4. The partnership:
   a. involves the appropriate partners with the capacity to deliver and make use of the project results. All partners play a defined role in the partnership.
   b. is manageable and of an appropriate size;
   c. is well balanced meaning that the different partners contribute and benefit to a similar extent without the dominance of one country or one partner;

5. The management and financial structure is sound and should ensure efficient implementation of the project.

6. The Lead Partner has experience in project and financial management (ERDF).

7. There is an effective communication strategy.

3. How to Implement

This chapter outlines how to implement a project in the NPA 2014-2020. It provides guidance for about the post-approval phase, and the project implementation phase, including reporting and claiming.

3.1   Introduction
3.2   Project start up
3.3   Project implementation
3.4   Control system
3.5   Project report
3.6   Project communications
3.7   Project management guidance

3.1. Introduction

This chapter is aimed at project managers of approved projects funded by the Northern Periphery and Arctic Programme 2014-2020. In this chapter you can find guidance on all procedures related to project implementation.

This includes formalities related to the start up phase after project approval, the programme's approach to monitoring project implementation including changes, and the programme's control system. In addition, this chapter describes the routines for project reporting and claiming of expenditure, as well as requirements for project communications.

It is the responsibility of the Lead Partner to make sure that the project proceeds according to plan. In case there are departures from the original plan, the Lead Partner needs to respond to the various situations that develop due the course of the project's lifetime.

3.2. Project start up

This chapter explains what happens directly after the MC decision to formalise your project approval.

3.2.1. MC Decision

After approval by the Monitoring Committee (MC), the Joint Secretariat notifies the Lead Partner of the MC decision based on the minutes from the meeting. This may take up to several weeks after the MC meeting because the minutes need official approval by the MC Chair.

There are 2 possible decisions for approval: approval with conditions or approval without conditions.

Conditions

If your project was approved with conditions, the Joint Secretariat will enclose a second version of the decision with additional comments to help fulfil the conditions. Some conditions require your project to make changes to the application, the budget or the partnership. Other conditions ask your project to provide certain information or to accept a certain limitation.

Normally, a deadline of 6 weeks is given to settle the outstanding conditions between the project and the Programme. The Joint Secretariat will make a formal assessment of whether the conditions set by the Monitoring Committee are met, and the Managing Authority will be notified.. The Managing Authority will use the latest agreed and signed version of the application in their formal decision. Once the conditions are met, the decision documents can be issued.

Project expenditure in connection to necessary preparations for the projects start is eligible from the date of the Monitoring Committee decision, a confirmation from the Joint Secretariat will be needed beforehand needed preparations may include costs in relation to meetings with the Joint Secretariat or project partners in connection with the update of the application and the budget. During this period a formal start date will be discussed and agreed with the Joint Secretariat.

3.2.2. Start date and end date

Start date

A formal start date for activities is set in discussion with the Joint Secretariat. The agreed date is stated in the Joint Secretariat assessment of conditions and will be the date set in the Grant Offer Letter. It is important that projects start according to the time plan in the decision to avoid delays towards the end of the project. Before starting up any activities if a main project decision (Grant Offer Letter) has not been issued, please contact the Joint Secretariat to ensure eligibility of activities and related costs.

Project expenditure for project activities is eligible from the date stated in the Grant Offer Letter.
Project implementation costs are not eligible before the submission of the main application.

End date

The end date for a main project will be stated in the decision document and will normally be 36 month after the start date. This 36 months project period includes submission of the final report and project claim.

The project period for main projects can, when appropriate, be shorter than 36 months. This period includes final reporting of the project.

Preparatory projects will normally run over a period of 6 months. After the implementation period projects will have a three month period to report.

3.2.3. Grant Offer Letter

The Managing Authority is the programme body that issues the official decision to your project. This is the contract that lays down the rights and responsibilities of all parties.

The official decision document consists of 3 parts:
- **Main decision:** Official decision signed by the Managing Authority and the Monitoring Committee Chair, stipulating the eligible budget, start and end date and reporting deadlines.
- **Enclosure 1:** Includes a detailed project description including work packages and indicators, and the project budget.
- **Enclosure 2:** Includes legal conditions that need to be met by the Lead Partner and other Lead Partner responsibilities.

3.3. Project implementation

3.3.1. Monitoring and Evaluation

Based on experience from previous programmes and projects and the proactive service approach provided by the JS and supported by the MA, an additional level of service will be

provided that assists projects to achieve their results, and to support project teams with the torments of project implementation issues such as underspending and activity slippage.

At their first meeting with their assigned JS Desk Officer, a one-to-one project support clinic will be held in connection to a Lead partner seminar shortly after the Monitoring Committee approval of projects. During the project support clinics, a so-called inception paper will be discussed and delivered by the Lead partner three months after their meeting.

The inception paper is meant as a hands-on operationalisation of the project's work plan. The inception paper is designed to encourage Lead Partners to take critical decisions with their partnerships and to ensure a timely and result-oriented implementation of the project. The inception paper will focus on expected results ensuring quality control, underspending avoidance, and realistic project activities targets. In addition, it will answer important questions about issues such as State Aid, and the mitigation of specific risks identified during the assessment of the application. Ideally, the inception paper will create a road map for a project to follow with a view to circumventing a slow project start and subsequent delays in the project's implementation. The inception report will include for example Gantt charts for monitoring the project's work plan, outline project team roles and responsibilities, and package implementation, milestones and deliverables.

During the project implementation, the JS Desk Officer will keep in regular contact with the project manager through telephone, e-mail and at programme events, to see if additional support is required. If needed, further assistance from Regional Contact Points and national representatives will be enlisted.

3.3.2. Changes in Project Implementation

Project managers are expected to manage issues within the project in cooperation with their partnership. However, at some stage during the project implementation it may become evident that the implementation plan or the budget needs to be revised.

Changes could apply to:
- Total project budget or individual budget lines
- Planned activities in case of technical difficulties or constraints
- Partnership constellation, division of tasks, staff
- Project duration, timing of different activities
- Target area
- Work package structure
- Indicators
- Administrative issues

Changes can be divided into minor and major changes, each with their own procedure. The degree of the change will be determined by the Joint Secretariat. Generally, projects are expected to have only one major change in their lifetime, and maximum one minor change request per reporting period.

Minor changes
Minor changes have a minor impact on the project implementation, the project outputs or results. Minor changes require pre-approval by the Joint Secretariat Desk Officer before they can be deemed eligible.

Minor changes procedure	
The following changes are generally considered to be minor: • Budget changes below 60.000 EUR per project budget line, accumulated since the latest decision. • Requests for travel outside the programme area, if not part of the approved application. Please note that travel to Copenhagen is also considered travel outside the programme area. (see section 5.3.3, rule 9) • Minor administrative changes.	What to do: • Project managers should send an e-mail to their Joint Secretariat Desk Officer outlining the requested change together with a brief justification and an assessment of the impact on the project implementation and outputs. • Once pre-approved, the changes should be listed in the Activity Report and should confirm the picture that the changes are of a minor degree when described in their full context. • Formal approval of minor changes is given by the Secretariat Desk Officer when approving the Activity Report. The latest project decision remains valid for future reporting. • **NB:** Transferring allocated funds between partners in different funding sources is **not** permissible.

Major changes

Major changes have a major impact on the project implementation, the project outputs or results. Major changes require approval by the Managing Authority or the Monitoring Committee. A new project decision will be issued.

Major changes procedure	
The following changes are generally considered to be major: • Budget changes above 60.000 EUR per project budget line, accumulated since the latest decision. • A change or withdrawal of project partner. • A change in the number or the character of the main project outputs • Implementation changes with a major impact on the work plan, the project outputs, or results. • An extension of eligibility period.	What to do: • In case of a major change, the project manager must inform the Joint Secretariat Desk Officer as soon as possible. • The project manager must describe the requested change together with a justification and an assessment of the impact on the project implementation and outputs. • Depending on the character of the change, the Desk Officer may require the project manager to submit a revised application and supporting evidence, such as a match funding commitment, a formal withdrawal letter • and so on. • The Secretariat Desk Officer will assess the change request and make a decision proposal for the Managing Authority or, if the budget change is above 120 000 EUR per project budget line, or if deemed necessary, the Monitoring Committee. After approval of the change, the Managing Authority will issue a new project decision, which will form the basis for future reporting. • **NB:** Transferring allocated funds between partners in different funding sources is **not** permissible.

Besides minor and major changes there are also changes to the projects that are of more technical character, often initiated by the programme management. If there are changes to

the project implementation as compared to what is entered into the project application, there is a requirement by the lead partner to notify the NPA programme management as soon as possible.

3.4. Control System

This chapter explains the control system used in the Northern Periphery and Artic Programme 2014-2020 to verify expenditure and project implementation.

There are two levels of control in the Northern Periphery and Artic Programme 2014-2020: first level and second level control.

3.4.1. First level control

First level control refers to the task of checking that all project expenditure is eligible according to the NPA Eligibility Rules, European regulations and national legislation, when submitting a Project Claim.

First level control is carried out for each project partner by a First Level Controller in their country, designated by that specific partner country.

For partners under the 20% funding source there is an exception. The costs of partners within the 20% area should be certified by the Lead Partner's first level controller in a "Certificate of Expenditure" when the partner is located outside the programme area. The Lead Partner is then responsible for setting up all arrangements regarding the 20% partner[27]. If necessary, agreements with authorities in the MS or third country or territory in which the operation is implemented should be made to ensure that obligations regarding control and audit are fulfilled in accordance with Art 20 p2 (c) in the ETC Regulation. If the operation is carried out under the 20% funding source but in a programme partner country where there is an existing FLC system, the control will be carried out by the designated controllers in that country. In any circumstance, the controls should be made in accordance with the European regulations, NPA eligibility rules and national rules.

First level Controllers will require the project partner to provide certain documentation in order to enable the first level control. Each First Level Controller will have different requirements, but in many cases a project ledger supported by invoices, evidence of public and private match funding and other adequate documentation will be required. It is up to each partner country to establish procedures for holding documentation according to the EC regulation and applicable national legislation. An exception is if the partner applies one of the flat rate options, where the First Level Controller in most cases will not require supporting documents.

3.4.2. Second level control (audit)

Second level control or audit refers to checks to verify the expenditure declared. This check is based on a representative sample and does not include all projects. The Second Level Audit is

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[27] The Lead Partner is authorized to invoice the partner within the 20% area in the case the Lead Partner is invoiced by its First Level Controller for executing the control and certification of the expenses of the partner located in the 20% area.

performed by the Audit Authority, assisted by the national representatives of the Group of Auditors.

3.4.3. On-the-spot checks

There are two types of verifications in first and second level control: desk checks and on-the-spot checks. On the-spot checks take place at the premises of the project partner and may be carried out on a sample basis. All project partners should be prepared to be subject to an on-the-spot check at some given point in the project lifetime by their First Level Controller.

Besides checking costs and documentation, the on-the-spot check will ensure that expenditure declared is real and that products or services have been delivered. Project partners shall make accessible all necessary records, documents and metadata, irrespective of the medium in which they are stored.

On-the-spot checks for first level control are performed by the National Controllers. On-the-spot checks for second level audit will be performed by the Audit Authority, assisted by the national representatives of the Group of Auditors.

3.4.4. Irregularities

If irregularities are detected, and the funds involved in an irregularity have already been paid out to a project partner, the Managing Authority will have to initiate a recovery procedure.

There are two possibilities:
- Deducting the amount involved from the next payment to the project
- Recovery of the amount involved from the Lead Partner

When the amount is recovered from the Lead Partner, the Lead Partner is in turn expected to recover the funds from the partner committing the irregularity.

The EU regulations outline when irregularities found with Member State partners should be reported to the European Commission Anti-Fraud Office, OLAF, by the Member State in question. In case of suspected fraud, the detected irregularity should always be reported to OLAF. Irregularities found with Non Member State partners are reported to the Managing Authority, Certifying Authority and Audit Authority.

3.4.5. Document retention

Project documents and project accounts with supporting documentation should be kept available for a period of seven years following the end of the calendar year when the project was formally closed by the MA, or longer if it is stipulated in national rules applicable to the project partner.

The documents shall be kept either in the form of the originals, or certified true copies of the originals, or on commonly accepted data carriers including electronic versions of original documents or documents existing in electronic version only.

Project partners shall document where original documents are located.

3.5. Project Report

This chapter explains the procedure for compiling a 6-monthly project report. **This applies to main projects only**. Further guidance on how to report in eMS "Partner Report Instructions for eMS" is available on the [programme website](#).
Preparatory projects are expected to report only once in their final report, the procedure for which is described in a chapter 4 How to Close.

Main Project reporting
A Project report consists of 3 parts:
  A. Partner Report: A description of partner activities by work package and listing of expenditures.
  B. Project Financial Claim a formal declaration of project expenditures in order to receive NPA co-financing to partners' First Level Controllers (FLC).
  C. Project Report: A report on the progress of the project implementation submitted to Joint Secretariat and is a compilation of partner reports (inclusive of financial claim).

All project reports take in to account supporting documents, which are described in more detail in their respective sections below.

It is the Lead Partner's responsibility to compile and submit the Project report to the programme. Submission will take place through the online monitoring system eMS.

Reporting periods
Main projects are expected to submit a project report on a 6-monthly basis. The reporting periods are decided on the basis of the project implementation start date, which means that the reporting periods differ from project to project.

After the end of the reporting period, projects have **3 months** to submit their complete project report, which includes the certification of costs by FLC.

The reporting periods and deadlines for each project are stipulated in their Grant Offer Letter.

3.5.1. Project Reporting

The purpose of the Project Report is:
  • To allow different programme bodies to monitor the development of the project, including the Joint Secretariat, Managing Authority, and Monitoring Committee.
  • To help guarantee a satisfactory achievement of the project results.
  • To provide quantification and continuous quality assurance of project outputs.
  • To allow a cross-check between the implementation versus the project application or decision.
  • To collect information that can feed into the Programme's Implementation Report, which is submitted to the European Commission
  • To help disseminate information and knowledge about the project to the wider public.
  • To identify best practices in project implementation and communication measures

- To approve minor project changes, if applicable and pre-approved by the Joint Secretariat
- To assess the project's risk profile

The Project Report will be verified to make sure that the implementation corresponds with the expenditure of the project during a given period. A missing or unsatisfactory Project Report could lead to a decision not to issue a payment or in the worst case referring the project back to the Monitoring Committee.

Types of reports
There are 2 Project Reports, one for the whole project - *"Project report"* and one for each individual project partners – *"Partner report"* which is combined into the Project report by the Lead partner

The Partner Report is completed by each partner to support their expenses and to allow the Lead Partner to compile the Project Report.

The Project Report is pre-filled with information from the eMS submitted application. Sections in the report ask for descriptions regarding progress of the achievements towards the project objectives, the main project outputs, and the work package activities and deliverables. In addition, the project is asked to report on indicators, horizontal principles, synergies with other strategies and programmes, any project implementation issues, and so on.

The Project Report is expected to be supported by evidence of deliverables that are achieved, e.g. communication materials, reports, meeting minutes (supporting documents)

3.5.2. Project Claim

The Project Claim is the formal declaration of expenditure and co-financing by the Lead Partner in order to receive ERDF or ERDF equivalent co-financing.

Payments to projects will be paid out retrospectively against actual expenditure incurred and paid out by project partners. Only FLC certified costs can generate ERDF or ERDF equivalent co-financing.

All conditions for payments are laid down in the official decision issued by the Managing Authority via eMS. The decision includes date of eligible costs for start-up, the eligibility start and end date for project expenses. Eligible "start-up" costs include for example, travel and accommodation at a NPA Lead partner seminar before the starting of official project activities.

National match funding
National match funding can include both national public funding and national private funding for priority Axes 1-3. **For priority axis 4, private match funding is not applicable.**

Public Match Funding
Note that public match funding has to be paid out and certified before an ERDF or ERDF equivalent co-financing payment can be issued.

ERDF or ERDF equivalent funding will only be paid out fully if the full share of certified in kind AND cash match funding can be demonstrated in the claim. A match funding source is expected to cover its full share in every claim.

Note, that if a share of match funding expected according to the decision has not been paid out, it can be replaced by other sources of match funding, if these sources can be paid to the project and certified by a First Level Controller. A public organisation participating as a partner and covering its costs can temporarily replace expected payments from match funding sources.

Match funding contributors need to be entered in the project financing plan. Contribution to the project that is not part of the financing plan should be considered as net revenue, or a change to the funding set up of the project will be necessary.

Please contact the Joint Secretariat if you have any doubt, or when match funding is not being contributed at the pace of the project implementation, alternatively when match funding is lost.

Private match funding
If a project is co-financed with private match funding then please note that private match funding has to be paid out and certified before an ERDF or ERDF equivalent co-financing payment can be issued. **Please note that a SME partner can never receive more than 50% of the certified costs.**

In-kind match funding
An in-kind contribution is always contributed by an organisation outside the project partnership. From a financial perspective, the only purpose of using an in-kind source is to be able to generate ERDF (EU member state) or ERDF equivalent (Non Member State) co-financing from the Northern Periphery and Arctic Programme 2014-2020. In-kind and cash match funding has to declared on separate forms:- Match Funding Commitment - External Cash Contribution or Match Funding Commitment - External In-kind Contribution.

Demonstrating an in-kind contribution as a certified cost will not generate ERDF or ERDF equivalent funding; **unless actual costs have been spent**. ERDF or ERDF equivalent funding will only be paid out fully, if the full share of in- kind **AND** cash match funding can be demonstrated in the claim. It is of the highest relevance that any in-kind contribution is contributed to the project at the same pace as the project implementation/spending takes place.

If a project is not generating the expected/stated in-kind contribution, other match funding sources have to replace the missing funding. Please contact the Joint Secretariat if this situation occurs. Otherwise the project will be underfinanced, unless the project reduces its actual costs.

Completing a Project Financial Claim

1. All partners complete a List of Expenditure
In line with the timeframe setup the decision, each project partner fills in a List of Expenditure for the current reporting period. In this section, partners state all expenditure incurred during the period according to their accounting system and any revenues. Each project partner submits their List of Expenditure with supporting evidence such as copies of invoices and timesheets as well as a Partner Report to the First Level Controller in the partner country for the procedure of certification

All partners must state their expenditure in Euros. For this purpose, partners from non-Euro countries the conversion is automatic based on the time the expenditure is entered. All costs should be converted using the monthly accounting exchange rate of the European Commission in the month during which expenditure was submitted for verification to the national controller in accordance with Article 28(b) Regulation (EU) No 1299/2013. This method shall be applicable for all beneficiaries. **Note:** The Commission exchange rates can be found on the official website:
http://ec.europa.eu/budget/inforeuro/index.cfm?fuseaction=countries&Language=en.

. Project partners must fill in the reporting period, contact details, their VAT status and a list of supporting documents. In addition, they must list incurred costs per budget line, including the **approved** budget, as well as received public and private match funding.

After entering all amounts, partners are ready to submit their *"Partner finance report"*. The **Remember:** List of Expenditure must be signed by an authorised person at the partner organisation, scanned and attached via eMS

Supporting Documentation
Each programme partner country establishes exactly what supporting documentation is required. **Note:** This means that Lead Partners are not in a position to tell their projects partners what supporting documentation should be supplied. Each partner needs to consult their national control system for correct instructions on the required supporting documentation and the format in which it should be supplied.
In general the following supporting documents are likely to be required by first level controllers:
- List of Expenditure, <u>revenue and received co-financing</u> (signed and scanned by authorised person)
- Ledger for the current reporting period (every partner should keep separate project accounts)
- Currency conversion sheet (for non-Euro partners)
- Time sheets (for part time project employees)
- Employment contracts (for full time project employees)
- Copies of all invoices and receipts
- Model to show the office costs distributed proportionally including relevant supporting evidence
- Any additional decisions by the Joint Secretariat, Managing Authority or Monitoring Committee
- Transaction List
- Partner Report

- Other relevant documentation

Note: First Level Controllers may also ask for additional evidence during an on-the-spot-check. For this reason, all partners are advised to keep a publicity folder, corresponding with expenditure related to publicity and all evidence concerning tender procedures (public procurement) including the advertisement of the tender and the selection process.

2. First level control by First Level Controllers
After receiving the List of Expenditure with all supporting documentation, the First Level Controller will perform the first level control through eMS. A check is made to see if the expenditure is in line with the NPA 2014-2020 Eligibility Rules, European regulations and National legislation and if public match funding has been paid out. The strictest definition of the various regulatory frameworks must be applied to ensure eligibility.

After completion of the first level control, the First Level Controller will issue an electronic Certificate of Expenditure and FLC report via eMS, detailing the eligible expenditure as well as any deductions made. The controller submits the signed Certificate of Expenditure together with a signed first level control checklist to the project partner in question in eMS. The procedure for performing first level control is limited to **maximum two months**. **Note**: In general, a Certificate of Expenditure cannot be appealed.

3. Partners reports to the Lead Partner
The FLC submits electronically signed Certificate of Expenditure and the first level control checklist and report in eMS. **Note**: Lead Partners are expected to be the "policemen" in the partnership, ensuring that all costs can be connected to eligible/approved project activities. For this reason, First Level Controllers recommend that all Certificates of Expenditure are supported by a Transaction List, demonstrating which costs are related to which activities, and a Partner Report, clearly outlining the individual partner activities.

4. The Lead Partner compiles and submits the Project Report
On the basis of the materials submitted by the project partners, the Lead Partner will complete the Project Report in eMS.

Note that any changes in the budget must be pre-approved by the Joint Secretariat. For instructions about requesting a budget change, please see section 3.3.2 *Changes in Project Implementation* .

Reporting deadline
A complete Project Report procedure is set to a maximum of three months after the end of the reporting period. It is up to the Lead Partner to set internal deadlines for project partners in order to meet the 3-month deadline. **Please note** that First Level Controllers are entitled to 2 months for their certification of the costs.

3.5.3. Assessment of the Project Report and Payment

Once the Project Report has been submitted, it enters an assessment procedure involving the Joint Secretariat, the Managing Authority and the Certifying Function.

5. The Joint Secretariat assesses the Project Report

The Joint Secretariat is the body that assesses the Project Report, including:
- Completeness of the information
- Eligibility of activities carried out
- Coherence of activities with objectives set out in the application and decision
- Progress achieved of the implementation versus the approved project application or decision.
- Analysis of the efficiency and effectiveness of the project implementation process
- Measurement of quality and quantity of project outputs and results
- Analysis of project spending profile, value-for-money and other budgetary matters
- Quality of partnership and distribution of roles between the partners
- Analysis of synergies with other strategies and programmes
- Concrete actions meeting the horizontal principles

After assessment, the Joint Secretariat will inform the Managing Authority about the evaluation of the Activity Report for further processing of the Project Claim.

6. The Managing Authority carries out a compilation check of the Project claim
After submission of the Project Report, the Managing Authority will perform a compilation check. This means that the Managing Authority will check if all documents are in place, if the Project Financial Claim has been compiled correctly, if all costs have been certified by First level Controllers and if all amounts have been calculated correctly.

7. The Managing Authority assesses the Project Claim
After the compilation check, the Managing Authority will perform a deeper validation of the Project Financial Claim. This includes checking if the match funding has been certified by the approved First Level Controller, and that all necessary match funding is in place in order for the project to receive the full NPA grant. In addition, the Managing Authority checks that the costs do not exceed the approved budget for the different budget lines. Finally, the Managing Authority checks that partners receive the NPA grant from the correct funding source.

8. The Managing Authority issues a Decision of Payment
After assessing the Project Report, the Managing Authority will issue a Decision of Payment, the formal decision from the Managing Authority that a payment can be made in accordance with the Grant Offer Letter. This decision is sent to the Certifying function.

9. The Certifying function carries out final payment check
Before payment is made, the Certifying function will carry out its own checks to verify that the Lead Partner is entitled to receive the requested NPA co-financing. **Note**: for private partners, private match funding needs to be paid out before a payment can be issued.

10. The Certifying function makes the payment to the Lead Partner
If the final payment check is satisfactory, the payment is made and the funding is transferred to the Lead Partner's bank account. A payment notification will be sent to the Lead Partner. The payment will be made in accordance with the Grant Offer Letter and the approved Project Claim.

11. Receipt of grant by the Lead Partner

The Lead Partner will receive the co-financing on the bank account stated in the Project Claim.

12. The Lead Partner distributes the co-financing to the project partners

The Lead Partner is then responsible for distributing the received grant to the individual project partners.

13. Individual share of partnership grant

The individual project partners will receive their share of the grant.

Figure3 gives a complete overview of the Project Report procedure, from compilation to the receipt of co-financing.
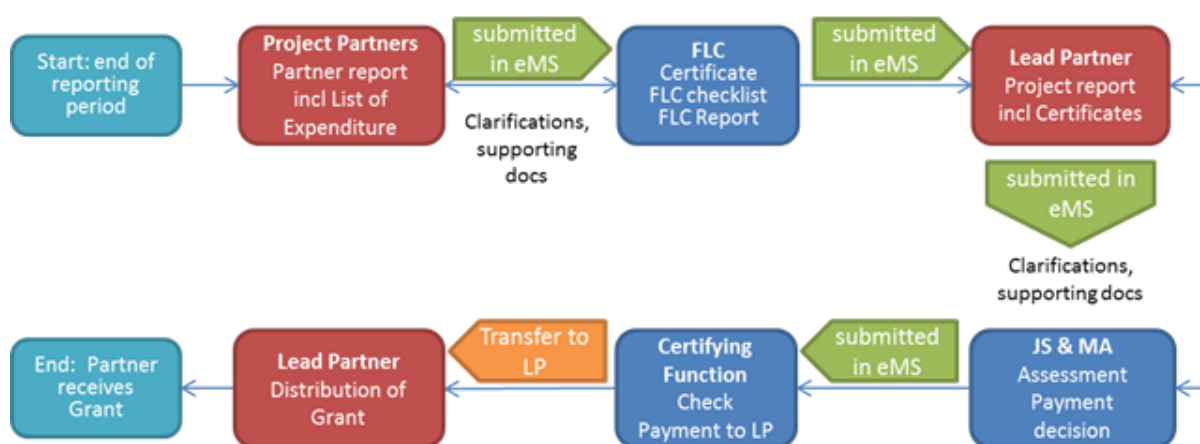
Figure 3 Project Report procedure

3.6. Project communications

This chapter explains the role projects play in the overall NPA communication strategy as well as the EU and programme publicity requirements.

3.6.1. Project role

For the programme period 2014-2020, the European Commission is placing more emphasis on communicating results. The Commission hopes to achieve a greater awareness among citizens about the results achieved with European assistance, attract more potential project partners and increase transparency.

The communication strategy for the NPA 2014-2020 is available on the programme website. In line with the Commission's strategy, the aim is to raise awareness about the Northern Periphery and Arctic Programme 2014-2020, its objectives and its outputs by engaging with (potential) beneficiaries, relevant stakeholders and the public, thereby facilitating the achievement of the changes sought by the programme. The programme aims to create an interactive exchange that will make the communication more relevant, and that increases the ownership of the programme and its results, optimising the use of limited resources.

Projects also have a role to play in carrying out the NPA 2014-2020 communication strategy for a number of reasons:

- **Projects form the link between the programme and the citizens in the NPA area**
  In a large programme area with limited accessibility, a centralised approach is not very suitable. In addition, programme resources are limited compared to the large size of the area. Project partners are located in the communities that the programme wishes to reach. Project partners can communicate with the general public and policy makers in their own language.

- **Projects produce tangible outputs that impact citizens**
  It is easier to communicate the results and benefits of transnational cooperation to the general public and stakeholders when you can show tangible outputs and improvements in the daily lives of end users.

3.6.2. Publicity Requirements

All projects that receive European funding must comply with the publicity requirements stipulated in the European regulations.

In addition, the NPA 2014-2020 has outlined a number of requirements that all main projects must meet.

Progress on communication activities and the mandatory publicity requirements is monitored through questions in the Activity Report.

European requirements
The European publicity requirements for projects are laid down in the Common Provision Regulation (EU) 1303/2013, Articles 115-117 and Annex XII, and Implementing Regulation 821/2014, Articles 3-5 and Annex II.

It stipulates that all projects are responsible for informing the public about assistance received from ERDF.

All information and publicity measures must include:

1. The European flag, in accordance with the technical characteristics set out in the Commission Implementing Regulation, together with a reference to the European Union
2. A reference to the fund: "European Regional Development Fund"

The size of the EU flag shall be appropriate to the scale of the material. For small promotional objects, point 2 does not apply.

Note: Failure to include the mandatory graphical elements outlined in the Regulations can lead to cuts in funding! It could be that the programme does not only deduct the costs related to communication measures with missing elements but, in addition, applies an overall flat rate cut of 2% on the total project budget when projects do not follow the regulations.

European flag

Guidance on use of the European emblem or flag can be found in Annex II of Implementing Regulation 821/2014.

It is important to keep the following things in mind:
- Only use the official colours: Pantone Reflex Blue and Pantone Yellow 2C
- Do not place the flag upside down!
- When reproducing the flag:
    - The preferred option is reproduction in full colour.
    - When using a colour background the flag needs a white rectangular border around it.
    - When reproducing in black and white: use black stars on a white background.
    - When reproducing in white and blue: the flag should be Reflex blue and the stars in white.
    - If other logos are displayed in addition to the Union emblem, the Union emblem shall have at least the same size, measured in height or width, as the biggest of the other logos.

You can download the flag in different formats from the programme website, also in combination with the mandatory text.

NPA requirements
As mentioned in Chapter 2 of the Programme Manual, all main projects are expected to develop a set of mandatory communication tools within the first six months of the project lifetime. In addition, projects are expected to budget for mandatory attendance at events organised by the Programme.

Table 17 - Mandatory communication tools

Mandatory communication tools within the first six months:
- Project website, as part of the programme website. This includes a brief description of the project, its objectives, target groups, expected and reported outputs, and relevant images and materials[28]. The information should be updated regularly.
- Project logo
- Promotional materials for conferences, seminars, exhibitions, etc.
- Project presentation in PowerPoint format outlining the project's objectives
- Placing at least one poster[29] with information about the project (minimum size A3), including the financial support from the European Union, at a location readily visible

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[28] Based on Common Provision Regulation (EU) 1303/2013, Annex XII, section 2.2, point 2(a).
[29] A template will be made available by the Joint Secretariat

to the public, such as the entrance area of a building[30] specify that the poster must be displayed by each beneficiary, i.e. partner of the project.

Expected attendance at NPA events during the project lifetime:
- Lead Partner seminars (once a year)
- Partner seminars organised in each of the partner countries (once a year)
- One thematic seminar
- One additional training seminar

NPA logo
Together with the European flag, projects must include the NPA 2014-2020 logo on all communication measures. You can download the logo in different formats from the programme website, also in combination with the EU flag.

A communication toolkit for projects, including templates and guidelines for the use of the NPA 2014-2020 visual identity is currently under development.

3.7. Project management guidance

This section outlines the main sources of further guidance for project managers. In addition, project management guidance and materials can be found on the programme website in the section *For Project Managers*, www.interreg-npa.eu.

3.7.1. Joint Secretariat Desk Officer

Each approved project is assigned to a Desk Officer at the Joint Secretariat, who is responsible for managing any conditions related to project approval, for monitoring project progress and for providing guidance and support to project managers in their project implementation. For country specific questions, the Desk Officer may refer to the Regional Contact Point for the relevant programme partner country.

3.7.2. Events

Lead Partner seminars
The Joint Secretariat and Managing Authority organise a special seminar for project managers at least once a year, normally after the Monitoring Committee has made new project decisions. The purpose of this event is to explain the responsibilities of a Lead Partner, and to go through the different procedures and requirements, such as Partner reporting, claiming expenditure and project communication requirements. It is also a good opportunity for project managers to meet their Joint Secretariat Desk Officer, their Financial Controller from the MA, Regional Contact Points and managers of other approved projects.

All project managers are expected to attend the Lead Partner seminar after project approval, and then once a year. Depending on the focus of the event, it may be appropriate to bring the project's finance officer or communications officer.

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[30] Based on Common Provision Regulation (EU) 1303/2013, Annex XII, section 2.2, point 2(b).

Project managers are expected to pass on all important information or instructions to the rest of the project partnership. Seminar materials are made available on the programme website after each event.

Regional partner seminars

Regional Contact Points in each of the programme partner countries will organise seminars for project partners in their region once a year. They will be able to answer questions and give the latest information about the programme in your own language. Regional partner seminars will be announced on the programme website and by e-mail invitations.

Thematic and training events

The Joint Secretariat may organise events about specific themes addressed under the priorities of the Northern Periphery and Arctic Programme 2014-2020. In addition, the Joint Secretariat may organise special training events for projects on topics such as communications. Once a year, the programme also organises an annual meeting or conference with a specific theme. All projects are welcome to attend, and they may be asked to play a specific role at such an event.

All events will be announced on the programme website. **Note**: It may be necessary for the Joint Secretariat to demand a participants' fee for these events. All projects are asked to budget approx. 2 000 EUR per project for attendance of this type of events as part of the publicity requirements.

4. How to Close

This chapter is targeted at preparatory and main project Lead Partners. It provides guidance on how to close projects. The first section describes in principle how a preparatory project will close. The second section will provide guidance how to close main projects.

How to close preparatory projects

How to close main projects
4.1 Introduction
4.2 Project Closure
4.3 Final Report Package
4.4 6th Project Report
4.5 Documentation of Outputs
4.6 Final Report
4.7 Assessment of Final Report Package

How to close Preparatory projects

At the end of the preparatory project, the Lead Partner is expected to submit a Final Report describing project activities and the final outcomes. If the project cannot produce an application for main project funding, it is essential that the reasons for this outcome be described in full.

Funding for preparatory projects follows the lump sum principle, which is explained in section 2.5.1. This means that there is no need for a separate claiming procedure with First Level Control, and there is no checking of the actual spending related to the project or its activities. If the intended outcome is reached and approved, a payment of the grant will be made. If the outcome should not be reached, there will be no payment at all.

Projects must check their Grant Offer Letters for exact conditions relating to their project.

All preparatory projects are expected to submit a Final Report to support their claim for the lump sum grant awarded to them.

At completion, the approved preparatory project shall present the following[31]:

I. The Final Report must include:
   - Documentation of meetings: as a minimum agenda and minutes for each meeting (physical or virtual). Optional: presentations, video recording etc.
   - Documentation of activities to develop a potential main project, including as a minimum:
     - Further project idea development and activities,
     - Product and service idea development,
     - Partnership development.
   - Indication of if and when main project application can be expected.

II. In addition, if outlined in the application, documentation supporting project actions must include user surveys, feasibility studies or other relevant documents, as applicable.

III. A response to any project specific issues:
   - JS specific conditions.
   - RCP recommendations

The Final Report should be received no later than three month after the completion of the project via the electronic monitoring system, eMS.

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[31] Specific conditions for funding and reporting are stated in the Grant Offer Letters of each preparatory project.

How to close Main projects

4.1. Introduction

How to Close an NPA Project is Part of the NPA 2014-2020 Programme Manual.

In the following chapters, project managers will find instructions for closing a main NPA project.

In Chapter 4.2, you can learn about different issues related to project closure and responsibilities of the Lead Partner after project closure.

Chapters 4.3 to 4.5 explain the procedures that are added for the 6th Project Report which is a combination of activity and financial project reporting.

In chapter 4.6, you can learn about the Final Report.

Chapter 4.7 will provide information on the assessment of the 6th Project Report and the Final Report.

4.2. Project Closure

4.2.1. Grant offer Letter

According to the Grant Offer Letters, all project activities including closure activities must be finished and all project expenditure must be paid before the final submission date. By this date, all project costs must be paid and a 6th Project Report and Final Report detailing the project outcome, including the financial claim containing an expenditure profile verified by the National Controllers, should be submitted to the Joint Secretariat.

No cost incurred after the final day of the reporting period can be reimbursed by the NPA Programme[32]. The last invoice for First Level Control needs therefore to be pre-invoiced "on account" to be included in the final project reporting period.

4.2.2. Responsibilities after Project Closure

All approved projects have signed the "General conditions for Northern Periphery and Arctic 2014-2020 Programme funding" (Enclosure 2 to the Grant Offer Letter) when accepting the Offer of Grant from the Managing Authority. By doing so, they commit to the 5-year rules on durability of operations as outlined in the "General conditions". Projects should be fully aware of the requirements post finalisation. By signing the conditions, project Lead Partners

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[32] Projects from the 1st and 2nd calls have been offered at least a 3 months extension for reporting only. It will be possible for lead partners to add closure cost (staff cost for compiling the report and related office and admin costs, and FLC costs) in the first month of the reporting period. For a 36 month project closure costs are eligible until the end of month 37. An annex to the Grant Offer Letter clarifies the final eligibility date for partners and lead partners and also the updated 6th Project Report final submission date.

have also accepted to maintain their website with contact details for 5 years after the project's closure. The Programme will ensure the mandatory maintenance of the mini websites hosted on its website, however Lead Partners are responsible for entering up-to-date information.

Regarding the retention of documentation, projects should consider both national and EC regulations. The strictest rule should be applied. All project partners shall keep all supporting documents available for a period of seven years following the end of the calendar year when the project was formally closed, or longer if stipulated in national rules applicable to the project partner.

Eligible expenditure shall be reduced with net revenues generated by the project as described in "General conditions for Northern Periphery and Arctic 2014-2020 Programme funding" (Enclosure 2 to the Grant Offer Letter).

4.3. Final Report Package

The main purpose of final reporting is to collect information about project achievements and outcomes and measure these against the approved project application by the NPA Monitoring Committee. The closure of a project utilises a final reporting package including eMS reporting as well as a number of templates for additional information which are to be uploaded to the eMS.

The final project reporting pack is a compilation of:

1. **6th Project Report – activities and finance** in eMS, explained in sections 4.4.1 and 4.4.2.

    Mandatory attachments to the 6th Project Report:
    a. **Outputs' robust evidence** – own word or excel file
        All achieved and reported outputs indicators are required to be supported with robust evidence.
    b. **Typology of project impacts and contribution to strategies** – PDF form
        A description of tangible and intangible impacts, and the transferability of the project outputs.
    c. **External Contribution Report** – PDF form
        All project partners need to declare how much external contribution they have received during the total project duration.

    Optional attachment to the 6th Project Report:
    d. **Testimonial template**– PDF form
        Lessons learned and other feedbacks.

2. **Outputs (Supplementary Information)** – eMS.
    Detailed description of delivered outputs and responsible partners. This is explained in chapter 4.5.

Mandatory attachments:
   a. **Testimonial template** – PDF form
      All achieved and reported outputs should be supported by an end user testimonial.
   b. **Supporting evidence** – eMS
      Documentation of the outputs, such as publications, links to images or videos.

3. **Final Report** – eMS
   A brief report reflecting on an overall level on the project achievements and value of transnational cooperation. This is further explain in chapter 4.6.

4.4.   6th Project Report

4.4.1.   Reporting on project implementation

The 6th Project Report has the same structure as all previous Project Reports, and projects are expected to report on the progress made during this period. However, a special requirement is that the 6th Project Report shall include projects highlights, the achievements that allow the project to evidence direct and indirect impacts, as well as demonstrating concrete examples of how a project has been able to meet their contracted outputs. This is in the form of mandatory supplementary information which accompanies the submission of the 6th Project Report.

Finally, projects can also use the 6th Project Report to reflect on the entire project duration, for example when reporting on problems encountered and solutions found, and the partnership dynamics.

List and explanation of attachments:

a. Outputs' robust evidence

All achieved and reported outputs indicators are required to be supported with robust evidence. Reporting on output indicators should be on an aggregated level and presented in a word or excel document uploaded together with the achieved output indicator in the relevant work package. It is only possible to upload <u>one</u> evidence document per achieved output in eMS. The project should retain their supporting evidence for each reported output. This principle applies to all reported common and specific output indicators. Specification of the evidence expected under each indicator is provided below.

How to report common output indicators at project level:

Priority 1 and 2- Number of enterprises receiving support.

A project is required to take into account the output indicator definition as in chapter 2.4.

To respond to this indicator the project is required to provide the name of the enterprise receiving support, the relationship to a specific project output, a short description of the support, the activity period the support occurred in, and indicate if a state aid tool was used i.e. De minimis. The project is required to provide aggregated information in a word or excel sheet.

Priority 1- Number of enterprises cooperating with research institutions.

A project is required to take into account the output indicator definition as in chapter 2.4.

To respond to this indicator the project needs to provide the name of the enterprise and which institution the collaboration occurred with this can be in the form of a written statement outlining the cooperation, dates of cooperation should be specified. Contact details for the enterprise and the research institution are required to be included in the written statement. The project is required to provide aggregated information in a word or excel sheet.

Priority 2- Number of enterprises supported to introduce new to the market products.

A project is required to take into account the output indicator definition as in chapter 2.4. To respond to this indicator the project is required to provide the name of the enterprise receiving support, the relationship to a specific project output, a short description of the support and product, the activity period the support occurred in, and indicate if a state aid tool was used i.e. De minimis. It is important that the presented aggregated information is able to confirm that the support of enterprise directly led to new to the market products as a result of the project. The project is required to provide aggregated information in a word or excel sheet.

Priority 3- Number of households with improved energy consumption classification.

A project is required to take into account the output indicator definition as in chapter 2.4.

To respond to this indicator the project is required evidence the baseline energy consumption classification of the household, and at conclusion, the project is required to produce an energy performance certificate detailing the improved energy classification for each assisted household.
The project is required to provide aggregated information in a word or excel sheet.

Priority 4- Number of research institutions participating in cross-border, transnational or interregional research projects.

A project is required to take into account the output indicator definition as in chapter 2.4.

To respond to this indicator the project is required to provide the name of the research institution participating in the project. The project is required to provide aggregated information in a word or excel sheet.

How to report specific output indicators at project level:

Priority 4 - Number of organisations introducing a decision making tool or governance concept facilitating sustainable environmental management.

A project is required to take into account the output indicator definition as in chapter 2.4.

To respond to this indicator the project is required to list the organisation and indicate if the organisation is introducing a decision making tool or a governance concept facilitating sustainable environmental management. The project is required to indicate which output the tool or concept relates to. It is recommended to evidence this in a word or excel document. The project is required to provide aggregated information in a word or excel sheet.

All other specific output indicators are mainly for programme use, and are not reported to the European Commission. How to report on these is based on the measurement unit:

- Products/services: Please upload the main visualisation of the project output. If your achieved output indicator is higher than one, please provide an aggregated overview of each unit counted in a Word or Excel sheet. In addition, please ensure that the output is well evidenced in the Outputs section under Supplementary Information.

- Jobs: Please upload a Word or Excel sheet providing an overview of each case where a sustained job was created, including the organisation, position, and the number of full time equivalent (FTE) units created.

- Collaborations (public service provision): Please upload a Word or Excel sheet providing an overview of each new collaboration between organisations addressing viability and low critical mass in public service provision as a result of the project, including the name(s) of the organisations involved in the collaboration.

- SMEs (increased productivity): Please upload a Word or Excel sheet with aggregated information on the enterprises that report an increased productivity, and how this productivity increase was measured, as well as a relationship to a specific project output.

b. Typology of Project Impacts & Contribution to Strategies

A project is required to submit a Typology of tangible and intangible impacts, and the transferability of the project outputs. In addition, the template asks about contributions to macroregional and sea basin strategies. The form displays a list of options to choose from, for each selected option a comment field may be available to provide comments and further details.

This PDF fillable template is part of the final reporting pack found on the NPA website. It can be downloaded to be filled in, then it should be uploaded together with the 6th Project Report Attachments.

c. Testimonial template (optional)

In addition to the mandatory end user testimonials to be submitted in the Outputs Supplementary information (Chapter 4.5), it is optional for projects to capture lessons learnt

and other stakeholder feedback using the same testimonial template. In this case, the document should be uploaded in the 6th Project Report attachments.

4.4.2.   Reporting on Finance

The routine for the 6th Financial Report in eMS is the same as for the earlier reports[33]. One additional thing outside of eMS is the External Contribution Report described below.

External Contribution report

As part of the final reporting package all project partners need to declare how much external contribution they have received during the total project duration in a contribution report (this template is part of the final reporting pack found on the NPA website).

The partners indicate if they have received external contribution and if so, they need to list the external contributors and indicate if they are public or private. This report will be signed by the respective partner's FLC, if it matches the main ledger provided by the partner. The document can be amended directly by the FLC without having to revert it to the partner, based on the information in the main ledger received. The partner should be notified about the change.

The reason for the External Contribution Report is that the Managing Authority needs to be able to prove that project partners are not over financed. To be able to do that, partners need to evidence that they have not received more external funding than the partner share of the contribution. For example, a partner with a 65% Grant rate should have 35% match funding. If this partner has received more than 35% from external contributors, this partner is over financed.

Each partner should fill in the External Contribution report and submit it to their FLC via eMS. The FLC signs the document and uploads it as an FLC attachment in the eMS. Instructions how to complete the form and submit it are in the document.

4.5.   Documentation of Outputs

Besides reporting on output indicators in the 6th Project Report, the project is expected to complete the section Outputs under Supplementary Information in eMS. In this section, each output is pre-filled based on application data, and a number of fields have to be completed by the project. The purpose of providing evidence of outputs is to allow for wider dissemination as well as opening up the opportunity of open source knowledge transfer.

Fields that have to be completed include a description of the final state of the output and who it is meant for, how durability is ensured, contact details for the partner responsible,

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[33] Projects with an extension will have an updated final submission date according to the annex to the Grant Offer Letter. Lead partners will be able to report closure costs (only staff cost – office and admin costs – for compiling report + FLC cost) and the partner report will be sent to their FLC later than for the other partners in the project, see annex to the Grant Offer Letter for clarification.

and a classification of the type of output. In addition, projects are expected to upload mandatory attachments.

a. Testimonial template

It is mandatory to provide at least one end user testimonial per project output, based on the template in the Final Report package. The PDF fillable template should be downloaded from the NPA website and completed, then it should be uploaded in the attachments of the Outputs Supplementary Information section on eMS.

b. Supporting evidence

Supporting evidence, such as a visualisation of the output, must be provided for each output. Examples of visualisations are publications, images or a video demonstration of achieved product(s) or service(s), these can be provided in the form of links.

4.6. Final Report

The Final Report is an additional eMS report to the 6th Project Report, it consists of an overview, three questions and a checklist.
The aim of this report is:
- to capture the human side of transnational cooperation
- to look back at the commitments the project made in terms of contributing to the programme results
- to self-assess the project performance (overall achievements). This is also where the project reports on the benefits of transnational cooperation.

The checklist is an aid to the Lead Partner to make sure all mandatory requirements have been met.

Projects form the link between the Programme and the citizens in the NPA area. The products and services produced over the project lifetime have and will continue having an effect on the people and territories encompassed by the Programme. On its side, the Programme forms the link between the projects and the EU Commission. At this stage, the Programme intends to make the connection and inform the Commission about the impact that transnational cooperation has.

The Final Report is the occasion to express what changes the projects brought about on the people and territories. It is also the moment to share any learnings from participating in a transnational project and the effects on the organisations participating. These matters are to be addressed in detail in the Final Report.

Prior to submission of the 6th Project Report as well as the Final Report, the Lead Partner must ensure that their own website, and NPA hosted mini website, are up to date with all achieved outputs and results and with associated contact details.

4.7. Assessment of the Final Report Package

The assessment of the 6th Project Report and Final Report by Project Desk Officers includes:

- Completeness of the information via an admissibility check.
- Eligibility of activities carried out.
- Coherence of activities with objectives set out in the approved project decision.
- Concrete actions meeting targets: Common and specific outputs indicators, target groups and NPA horizontal principles.
- Measurement of quality and quantity of project outputs and results.
- Quality and completeness of information and materials describing project achievements, products and services.
- Measurement of overall project impact, added value, and, sustainability in the NPA area.
- Analysis of project expenditure.

After assessment, an evaluation of the Final Report package is sent to the Managing Authority for further processing and payment.

The assessment of 6th Project Financial Report will follow the same procedure as described for all earlier project reports in section 3.5.3 . The assessment of the External Contribution Reports will be for the MA to check that all partners' FLCs have signed the contribution reports. With this information the MA can make sure that no project partners are over financed.

5. NPA Eligibility Rules

This chapter outlines the Programme eligibility rules for expenditure for the NPA 2014-2020.

5.1. Introduction

The following NPA Eligibility Rules, laying down the details concerning eligibility of expenditure in the NPA 2014-2020, shall be applied for all projects co-financed by the Programme. The rules take into account the specific rules for eligibility of expenditure set up by the European Commission, with some further programme specific requirements agreed between the programme partner countries.

The aim is to harmonize the regulatory framework as much as possible, so that the same rules apply regardless of which country the project partner operates in. Only in cases where expenditure is not covered by the European Commission rules and/or the NPA Eligibility Rules, national rules of the country where the expenditure is incurred shall apply.

The following expenditure categories are allowed in the NPA 2014-2020:

1. Staff costs
2. Office and administrative expenditure
3. Travel and accommodation costs
4. External expertise and services costs
5. Equipment expenditure
6. In kind costs

For practical guidance on the different cost categories, we refer to the factsheets on eligibility of expenditure in section 1.1.

5.2. General principles for eligibility

All expenditure in the allowed categories has to be project-related. This means that it should be clearly connected to project activities traceable in the approved application form. Furthermore, the expenditure has to be incurred, entered into the project accounts and paid by, or on behalf of, the project partner during the project period determined by the Managing Authority in the Grant offer Letter.

National 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 only eligible if it is non-recoverable for the project partner concerned and this is supported by a certificate from the tax authorities.

5.3. Eligibility Rules

5.3.1. Staff costs

1. Expenditure on staff costs shall consist of gross employment costs of staff employed by the beneficiary in one of the following ways:
   (a) full time;
   (b) part-time with a fixed percentage of time worked per month;
   (c) part-time with a flexible number of hours worked per month; or
   (d) on an hourly basis.

2. Expenditure on staff costs shall be limited to the following:
    (a) salary payments related to the activities which the entity would not carry out if the operation concerned was not undertaken NPA 2014-2020 project, fixed in an employment/work contract, an appointment decision (both hereinafter referred to as 'employment document') or by law, relating to responsibilities specified in the job description of the staff member concerned;
    (b) any other costs directly linked to salary payments incurred and paid by the employer, such as employment taxes and social security including pensions as covered by Regulation (EC) No 883/2004 of the European Parliament and of the Council provided that they are:
        (i) fixed in an employment document or by law;
        (ii) in accordance with the legislation referred to in the employment document and with standard practices in the country and/or organisation where the individual staff member is actually working; and
        (iii) not recoverable by the employer.

    With regard to point (a), payments to natural persons working for the beneficiary under a contract other than an employment/work contract may be assimilated to salary payments and such a contract considered as an employment document.

3. Staff costs may be reimbursed either:
    (i) on a real cost basis (proven by the employment document and payslips); or as a flat rate in accordance with Article 19 of Regulation (EU) No 1299/2013. "Staff costs of an operation may be calculated as a flat rate of up to 20% of the direct costs other than the staff costs of that operation".

4. For individuals who work full time on the operation, an employment document stating the full-time commitment in the project Time registration shall not be submitted by individuals working full-time.

5. Staff costs related to individuals who work on part-time assignment on the operation, shall be calculated as either:
    (a) a fixed percentage of the gross employment cost, in line with a fixed percentage of time worked on the operation, with no obligation to establish a separate working time registration system; or
    (b) a flexible share of the gross employment cost, in line with a number of hours varying from one month to the other worked on the operation, based on a time registration system covering 100 % of the working time of the employee.

6. For part-time assignments under point (a) of paragraph 5, the employer shall issue a document for each employee setting out the percentage of time to be worked on the operation.

7. For part-time assignments under point (b) of paragraph 5, the reimbursement of staff costs shall be calculated on an hourly rate basis determined by:

     (i) dividing the latest documented annual gross employment cost by 1 720 hours [34]in accordance with Article 68(2) of Regulation (EU) No 1303/2013.

The hourly rate shall be multiplied by the number of hours actually worked on the operation.

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

Fringe benefits, overheads and other office and administration costs, *per diems* and any other travel and accommodation costs cannot be included in the staff costs.

5.3.2. Office and administrative expenditure

Direct office and administrative expenditure shall be limited to the following elements:
    (a) office rent;
    (b) insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances);
    (c) utilities (e.g. electricity, heating, water);
    (d) office supplies;
    (e) general accounting provided inside the beneficiary organisation;
    (f) archives;
    (g) maintenance, cleaning and repairs;
    (h) security;
    (i) IT systems;
    (j) communication (e.g. telephone, fax, internet, postal services, business cards);
    (k) bank charges for opening and administering the account or accounts where the implementation of an operation requires a separate account to be opened;
    (l) charges for transnational financial transactions.

Where the implementation of the project gives rise to indirect costs, they are calculated as a flat rate of up to 15% of eligible direct staff costs without requirement to perform a calculation to determine the applicable rate. [35].
A flat rate calculation covers all office and administration costs, i.e. there is no distinction between direct and indirect costs.

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[34] Projects in the Programmes´first three calls may calculate the hourly rate by dividing the latest documented annual gross employment cost by the monthly working time fixed in the employment document expressed in hours. As of the 4th call this is removed as an option.
[35] Projects in the Programmes' first three calls may calculate a flat rate of up to 25% of eligible direct costs, provided that the flat rate is calculated on the basis of a fair, equitable and verifiable calculation method, or a method applied under schemes for grants funded entirely by the Partner State for a similar type of operation and beneficiary.

5.3.3. Travel and accommodation costs

1. Expenditure on travel and accommodation costs shall be limited to the following elements:
   (a) travel costs (e.g. tickets, travel and car insurance, fuel, car mileage, toll, and parking fees);
   (b) the costs of meals;
   (c) accommodation costs (for budgetary purposes, please use 150 EUR/night for hotel rooms);
   (d) visa costs;
   (e) daily allowances.

2. Any 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. The travel and accommodation expenses of external experts and service providers fall under external expertise and services costs listed in Article 6. Travel and accommodation expenses of associated partners are eligible costs for the partner that covers these costs.

4. Direct payment of expenditure under this Article by an employee of the beneficiary shall be supported by a proof of reimbursement by the beneficiary to that employee.

5. For operations concerning technical assistance or promotional activities and capacity-building, expenditure incurred outside the Union part of the programme area shall be eligible, if incurred in accordance with Article 20(3) of Regulation (EU) No 1299/2013.

6. The Managing Authority may accept the costs of accommodation and meals taken in establishments located outside the Union part of the programme area as eligible, if incurred in accordance with Article 20(2) of Regulation (EU) No 1299/2013. This shall also apply to local travel costs at the location of an event or an action outside the Union part of the programme area.

7. For the staff of beneficiaries located outside the Union part of the programme area, the managing authority may accept costs referred to in paragraph 1, including costs of travel to and from the location of an event or an action inside or outside the Union part of the programme area, as eligible, if incurred in accordance with Article 20(2) of Regulation (EU) No 1299/2013.

8. For the staff of beneficiaries located inside the Union part of the programme area the costs referred to in paragraph 1, including costs of travel to and from location of an event or an action inside or outside the Union part of the programme area, shall be considered eligible in accordance with Article 20(1) of the Regulation (EU) No 1299/2013.

9. Please note that planned travelling outside the programme area should, as far as possible, be described and justified in the project application with regards to the benefit for the programme area. For travels outside the programme area that have

not been included in the approved project application, pre-approval by the joint secretariat (in writing), is requested to confirm that it is for the benefit of the programme area. This applies to all travelling outside the programme area except for:
- (a) Travelling to and from the Joint Secretariat in Copenhagen for meetings and seminars, organised by the Joint Secretariat;
- (b) Travelling to and from project partners located outside the programme area.

5.3.4. External expertise and services costs

Expenditure on external expertise and service costs shall be limited to the following services and expertise provided by a public or private law body or a natural person other than the beneficiary of the operation:
- (a) studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- (b) training;
- (c) translations;
- (d) IT systems and website development, modifications and updates;
- (e) promotion, communication, publicity or information linked to an operation or to a cooperation programme as such;
- (f) financial management;
- (g) services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- (h) participation in events (e.g. registration fees);
- (i) legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- (j) intellectual property rights;
- (k) verifications under Article 125(4)(a) of Regulation (EU) No 1303/2013 and Article 23(4) of Regulation (EU) No 1299/2013;
- (l) certification and audit costs on programme level under Articles 126 and 127 of Regulation (EU) No 1303/2013;
- (m) the provision of guarantees by a bank or other financial institution where required by Union or national law or in a programming document adopted by the monitoring committee;
- (n) travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
- (o) other specific expertise and services needed for operations.

Sub-contracting by external experts, not part of the original bid, is only eligible if it forms a minor part of the contracted activities and is clearly adding value to the project not leading to any additional costs.

Project partners cannot be contracted as external experts.

Please note that for Associated Partners, as described in chapter 2.1 of the Programme Manual, external expert fees are not allowed. Expenses, such as travel costs or registration fees may be covered by the project on a self-cost basis, but should in that case be categorized to the applicable budget line for that type of cost.

Meals/catering should be of a moderate nature and according to normal standards in each partner country. Excessive entertainment is not to be regarded as eligible expenditure. All meals/catering must be supported by a list of participants and a statement outlining the purpose of the occasion.

Costs of gifts are eligible, provided that the total value of a gift does not exceed 50 EUR. The gift should relate to promotion, communication, publicity or information. There is no limitation regarding the number of gifts. But the principle of sound financial management must be respected.

5.3.5. Equipment expenditure

1. Expenditure for the financing of equipment purchased, rented or leased by the beneficiary of the operation other than those covered by office and administrative expenditure 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;
   (h) other specific equipment needed for operations.

2. Purchase costs of second-hand equipment may be eligible subject to the following conditions:
   (a) no other assistance has been received for it from the ESI Funds;
   (b) its price does not exceed the generally accepted price on the market in question;
   (c) it has the technical characteristics necessary for the operation and complies with applicable norms and standards.

3. The full purchase price is only eligible if the item is used solely for the project during its total economic and depreciable lifetime. In other cases only depreciation costs shall be eligible.

For the calculation of depreciation, the amount of the expenditure should be duly justified by supporting document having equivalent probative value to invoices for eligible costs. The costs could relate exclusively to the project period determined in the Grant offer Letter. The following information is required for the calculation:
   (a) The cost and description of the purchased item
   (b) The purchasing date; the number of years over which the item is being depreciated (national standards shall apply to determine the number of years applicable for the item)
   (c) The % of the item use devoted solely to the project, over the life of the item

Public grants should not have contributed to the depreciated asset.

Depreciation expenditure is only eligible provided that the full purchase price of the asset is not declared as eligible expenditure.

5.3.6. In kind costs

In kind costs/contributions shall be eligible if they fulfil the following conditions:
   (a) Only public or private in kind contributions from organisations outside the partnership are eligible
   (b) They consist of the provision of works, goods, services, land and real estate for which no cash payment supported by invoices, or documents of equivalent probative value, has been made by the beneficiary.
   (c) The public support paid to the operation, which includes contributions in kind does not exceed the total eligible expenditure, excluding contributions in kind, at the end of the operation.
   (d) the value attributed to contributions in kind does not exceed the costs generally accepted on the market in question.
   (e) The value and the delivery of the contribution can be independently assessed and verified.
   (f) In the case of provision of land or real estate, a cash payment, for the purposes of a lease agreement of a nominal amount per annum not exceeding a single unit of the currency of the Member State, may be made. The value of land or real estate must be certified by an independent qualified valuer or duly authorised official body and shall not exceed the limit in d)
   (g) In the case of contributions in kind in the form of unpaid work, the NPA eligibility rules for staff costs shall apply

5.3.7. Indicative list of ineligible expenditure

The following expenditure is not eligible in the NPA 2014-2020:
   (a) fines, financial penalties and expenditure on legal disputes and litigation;
   (b) costs of gifts, except those not exceeding EUR 50 per gift where related to promotion, communication, publicity or information;
   (c) costs related to fluctuation of foreign exchange rate.
   (d) Redundancy payments
   (e) Bad debts
   (f) Purchase of land
   (g) Housing
   (h) Recoverable VAT
   (i) Unpaid costs

Please note that this list is not exhaustive.

5.3.8. Project net revenues

Eligible expenditure shall be reduced with net revenues generated by the project. The following is to be regarded as "Net revenue":

   a. Cash inflows directly paid by users for the goods and services provided by the operation, such as charges borne directly by the users for the use of infrastructure, sale or rent of land or buildings, or payments for services less any operating costs and replacement costs of short-life equipment incurred during the corresponding period.

b. Operating cost-savings generated by the project shall be treated as net revenue. Unless they are offset by an equal reduction in operating subsidies.

All "Net revenue" must be deducted from the project's total eligible expenditure.

Projects whose total eligible cost exceeds 1 000 000 EUR (ERDF) are obligated to reduce the potential "Net revenue" in advance, taking into account a specific reference period that covers both implementation of the operation and a period of three years after its completion. The potential "Net revenue" of an operation shall be determined in advance by the project consortium.

Project consortium whose total eligible cost does not exceed 1 000 000 EUR (ERDF) are not obligated to reduce the potential "Net revenue" that relates to the project three years after its completion. However, the eligible expenditure of the operation shall be reduced by the "Net revenue" directly generated during its implementation, and not later than at the final payment claim.

5.4. References

European Commission rules on eligibility of expenditure can be found in:
- Regulation (EU) No 1299/2013, Articles 18 - 20
- Regulation (EU) No 1303/2013, Articles 65 - 71
- Commission Delegated Regulation of 4 March 2014 supplementing Regulation(EU) No 1299/2013 of the European Parliament and of the Council with regard to specific rules on eligibility of expenditure for cooperation programmes, C(2014) 1229

Please note that there are also a number of other EU Regulations applicable to the project activities. Examples of this are Regulations regarding public procurement and State Aid. It should be kept in mind that there might also be EU Regulations applicable for the specific area in which the project operates.

5.5. Where to find guidance

For further guidance please contact:
- For guidance on Commission Regulations and Common Eligibility rules at application stage, contact the Joint Secretariat.
- Regarding National legislation at application stage, contact your Regional Contact Point for further guidance.
- For guidance on eligibility of expenditure at claiming stage, please contact your National Controller.

Contact details for the Joint Secretariat, the Regional Contact Points and National Controllers can be found on the programme website, www.interreg-npa.eu.

6. Annexes

This chapter contains reference information.

6.1. Glossary[36]

Term	Definition
Activity	A work package component which may or may not result in a deliverable or an output.
Amount certified (FLC)	Amount of expenditure included in the certificate of the first level controller (FLC).
Applicant	An organisation which is applying for funding.
Application form (AF)	Binding document which describes the project (objectives, results, outputs, partnership) and gives detailed information on the work plan and financial figures. The AF has to be submitted during the selection process and is assessed by the programme bodies in order to select the projects to be funded by the programme. Once the project is approved, the AF becomes the reference document for the whole implementation of the project until its closure.
Application package	All documents required when applying for funding.
Assessment criteria	A group of related assessment questions on which a judgment or decision whether the project should be funded can be based.
Associated project partner	Project partner participating in the project without financially contributing to it. All expenditure incurred by this body shall be finally borne by any of the organisations acting as financing partners in order to be considered as eligible.
Audit trail	An adequate audit trail ensures that the accounting records maintained and the supporting documents held at the level of the certifying authority, managing authority, intermediate bodies and beneficiaries are adequate to trace expenditures.
Budget line	A set of cost centres that facilitates reporting on expenditure and revenue. Each cost item can be allocated to one budget line only, according to the nature of the cost. HIT budget lines integrate the categories of costs defined in Article 18 ETC Regulation (EU) 1299/2013.
Calculation method - equitable	When calculation methods are used in order to establish simplified cost options, there are 4 main conditions that must be respected: the calculations must be done in advance (i.e. simplified cost options must be defined ex-ante), and they must be fair, equitable and verifiable.Equitable means that the determination of flat rates, standard scales of unit costs or lump sums ensures an equal treatment of beneficiaries, and does not favour some beneficiaries or projects over others. (See also Calculation method - f*air* and *Calculation method - verifiable*).
Calculation method - fair	When calculation methods are used in order to establish simplified cost options, there are 4 main conditions that must be respected: the calculations must be done in advance (i.e. simplified cost options must be defined ex-ante), and they must be fair, equitable and verifiable. Fair means that the determination of flat rates, standard scales of unit costs or lump sums is reasonable, i.e. based on reality, not excessive or extreme. (See also C*alculation method - equitable* and C*alculation method - verifiable*)

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[36] Adapted from HIT glossary developed by INTERACT

Term	Definition
Calculation method - verifiable	When calculation methods are used in order to establish simplified cost options, there are 4 main conditions that must be respected: the calculations must be done in advance (i.e. simplified cost options must be defined ex-ante), and they must be fair, equitable and verifiable. Verifiable means that the determination of flat rates, standard scales of unit costs or lump sums is based on documentary evidence, which can be verified. (See also *Calculation method - equitable* and *Calculation method - fair*)
Check	Check means the verification of a specific aspect of a revenue or expenditure operation. (See also *Control*)
Co-financing	See *Programme co-financing.*
Co-financing rate	Also known as grant rate or intervention rate. The maximum rate of programme co-financing applied to the eligible expenditure of the project and each individual partner.
Contribution	Counterpart to programme co-financing secured by the partners (paid by the partners from their own resources or paid to the partners from external sources). Depending on the source of contribution (partner's own resources, external sources) and their legal status, the contribution can be public and/or private. (See also *Private contribution*, *Public contribution*)
Control	Control means any measure taken to provide reasonable assurance regarding the effectiveness, efficiency and economy of operations, the reliability of reporting, the safeguarding of assets and information, the prevention and detection and correction of fraud and irregularities and their follow-up, and the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned. Controls may involve various checks. (See also C*heck*)
Deliverable	A side-product or service of the project that contributes to the development of a project main output. It could be tangible or intangible.
Depreciation	A non-cash expenditure that reduces the value of an asset over time. The full purchase price of an asset is eligible if the item is solely used for the project during its total economic and depreciable lifetime. Depreciation may be eligible, provided the cost relate exclusively to the period of support and that no public grants have contributed towards the acquisition of the depreciated asset.
Deviation	Deviation is any departure from the original plan presented in the application form. Deviations are minor changes from the work plan (can be positive or negative in the sense of a delay) which (according to programme rules) don't require an 'official' change procedure as opposed to changes which require a change procedure (according to programme rules).
Durability	Durability of project outputs and results refers to the long-lasting effect of a project's achievements beyond project duration.
Eligibility period	A timeframe during which project expenditure must be incurred and paid (unless simplified cost options are used) in order to qualify for reimbursement from the programme funds.
Equipment	Equipment is a physical object (e.g. tool, device, instrument, etc.) purchased, rented or leased by a partner, necessary to achieve objectives of the project. This includes equipment already in possession by the partner organisation and used to carry out project activities (only pro-rata cost related to the project is eligible). In the case of fixed investments in equipment and investments in

Term	Definition
	infrastructure, equipment may be (a part of) a project output that remains in use by the partners and/or target groups after completion of the project.
ERDF	Stands for European Regional Development Fund. An EU fund which is intended to help reduce imbalances between regions of the Community. The Fund was set up in 1975 and grants financial assistance for development projects in the poorer regions. In terms of financial resources, the ERDF is by far the largest of the EU's Structural Funds. The main aim of the ERDF is to overcome the structural deficiencies of the poorer regions in order to overcome the gap between these regions and the richer ones.
ERDF equivalent	ERDF equivalent refers to national funds of Andorra, Greenland, Faroe Islands, Iceland, Lichtenstein, Monaco, Norway, San Marino, and Switzerland, available to partners from Andorra, Greenland, Faroe Islands, etc. respectively. Depending on the geographical coverage of the programme, different ERDF equivalent may apply; there can be more than one ERDF equivalent in a programme.
Flat rate	One of the simplified cost options. Specific categories of eligible costs which are clearly identified in advance are calculated by applying a percentage fixed ex-ante to one or several other categories of eligible costs. Flat rates involve approximations of costs and are defined based on fair, equitable and verifiable calculation methods, or they are established by the Fund specific regulations.
Grant Offer	Grant agreement between the contracting authority (managing authority) and the lead partner.
Grant rate	See co-financing rate.
Horizontal principle	Horizontal principles, in the context of EU funded work, are core principles of importance that cut across and have relevance to all areas of the work of EU funded projects. See section 1.3.5.
In-kind contribution	Contributions in the form of provision of works, goods, services, land and real estate for which no cash payment supported by invoices or documents of equivalent probative value has been made.
Intervention rate	See co-financing rate.
Investment	The term investment refers to an output of a project activity or activities that remains in use by the project's target group after the completion of the project. In line with Article 3 ERDF Regulation (EU) 1301/2013, productive investments, investments in infrastructure, and fixed investments in equipment are among the types of activities to be supported from ERDF in 2014-2020. In all cases, expenditure related to investments can be allocated under different HIT budget lines: the type of cost defines the relevant budget line. Investments in infrastructure involve expenditure for the financing of infrastructure and construction works, that do not fall into the scope of the 5 categories of costs defined in Article 18 ETC Regulation (EU) 1299/2013.
Lead partner (LP)	Project participant taking the overall responsibility for the development and the implementation of a project. Each Lead Partner is expected to conclude the Partnership Agreement (with its project partners) and the Subsidy Contract (with the Managing Authority); ensure a sound cross-border/transnational project management as well as the project implementation, and transfer the due ERDF contributions to the single partners.
Legal representative	A person authorised to sign binding documents (e.g. application form, subsidy contract) on behalf of an organisation.

Term	Definition
Lump sum	One of the simplified cost options. A lump sum is a total allocation of the grant (calculated ex-ante), paid to the project upon completion of pre-defined terms of agreement on activities and/or outputs. Lump sums involve approximations of costs established based on fair, equitable and verifiable calculation methods.
Net revenue	Cash in-flows directly paid by users for the goods or services provided by the project, such as charges borne directly by users for the use of infrastructure, sale or rent of land or buildings, or payments for services less any operating costs and replacement costs of short-life equipment incurred during the corresponding period.
NUTS (code)	The Nomenclature of territorial units for statistics, abbreviated as NUTS (from the French Nomenclature des Unités territoriales statistiques) has been created by Eurostat in order to provide a standard classification of the EU territory. It is a geographical nomenclature subdividing the territory of the European Union into regions at three different levels.
Pilot activity	A practical measure implemented in the context of a territorial cooperation project that aims at testing or piloting strategies and tools in the partner regions.
Private contribution	The programme funds meet only a proportion of the project expenditure. The remainder has to be covered from other sources, which can be the partner's own resources or it can come from external sources. Private contribution refers to the amount secured by the partners from sources having a private legal status. (See also *Contribution*)
Programme co-financing	The programme financial support provided to the project. Depending on the programme, this entails support from EU funds (ERDF, IPA II, ENI) and ERDF equivalent (e.g. Norwegian fund).
Programme language	The language to be used in all communications between the applicants/beneficiaries and the programme management. It could be more than one language.
Programme output indicator	An indicator describing the "physical" product of spending resources through policy interventions.
Project assessment	One part of the project selection process and it implies in-depth quality assessment of the project application.
Project (main) output	The outcome of the activities funded telling us what has actually been produced for the money given to the project. It can be captured by a programme output indicator and directly contributes to the achievement of the project result.
Project partner	All project partners of a project other than the Lead Partner.
Project result	The immediate advantage of carrying out the project telling us about the benefit of using the project main outputs. It should indicate the change the project is aiming for.
Project (specific) objective	A concrete statement describing what the project is trying to achieve and it refers to the project main outputs. It can be evaluated at the conclusion of a project to see whether it was achieved or not.
Public contribution	The programme funds meet only a proportion of the project expenditure. The remainder has to be covered from other sources, which can be the partner's own resources or it can come from external sources. Public contribution refers to the amount secured by the partners from sources having a public legal status. (See also *Contribution*)

Term	Definition
State aid	State aid means action by a (national, regional or local) public authority, using public resources, to favour certain undertakings or the production of certain goods. A business that benefits from such aid thus enjoys an advantage over its competitors. Control of state aids thus reflects the need to maintain free and fair competition within the European Union.Aid which is granted selectively by Member States or through state resources and which may affect trade between Member States or distort competition is therefore prohibited (Article 107 of the Treaty on the Functioning of the European Union - TFEU). State aid may nonetheless be permitted if justified by objectives of general economic interest, if it falls within the General Block Exemption (e.g. Article 19 - Cooperation costs of SMEs in ETC), if it falls within de minims or if it has been notified to and approved by DG Competition. See section 6.2.
Sub partner	Project partner attached to another project partner for administrative reasons; especially if the partner contribution to the project is relatively small. A sub partner construction can only be set up within the same programme partner country.
Sustainable development	Increase in economic activity which respects the environment and uses natural resources harmoniously so that future generations' capacity to meet their own needs is not compromised.
Target	A quantified objective expressed as a value to be reached by an indicator, usually within a given timeframe.
Target group	Individuals and/or organisations directly positively affected by the project outputs. Not necessarily receiving a financial grant and even not directly involved in the project, the target groups may exploit project outputs for their own benefits.
Total budget	The total budget of a project established based on the costs planned by all project partners in the Application Form.
Total eligible budget	Total eligible budget indicates the total budget of a project subject to programme co-financing. In the Application Form, it is calculated based on the total budget, excluding the potential net revenue of the project.
Transferability	Transferability refers to the degree to which the project main outputs can be generalized or transferred to other contexts or settings. The project partners can enhance transferability by doing a thorough job of describing the outputs and the assumptions that were central to its development. The organisation which wishes to "transfer" the outputs to a different context is then responsible for making the judgment of how sensible the transfer is.
Undertakings	An undertaking is defined as any entity regardless of its legal status, which is engaged in economic commercial/competitive activity and where there is a market in comparable goods or services.
Union part of the programme area	Part of the geographical area covered by the programme, which comprises of an EU territory. In some programmes, the programme area may also cover territories outside EU (e.g. Norway, Switzerland, etc.) and thus be outside the Union part of the programme area.
Value added tax (VAT)	A type of consumption tax that is placed on a product whenever value is added at a stage of production and at final sale. Only VAT which is non-recoverable under national VAT legislation may be an eligible expenditure.
Value for money	Term referring to judgement on whether sufficient impact is being achieved for the money spent.
Work package	A group of related project activities required to produce project main outputs.

6.2. Information on State Aid

State Aid, the use of De minimis aid, and the General the Block Exemption Regulation (GBER)

18th September 2014

Introduction

According to Article 107 in the EU Treaty (TFEU): *Any aid granted by a Member State or through State resources in any form whatsoever which distorts or threaten to distort competition by favouring certain undertakings or the production of certain goods shall, in so far it affects trade between Member states, be incompatible with the internal market.* The State Aid rules apply to Interreg programmes since the partner countries decide on the using of funding. Therefore, in general everything projects do is potentially State Aid relevant not at least seen in the perspective of that of the NPA prioritises activities and actors on the market as innovation, entrepreneurship and SMEs. This implies that all applications carefully shall be accessed in relation to State Aid. This assessment shall be documented and archived.

The assessment will in practice be carried out by the Secretariat/Managing Authority in cooperation with the regional contact points and the partner countries. It is presumed that so called Third Countries within the NPA programme area (Norway, Iceland, Faroe Island and Greenland) in relation to State Aid will follow national rules and principles and that these to great extend are aligned with the EU legislation.
An assessment may in principle conclude in one of the following three options:
- The accessed project does not imply State aid and is therefore a "No State Aid project".
- The accessed project implies State aid, but one of the specific State Aid tools (De minimis or GBER) can be used.
- The assessed project implies State aid or a risk for State aid

In the last case where an applied project is considered as a State Aid project a grant is unlawful except that aid is notified to the EU-Commission (DG-COMPETITION). This means that it is not eligible to implement the activity before the EU-Commission has approved the action. In cases where the assessment does not give a clear answer or where it is considered that there is a risk for State aid notification has to be done if the risk of later interruption shall be avoided. However, notification is not generally considered as a realistic option for the NPA as the process is too lengthy (may be one year or more) and requires high effort by the Programme as well by the applicant and involved countries concerning provision of documentation, explanations etc. Thus,
the general NPA-policy is that only projects considered as "No State Aid projects" or in cases where the De minimis or Block Exemption Rules (or ABER or FIBER) can be taken into use will be granted.

The GBER and the De minimis rules have recently been renewed by the EU (Commission Regulation (2014) 3292/3 and Commission Regulation (2013) 1407) with the aim to give better opportunities for e.g. SMEs to be involved in programmes, but the consequences of these new regulations have still to be interpreted into practice. In parallel with the renewal of the Deminimis and the GBER specific Deminimis rules and exemption rules for the agricultural and fishery sectors are under renewal (see below). In the following some main principles of the new regulations will be outlined with the attempt to give applicants and

understanding of the rationale behind. **In general it is recommended to contact the Secretariat or the Regional Contact Point in an early stage of the application process as possible to discuss the different opportunities and restrictions.**

State Aid or No State Aid? [37]
A very first step is to consider if any of the potential beneficiaries carry out an economic activity or not? If not, State aid is not involved.
If any of the potential beneficiaries carry out economic activity the following five questions are relevant:
1. Is the activity granted by the State and through State resources?
2. Does the grant confer advantage on an undertaking that it would not have received otherwise?
3. Is the grant selective meaning it favours certain undertakings or the production of certain goods?
4. Does the grant distort or threaten to distort competition?
5. Does the grant affect trade between Member states?

All questions have in principle to be answered yes if a measure shall be labelled as State Aid. Question 1 will always be answered positively in the case of NPA or other ETC programmes. Question 3 will also very often have a positive answer because the ETC programmes cover a certain geographical area and therefore are selective. The categorisation as State Aid or No State Aid concerning aid to economic activities depends therefore very much on the outcome of question 2, 4 and 5.

A crucial concept for all questions is the understanding of an **undertaking**. In the state aid context an undertaking is an *entity engaged in economic activity*, despite the entity's legal status (public, private, association, university etc.). **Economic activity can be defined as offering good or services on a market.** Which also include goods or services which, in principle, could be carried out by a private operator to make profits.

Examples of non-economic activity:
- Army and police
- Air navigation and control
- Maritime traffic control and safety
- Anti-pollution surveillance
- Organisation and funding of prisons
- Solidarity-based social security schemes
- Some national health services
- Some education and research
- Some public infrastructures

These examples are all related to where the State acts "by exercising public power" or where public entities act "in their capacity as public authorities". Some of these are labelled as *Services of general economic interest* (SGEI) and are in detail defined and explained in Commission Staff Working Document SWD (2013) 53.

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[37] This section is based on a presentation by Fiona Wishlade, EPRC, made in Rostock the 18th June 2014 for the BSR Secretariat and draft Commission Notice on the notion of State Aid pursuant to Article 107(1) TFEU, 2014

Exceptions are in areas where the State has decided to introduce market mechanisms (e.g. within certain health services). So there may be considerable differences between the partner states concerning which activities there can be classified as *Services of general economic interest*. For this reason, the assessment of whether an activity can be considered an SGEI is made on a case-by-case basis. If the conclusion is that the service delivered by an undertaking is an SGEI, the undertaking will be treated as a public project partner.

Examples of economic activity:
- Employment procurement by public agencies
- Optional insurance schemes based on capitalisation
- Emergency transport and patient transport
- Management of transport infrastructure

It is not possible to draw up an exhaustive list of activities that a priori never would be economic activities or the opposite. One reason for this is that the distinction between economic and non-economic activities depends on political choices and economic developments in a given country.

What constitutes an advantage?
In general it's the economic benefit that an undertaking not would gain under normal marked conditions. The objective of the intervention is not relevant in this context. What counts is whether the financial situation of an undertaking is improved. This will also be the case if the aid is transferred through an intermediary body to e.g. SMEs.

When does a grant distort the competition?
The answer is again very general; when it is assumed that the state grants a financial advantage to an undertaking in a liberalised sector where there is, or could be, competition.

When is the trade between Member States impacted?
This depends on the character of the activity. In the case where an economic activity is granted by a transnational programme, as for example the NPA, it will inherently very often impact the trade across national borders.

So a first conclusion is that only those activities that not are economic activities can be labelled as "No State aid" activities. For those activities that are economic activities the De minimis or the General Block Exemption rules might be suitable, see below.

More detailed information on state aid can be found in the Draft Commission Notice on the notion of State Aid pursuant to Article 107(1) TFEU, 2014 **.**

De minimis aid
According to Commission Regulation 1407 (2013) Article 3, aid measures shall in general be exempt from the State Aid Regulation if they fulfil the following requirements:
- Not more than EUR 200.000 (or EUR 100.000 in the road freight sector) over a 3-year period
- Per undertaking
- Per Member State
- And fulfil certain monitoring requirements

Not more than EUR 200.000
The EUR 200.000 ceiling applies to all sorts of grant whether it come from national or EU-sources. Besides grants, other sorts of aid as loans and guaranties shall be taken into consideration. All figures used shall be gross and before any deduction of tax or other charge

The 3-year period shall be understood as the fiscal year concerned plus the previous two fiscal years.

There are limitations concerning agriculture, fishery and aquaculture and exclusion of export aid (see below).

Per undertaking
In general an **Undertaking** is as mentioned above an entity engaged in an economic activity, regardless of its legal status and the way in which it is financed. It depends on the character of activities and not the formal status of the partners. Also public bodies or non-profit organisations may be covered by the term undertaking.

In general, all entities belonging to the same company group are **one single undertaking**. For example universities can be considered as one single undertaking even the individual university department often will act as the formal partner and carry out all the activities. In such a case the EUR 200.000 ceiling shall be respected by the university. Article 2 in Regulation 1407 explains more in detail how the term single undertaking should be understood. A crucial element in the understanding of the term single undertaking is the question about control and other functional, economic and organic links.

In the case where an entity carries out both economic and non-economic activities is to be regarded as an undertaking only with regard to the former.

Per Member State
The new regulation has made it explicit that the De minimis ceiling applies per Member State meaning that a single undertaking may receive amounts up to the minimis ceiling several times, provided that it is from different Member States.

Certain monitoring requirements have to be fulfilled
When the De minimis rules are used the Managing Authority or in some cases the partner country shall inform the undertaking about the amount and that that the De minimis Regulation is used so the undertaking can keep track how much it has been allocated from which Member State.

The undertaking shall on the other hand fill out a declaration about any other De minimis aid received during the past 3 years. A template for the declaration is available on the NPA website. The Lead Partner is responsible for collecting and keeping the declaration(s).

Sectorial limitations and exclusion of export aid
Specific activities are excluded from the use of the general De minimis rules:
- Undertakings active in the fishery and aquaculture (see below);
- Undertakings active in primary production of agricultural products (see below);
- In certain cases undertakings active in the sector of processing and marketing of agricultural product, for example when there is a relation between the amount of aid and the price of product purchased from primary producers;

- Aid to export-related activities towards third countries or Member States, namely aid directly linked to the quantities exported. This covers aid to the establishment and to distribution networks or to other current expenditure linked to the export activity;
- Aid contingent upon the use of domestic over imported goods.

For the fishery and aquaculture sector specific EU rules (EC No 875/2007) regulates De minimis aid. The ceiling per undertaking is in this sector EUR 30.000 over 3 years.

For the agricultural sector other rules (EC No 1408/2013) regulates De minimis with a ceiling per undertaking of EUR 15.000 over 3 years.

In cases where undertakings are involved in the fishery, aquaculture or agriculture sectors and also is active other sectors may exclude this undertaking from using the general De minimis rules. It depends on if the activities and the costs in the different sectors can be separated sufficiently enough.

The General Block Exemption Regulation (GBER)
The GBER (Commission Regulation (2014) 3292/3) defines categories of aid that are exempted from the State aid notification requirement. That means that it under certain condition is eligible for the NPA to grant such activities.

The categories of aid that under certain conditions are exempted from the notification requirement are according to the Common provisions (Articles 1-12):
- Regional aid
- SMEs
- Environmental protection
- Research, development and innovation
- Training
- Recruitment and employment of disadvantaged or disabled workers
- Make good damage caused by natural disasters
- Social aid for transport for residents in remote regions
- Broadband infrastructure
- Culture and heritage conservation
- Sport and multifunctional recreational infrastructures
- Aid for local infrastructures

Not all these categories are relevant for the NPA and only aid to SMEs will be explained below.

It is important to notice that the GBER excludes some activities from the exemptions:
The **GBER does not include aid to export-related activities** in many cases or aid contingent upon the use of domestic over imported goods neither is aid to **firms in difficulty** included.

In addition, the **GBER does not include aid granted in the fishery and aquaculture sectors** with some exceptions, for example training aid, aid in the field of research and development and innovation aid for SMEs. Fishery and aquaculture are covered by their own exemption rules (FIBER EC 736/2008). These are under renewal and will be adopted later in 2014.

Neither does the GBER include aid granted in the primary agricultural production sector, with some exceptions, for example aid for consultancy in favour of SMEs, aid for research and development, innovation aid for SMEs, environmental aid and training aid. The GBER exclude in certain cases aid granted in the sector of processing and marketing of agricultural products. However, in line with fishery specific exemption rules cover the agricultural sector (ABER EC 1857/2006). These rules are also under renewal.

When GBER aid is given a number of common conditions shall be fulfilled by the Managing Authority concerning transparency, incentive effect, cumulation, publication and information and monitoring and reporting.

The Specific Provisions (Articles 17-56) of the GBER give more detailed information about the different activities aid can be given to, the eligible costs and the aid intensity. However, the applicants shall be aware of that **the GBER eligibility rules (and the FIBER and ABER)always have to be seen together with the NPA eligibility rules**. There may be cases where the different sets of rules do not correspond, or where the wordings are slightly different. In such cases or in cases of doubt the applicants are recommended to contact the Secretariat!

Aid to SMEs[38] can be given in different ways where cooperation costs for participating in European Territorial Cooperation projects (for example funded by NPA) will be the most relevant in a NPA-context. While other kinds of aid as innovation aid, aid for process and organisational innovation and aid for research and development in the fishery and aquaculture sector may be relevant for NPA applicants in some cases.

In the case of SMEs participating in European Territorial Cooperation projects the (GBER) eligible costs shall be:
  a. Costs for organisational cooperation including cost of staff and offices to the extend that it is linked to the cooperation project ;
  b. Costs of advisory and support services linked to cooperation and delivered by external consultants and service providers;
  c. Travel expenses, costs of equipment and investment expenditure directly related to the project and depreciation of tools and equipment used directly for the project.

The services referred to in b. shall not be a continuous or periodic activity nor relate to the undertaking's usual operating costs, such as routine tax consultancy services, regular legal services or routine advertising.

The aid intensity shall not exceed 50% of the eligible costs.

Organisational cooperation means, according to the GBER, Article 2, the development of joint business strategies or management structures, the provision of common services or services to facilitate cooperation, coordinated activities such as research or marketing, the

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[38] According to the GBER (Annex I) SMEs are defined in the following way: The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million. An enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons or family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in economic activity.

support of networks and clusters, the improvement of accessibility and communication, the use of joint instruments to encourage entrepreneurship and trade with SMEs.

Advisory services linked to cooperation means consulting, assistance and training for the exchange of knowledge and experiences and for improvement of cooperation. Support service linked to cooperation means the provision of office space, websites, data banks, libraries, market research, handbooks, working and model documents.

The Lead Partner is responsible for collecting "not in difficulty" declarations from undertakings in the partnership.

In the case of <u>innovation aid for SMEs</u> the (GBER) eligible costs shall be the following:

a. Costs for obtaining, validating and defending patents and other intangible assets;
b. Costs for secondment in highly qualified personnel from a research and knowledge-dissemination organisation or a large enterprise, working on research, development and innovation activities in a newly created function within the beneficiary and not replacing other personnel;
c. Costs for innovation advisory and support services.

The aid intensity shall not exceed 50% of the eligible costs.

In the particular case of aid for innovation advisory and support services the (GBER) aid intensity can be increased provided that the total amount of aid for innovation advisory and support services does not exceed EUR 200.000 per undertaking within any three year period.

Highly qualified personnel means staff having a tertiary education degree and at least 5 years of relevant professional experience which may also include doctoral training.

Detailed rules for eligible costs and aid intensity concerning innovation aid, aid for process and organisational innovation and aid for research and development in the fishery and aquaculture sector can be found in the GBER, Article 25 – 30 while important definitions can be fund in Article 2.

6.3. Factsheets on Eligibility of Expenditure

On the following pages, you can find 6 factsheets with guidance on eligibility of expenditure, one for each cost category. The factsheets are adapted from the Harmonised Implementation Tools developed by INTERACT.

Northern Periphery and
Arctic Programme
2014–2020

EUROPEAN UNION

Investing in your future
European Regional Development Fund

Staff costs[39]
Fact sheet on eligibility of staff costs[40]

Definition

Expenditure on costs of staff members employed by the partner organisation, who are formally engaged to work on the project:

a. full-time
b. part-time
- part-time with a fixed percentage of time dedicated to the project per month
- part-time with a flexible number of hours worked on the project per month
c. contracted on an hourly basis

"Staff costs" includes staff costs of employees in line with the employment/work contract, and costs of natural persons working for the partner organisation under a contract other than an employment/work contract and receiving salary payments.

Note: both the employment/work contract and an appointment decision/contract of natural persons working for the partner organisation and receiving salary payments are hereinafter referred to as 'employment document'.

General principles

- Staff costs must relate to activities which the partner organisation would not carry out if the project was not undertaken.
- Overheads and any other office and administration costs cannot be included under this budget line.
- Daily allowances and any other travel and accommodation costs cannot be included under this budget line.

Forms of reimbursement

Staff costs can be reimbursed by the programme either on the basis of:

I.   real costs, or
II.   flat rate of (up to) 20% of direct costs other than staff costs, or

Each partner organisation must decide on the reimbursement option and indicate the choice in the Application Form. The same reimbursement option will apply to all staff members of the partner organisation working on the project. It will be set for the entire project duration.

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[39] Please note that this fact sheet has been edited by the NPA Programme. In order to suit our Programme-specific conditions.

[40] Guidance provided in this fact sheet takes account of provisions of the regulatory framework 2014-2020 (in particular rules on eligibility of expenditure for cooperation programmes set up in the Commission Delegated Regulation (EU) 481/2014) and practices in use by ETC programmes in 2007-2013. The fact sheet is by no means a legally binding document.

I. Real costs

Budget line specific rules

- Staff costs cover real costs paid out based on a payslip or a document of equivalent probative value. Data from the organisation's accounting system may be accepted, in line with the controllers' professional judgement regarding reliability of the system.[41]
- The following costs are eligible components of staff costs:
  a. Salary payments fixed in the employment/work contract, an appointment decision (in the case of natural persons working for the partner organisation under a contract other than an employment/work contact), or by law.
  b. Any other costs directly linked to the salary payments, incurred and paid by the employer, such as employment taxes and social security including pensions as long as they are fixed in the employment document and they are in accordance with the legislation and standard practices in the country and/or organisation.
- The salary payments must relate to responsibilities specified in a job description of the individual staff member.
- Costs of social security including pensions are only eligible, if they are not recoverable by the employer.
- Taxable benefits linked to salary payments are eligible as long as they are in line with the employment policy of the partner organisation, e.g. lunch vouchers, bonus payments, relocation benefits.[42]
- Holidays as resulting from normal employer's obligations are eligible. The cost forms part of the gross employment cost.
- Overtime is eligible, provided it is in conformity with the national legislation and the employment policy of the partner organisation, and it is actually paid to the staff member.
- Staff costs must be calculated individually for each staff member.

Calculation of staff costs and audit trail
Depending on the assignment (full-time, part-time, contracted on an hourly basis) to work on the project, staff costs of each individual are calculated as follows:

Full-time	An individual dedicates 100% of his/her working time to the project. **Staff costs = total of the gross employment cost** *Audit trail* The following main documents must be available for control purposes: - Employment/work contract or an appointment decision/contract considered as an employment document. - Job description providing information on responsibilities related to the project. - Payslips or other documents of equivalent probative value. - Proof of payment of salaries and the employer's contribution.

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[41] In some countries first level controllers may not be allowed to see payslips, which are protected by the privacy law. If an extract from an accounting system of the partner organisation is provided, it is the responsibility of the partner to demonstrate that staff costs do not include costs covered under office and administration (e.g. telephone bills), travel and accommodation (e.g. daily allowances), or any other costs ineligible under the staff costs budget line.

[42] Extra bonuses or changes to salaries due to running of an EU project should be evaluated against sound financial management principles (if they are justified by e.g. special qualifications, changes to the task description, etc.).

	- *No registration of the working time is required.*
Part-time assignment with a fixed percentage of time worked on the project per month	An individual dedicates a fixed percentage of his/her working time to the project. **Staff costs = fixed percentage of the gross employment cost** *Audit trail* The following main documents must be available for control purposes: - Employment/work contract or an appointment decision/contract considered as an employment document. - Document setting out the percentage of time to be worked on the project per month (if not specified in the contract). - Job description providing information on responsibilities related to the project. - Payslips or other documents of equivalent probative value. - Proof of payment of salaries and the employer's contribution. - *No registration of the working time is required.*
Part-time assignment with a flexible number of hours worked on the project per month	An individual dedicates a flexible share of his/her working time to the project. **Staff costs = part of the gross employment cost depending on the number of hours actually worked on the project*** (1) An hourly rate established based on a standard number of 1720 hours per year: *Hourly rate = latest documented annual gross employment cost/1720 hours* *Staff costs = hourly rate * number of hours worked on the project per month* *Audit trail* The following main documents must be available for control purposes: - Employment/work contract or an appointment decision/contract considered as an employment document - Job description including information on tasks related to the project. - Payslips or other documents of equivalent probative value. - Data from the working time registration system, e.g. time sheets, providing information on the number of hours spent per month on the project. The time registration system must cover 100% of the actual working time of the individual. - Proof of payment of salaries and the employer's contribution. **1720 hours** To use 1720 hours is a simplified method to determine the eligible staff cost. This means that if the project partner uses this, they do not have to

	put in the employment/work contract information about the actual monthly working time for the Staff, instead they are using 1720 hours to establish the hourly rate. And so the FLC does not have to check if 1720 is correct, which is less time-consuming as of 4th[th] call.
Contracted on an hourly basis	An employee is contracted on an hourly basis and dedicates a certain number of hours to work on the project.
	Staff costs = part of the gross employment cost depending on the number of hours worked on the project
	The staff costs are calculated on the basis of an hourly rate fixed in the employment document:
	Hourly rate = fixed in the employment document *Staff costs = hourly rate * number of hours worked on the project*
	Audit trail The following main documents must be available for control purposes: - Employment/work contract or an appointment decision/contract considered as an employment document (including information on the hourly rate). - Job description providing information on responsibilities related to the project. - Payslips or other documents of equivalent probative value. - Data from the working time registration system, e.g. time sheets, providing information on the number of hours spent per month on the project. - Proof of payment of salaries and the employer's contribution.

II. Flat rate

Calculation of staff costs
Staff costs are calculated as a flat rate of 20% of direct costs other than the staff costs.[43]

*Staff costs = 20% * eligible direct costs other than staff costs*

- Direct costs are all costs that can be attributed directly to the project and are identified by the partner organisation as such, in accordance with accounting principles and internal rules of the organisation.
- Indirect costs (i.e. costs that cannot be assigned in full to the project) must not be taken into account in the calculation of staff costs.
- Direct costs that form the basis for calculation of staff costs must be incurred and paid by the partner organisation as real costs.

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[43] According to Article 19 ETC Regulation (EU) 1299/2013, staff costs can be calculated as a flat rate of up to 20% of direct costs other than the staff costs. The monitoring committee of the programme may decide that the applicable rate is lower than 20%. As long as the flat rate does not exceed 20%, no calculation method is required to justify the applicable rate.

- Direct costs that form the basis for calculation of staff costs must not include any office and administration costs, if a flat rate option is used on the office and administration budget line (ref. *Forms of reimbursement* in the fact sheet on "Office and administration").

Audit trail

By applying the 20% flat rate option, partners do not need to document that the expenditure has been incurred and paid, or that the flat rate corresponds to the reality.

Example of a time sheet template

1. Time sheets can be used as a tool to record time spent on carrying out project activities by staff members assigned to work part-time on the project (and full-time staff in case of standard scale of unit costs).
2. Time sheet must cover 100% of the actual working time of the staff member.
3. An overall description of the work carried out by the staff member on the project in the month concerned should be provided.
4. In addition to hours spent on project activities, timesheets should indicate time dedicated to other activities outside the project that contributed to the employee's salary payment in the same month.
5. Working time must be recorded per month throughout the entire duration of the project.
6. Only time included in time sheets is eligible and can be reported by the partner organisation.
7. Estimates of hours worked are not accepted.

Minimum requirements in a timesheet
Project title: …………………………….
Organisation name: ……………………
Employee name: ………………………
Month / Year …………………………….

Date	Project work description	Number of hours worked on the project	Other activities[44] (number of hours)	Total
TOTAL				*actual 100% of working time[45]*

I hereby confirm that the project work stated above is correct and true:

………………………………………………………………………………………
(Place, date and signature of project employee)

I hereby confirm that the project work as stated above is correct and true:

…………………………………………………………………………………
(Place, date and signature of line manager

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[44] Other activities include general training not related to the project.
[45] Actual working time does not include sick leave and holidays.

Office and administration[46]
Fact sheet on eligibility of office and administration expenditure[47]

Definition

Expenditure on office and administration costs. They cover operating and administrative expenses of the partner organisation that support delivery of project activities.

General principles

- Office and administration costs can be direct and/or indirect:
  - Direct costs are costs that can be attributed directly to the project and are identified by the partner organisation as such, in accordance with accounting principles and internal rules of the organisation.
  - Indirect costs are costs that cannot be assigned in full to the project, as they link to various activities of the organisation, including activities that do not relate to the project.
  - No cost item can be taken into account twice as direct and indirect, i.e. no double funding is permissible (ref: Article 65.11 Common Provisions Regulation (EU) No 1303/2013).
- Office equipment, IT hardware and software, and furniture and fittings cannot be included under this budget line; the cost must be reported as equipment expenditure. This does not include IT system support of an administrative nature; the cost falls under the office and administration budget line.
- Costs of control and audit of the project cannot be included under this budget line; they must be reported as external expertise and services costs.

Direct office and administrative expenditure shall be limited to the following elements:
- office rent;
- insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances);
- utilities (e.g. electricity, heating, water);
- office supplies;
- general accounting provided inside the beneficiary organisation;
- archives;
- maintenance, cleaning and repairs;
- security;
- IT systems;
- 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.

Where the implementation of the project gives rise to indirect costs, they may be calculated at a flat rate of up to 15% of eligible direct staff costs without there being a

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[46] Please not that this fact sheet has been edited by the NPA programme. In order to suit our Programme-specific conditions.

[47] Guidance provided in this fact sheet takes account of provisions of the regulatory framework 2014-2020 (in particular rules on eligibility of expenditure for cooperation programmes set up in the Commission Delegated Regulation (EU) 481/2014) and practices in use by ETC programmes in 2007-2013. The fact sheet is by no means a legally binding document.

requirement for the Partner State to perform a calculation to determine the applicable rate;

- A flat rate calculation covers all office and administration costs, i.e. there is no distinction between direct and indirect costs.

Flat rate

As a simplification, a flat rate option is available to projects for office and administration costs. The programme recommends that applicants use the 15% flat rate option, as it involves the least amount of administrative burden.

Calculation of office and administration costs

Office and administration costs are calculated as a flat rate of 15% of staff costs.
*Office and administration costs = 15% * eligible staff costs*

- The flat rate covers all office and administration costs, i.e. there is no distinction between direct and indirect costs.

Office and administration costs can be calculated as flat rate regardless of the form of reimbursement applied under the staff costs budget line, e.g. staff costs calculated as a flat rate can still form the basis for the calculation of office and administration costs.

Audit trail

By applying the 15% flat rate option, partners do not need to document that the expenditure has been incurred and paid, or that the flat rate corresponds to the reality.

Flat rate 25%[48]

Office and administration costs are calculated as a flat rate of 25% of eligible direct costs.[4]

Office and administration costs= 25% * eligible direct costs

- The flat rate covers all direct eligible costs.

By applying the 25% flat rate option, partners do not need to document that the expenditure has been incurred and paid, or that the flat rate corresponds to the reality.

- A flat rate of up to 25% of eligible direct costs, provided that the flat rate is calculated on the basis of a fair, equitable and verifiable calculation method or a method applied under schemes for grants funded entirely by the Partner State for a similar type of operation and beneficiary;

Audit trail

By applying the 25% flat rate option, partners do not need to document that the expenditure has been incurred and paid. The calculation method shall be documented and accepted by the FLC.

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[48] Projects from the three first calls in the NPA 2014-2020 programme have the option to apply a 25% flat rate if approved in the Grant Offer Letter.

Northern Periphery and
Arctic Programme
2014–2020

EUROPEAN UNION

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Travel and accommodation[49]
Fact sheet on eligibility of travel and accommodation costs[50]

Definition

Expenditure on travel and accommodation costs of staff of the partner organisation that relate to delivery of the project. They cover travel costs, accommodation costs, costs of meals, travel-visa costs, and/or daily allowances.

General principles

- Travel and accommodation costs must clearly link to the project and be essential for effective delivery of the project activities.
- Costs must be definitely borne by the partner organisation. Direct payment by a staff member of the partner organisation must be supported by a proof of reimbursement from the employer.
- The principle of sound financial management should apply to the choice of transport and accommodation. In line with the result-oriented policy approach, effectiveness should be the leading principle. In the second instance, cost-efficiency should be ensured, taking into account the entire cost of the mission (travel cost, staff costs related to the travel, etc.).
- Any expenditure item defined as travel costs, accommodation costs, costs of meals or travel-visa costs that is already covered by a daily allowance, cannot be eligible in addition to the daily allowance, i.e. no double funding is permissible (ref: Article 65.11 Common Provisions Regulation (EU) No 1303/2013).
- Travel and accommodation costs of staff of organisations involved in the project as associated partners can be eligible, as long as they are finally borne by any of the partner organisations.
- Travel and accommodation costs of external experts and service providers cannot be included under this budget line; they must be reported as external expertise and services costs.
- Travel and accommodation costs of natural persons (e.g. speakers, chairpersons, teachers, etc.) contributing to the project must be reported as external expertise and services costs, unless the cost is borne directly by any of the partner organisations.

Budget line specific rules

- Travel and accommodation costs must be justified by activities carried out within the project, e.g. participation in project meetings, project site visits, meetings with the programme bodies, seminars, conferences, etc.
- Costs of travel and accommodation related to activities outside (the Union part of) the programme area are only eligible, if they have been included in the approved Application Form or approved by the programme following a request for travel.[51] In

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[49] Please note that this fact sheet has been edited by the NPA Programme. In order to suit our Programme specific conditions.

[50] Guidance provided in this fact sheet takes account of provisions of the regulatory framework 2014-2020 (in particular rules on eligibility of expenditure for cooperation programmes set up in the Commission Delegated Regulation (EU) 481/2014) and practices in use by ETC programmes in 2007-2013. The fact sheet is by no means a legally binding document.

[51] Expenditure outside (the Union part of) the programme area must follow procedures defined by the programme.

all cases, benefits of such activities to the programme area must be demonstrated.(see the programme specific conditions below)

- Maximum daily rates for hotel and subsistence should be respected, in accordance with the national legislation or internal policy of the partner organisation. In duly justified cases, costs above the maximum rates may be accepted. For budgetary purposes, please use 150 EUR/night for hotel
- Travel and accommodation cost should be properly documented in line with the national legislation or internal policy of the partner organisation. In very exceptional cases national rules concerning missing/lost documents may be accepted.

Audit trail

The following main documents must be available for control purposes:

1. Agenda or similar of the meeting/seminar/conference.
2. Paid invoices (e.g. hotel bills, travel tickets).
3. Daily allowance claims.
4. Proof of payment.

Programme-specific conditions

According to Article 20(2) of Regulation (EU) No 1299/2013 travel and accommodation costs outside the Union part of the programme area are eligible under the following conditions:

(a) the operation is for the benefit of the programme area;

(b) the total amount allocated under the cooperation programme to operations located outside the Union part of the programme area does not exceed 20 % of the support from the ERDF at programme level,

(c) the obligations of the managing and audit authorities in relation to management, control and audit concerning the operation are fulfilled by the cooperation programme authorities, or they enter into agreements with authorities in the Member State or third country or territory in which the operation is implemented.

Under condition that the actions comply with these rules:

1. The Managing Authority may accept the costs of accommodation and meals taken in establishments located outside the Union part of the programme area as eligible. This shall also apply to local travel costs at the location of an event or an action outside the Union part of the programme area.

2. For the staff of beneficiaries located outside the Union part of the programme area, the managing authority may accept travel and accommodation costs, including costs of travel to and from the location of an event or an action inside or outside the Union part of the programme area, as eligible.

3. For the staff of beneficiaries located inside the Union part of the programme area the costs for travel and accommodation, including costs of travel to and from

location of an event or an action inside or outside the Union part of the programme area, shall be considered eligible.

4. Please note that planned travelling outside the programme area should, as far as possible, be described and justified in the project application with regards to the benefit for the programme area. For travels outside the programme area that have not been included in the approved project application, pre-approval by the joint secretariat (in writing), is requested to confirm that it is for the benefit of the programme area. This applies to all travelling outside the programme area except for:
   (a) Travelling to and from the Joint Secretariat in Copenhagen for meetings and seminars, organised by the Joint Secretariat;
   (b) Travelling to and from project partners located outside the programme area.

Costs outside the Union part of the Programme area
At the application stage, applicants will need to enter an estimation of the costs spent outside the Union part of the programme area. The reason is that these costs count towards the ceiling of 20% of programme funding that can be spent outside the Union part of the programme area.

At the reporting stage, each beneficiary is expected to highlight all the costs that fall under 20% ceiling when they are submitting their "List of expenditure" to the First level Controller.

This applies to travel costs of beneficiaries (ERDF partners only) located inside the Union part of the Programme area, that relate to travel outside the Union part of the Programme area. However, only local costs should be included such as meals, accommodation and local transport, if they are not covered in the daily allowances. Travel costs to reach the destination outside the Union part of the programme area should <u>not</u> be included.

Note: Travel costs outside the Union part of the Programme area that relate to promotional activities and capacity building does <u>not</u> count against the threshold of 20% ERDF funding.

External expertise and services[52]
Fact sheet on eligibility of external expertise and services costs[53]

Definition

Expenditure for the financing of external expertise and services provided by a public or private body or a natural person outside of the partner organisation. "External expertise and services" covers costs paid on the basis of contracts or written agreements and against invoices or requests for reimbursement to external experts and service providers that are acquired to carry out certain tasks or activities, linked to the delivery of the project.

General principles

- The work by external experts and service providers must be essential to the project.
- Each partner organisation is responsible for ensuring that EU and national public procurement rules are respected and that all contracts comply with the basic principles of transparency, non-discrimination and equal treatment as defined in the EC Treaty and the Commission Interpretative Communication on the Community law applicable to contract awards below the EU thresholds. (http://ec.europa.eu/internal_market/publicprocurement/docs/keydocs/communication_en.pdf)
- No sub-contracting between project partners is allowed.

Budget line specific rules

- All additional costs related to external experts (e.g. travel and accommodation expenses for external experts) should be recorded under this budget line.
- External expertise and services purchased for the purpose of the project control, audit, and communication should be included under this budget line.

Audit trail

The following main documents must be available for control purposes:

1. Evidence of the selection process, in line with national procurement rules or the EU public procurement rules depending on the amount contracted.
2. A contract or a written agreement laying down the services to be provided with a clear reference to the project. For experts paid on the basis of a daily fee, the daily rate together with the number of days contracted and the total amount of the contract must be provided. Any changes to the contract must comply with the public procurement rules and must be documented.
3. An invoice or a request for reimbursement providing all relevant information in line with the applicable accountancy rules.
4. Outputs of the work of external experts or service deliverables.
5. Proof of payment.

Programme-specific conditions

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[52] Please note that this fact sheet has been edited by the NPA Programme. In order to suit our Programme-specific conditions.

[53] Guidance provided in this fact sheet takes account of provisions of the regulatory framework 2014-2020 (in particular specific rules on eligibility of expenditure for cooperation programmes set up in the Commission Delegated Regulation (EU) 481/2014) and practices in use by ETC programmes in 2007-2013. The fact sheet is by no means a legally binding document.

- Sub-contracting by external experts, not part of the original bid, is only eligible if it forms a minor part of the contracted activities and is clearly adding value to the project not leading to any additional costs.

- Project partners cannot be contracted as external experts.

- Please note that for Associated Partners, as described in chapter 2.1.5 of the Programme Manual, external expert fees is not allowed. Expenses, such as travel costs or registration fees may be covered by the project on a self-cost basis, but should in that case be categorized to the applicable budget line for that type of cost.

- Meals/catering should be of a moderate nature and according to normal standards in each partner country. Excessive entertainment is not to be regarded as eligible expenditure. All meals/catering must be supported by a list of participants and a statement outlining the purpose of the occasion.

- Costs of gifts are eligible, provided that the total value of a gift does not exceed 50 EUR. The gift should relate to promotion, communication, publicity or information. There is no limitation regarding the number of gifts. But the principle of sound financial management must be respected.

Equipment[54]
Fact sheet on eligibility of equipment expenditure[55]

Definition

Expenditure for the financing of equipment purchased, rented or leased by a partner, necessary to achieve objectives of the project. This includes costs of equipment already in possession by the partner organisation and used to carry out project activities.

General principles

- Costs of equipment are eligible if they have been approved by the programme.
- Costs of equipment are eligible if no other EU funds have contributed towards financing of the same expenditure item, i.e. no double funding is permissible (ref: Article 65.11 Common Provisions Regulation (EU) No 1303/2013).
- All costs are subject to applicable public procurement rules and each partner organisation is responsible for ensuring that these rules have been respected.

Budget line specific rules

- Purchase cost of equipment is eligible, if it is used solely for the purpose of the project or the target group in line with objectives of the project and incurred and paid within the eligible period.
- For equipment that has been purchased before the project approval but used solely for the project or equipment purchased during the project lifetime but used partially for the project, only a pro rata cost related to the project (duration, degree of use) is eligible. This share has to be calculated according to a justified and equitable method in line with the legislation or general accounting policy of the partner organisation.
- Depreciation applies if the economic life-time of equipment exceeds the duration of the project (ref. Article 69.2 Common Provisions Regulation (EU) 1303/2013). The cost has to be calculated in accordance with the legislation and general accounting policy of the partner organisation.
- Full purchase cost of equipment that is not depreciable (e.g. low-value asset) is eligible.
- Purchase cost of second-hand equipment is eligible, provided the equipment complies with applicable norms and standards and its price does not exceed the generally accepted price on the market. Se programme-specific conditions below.
- In the case of fixed investments in equipment and when equipment forms part of an investment in infrastructure, full cost of equipment as approved by the programme is eligible, i.e. no depreciation is eligible.
- Provision of equipment as in-kind contribution is eligible (ref: Article 69.1 Common Provisions Regulation (EU) No 1303/2013), provided that the value of the contribution does not exceed the generally accepted price on the market and it can be independently assessed and verified.

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[54] Please note that this fact sheet has been edited by the NPA programme, in order to suit Programme-specific conditions.

[55] Guidance provided in this fact sheet takes account of provisions of the regulatory framework 2014-2020 (in particular specific rules on eligibility of expenditure for cooperation programmes set up in the Commission Delegated Regulation (EU) 481/2014) and practices in use by ETC programmes in 2007-2013. The fact sheet is by no means a legally binding document.

- Equipment cannot be purchased, rented or leased from another partner. Partners can provide in-kind contributions.

Audit trail

The following main documents must be available for control purposes:

1. Evidence of the procurement process (announcement, selection, award) in line with the national procurement rules or the EU procurement rules depending on the amount of the contract.
2. Invoice (or a supporting document having equivalent probative value to invoices, in the case of depreciation) providing all relevant information in line with the applicable accountancy rules.
3. Calculation scheme of depreciation.
4. Proof of payment.

Programme-specific conditions

➢ For the calculation of depreciation, the amount of the expenditure should be duly justified by supporting document having equivalent probative value to invoices for eligible costs. The costs should relate exclusively to the project period determined in the Grant offer Letter. The following information is required for the calculation:

(a)The cost and description of the purchased item

(b)The purchasing date; the number of years over which the item is being depreciated (national and/or organisational accounting policy standards shall apply to determine the number of years applicable for the item)

(c)The % of the item use devoted solely to the project, over the life of the item

➢ Public grants should not have contributed to the depreciated asset.

➢ Depreciation expenditure is only eligible provided that the full purchase price of the asset is not declared as eligible expenditure.

In-Kind[56]
Fact sheet on eligibility of In-Kind expenditure

<u>Definition</u>

Contributions in kind in the form of provision of works, goods, services, land and real estate for which no cash payment supported by invoices, or documents of equivalent probative value, has been made, may be eligible on condition that the eligibility rules of the ESI Funds and the programme (See programme specific conditions) so provide and that all the following criteria are fulfilled:

<u>General principles</u>

(a) The public support paid to the operation which includes contributions in kind does not exceed the total eligible expenditure, excluding contributions in kind, at the end of the operation;
(b) The value attributed to contributions in kind does not exceed the costs generally accepted on the market in question;
(c) The value and the delivery of the contribution can be independently assessed and verified;
(d) in the case of provision of land or real estate, a cash payment for the purposes of a lease agreement of a nominal amount per annum not exceeding a single unit of the currency of the Member State may be made;

<u>Audit trail</u>

In the case of contributions in kind in the form of work provided by a third party, the value of that work is determined by taking into account the verified time spent and the rate of remuneration for equivalent work.

The value of the land or real estate referred to in point (d) of the first subparagraph of this paragraph shall be certified by an independent qualified expert or duly authorised official body

<u>Programme-specific conditions</u>

In kind costs/contributions shall be eligible if they fulfil the following conditions:

Only public or private in kind contributions from organisations outside the partnership are eligible

They consist of the provision of works, goods, services, land and real estate for which no cash payment supported by invoices, or documents of equivalent probative value, has been made by the beneficiary.

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The public support paid to the operation, which includes contributions in kind does not exceed the total eligible expenditure, excluding contributions in kind, at the end of the operation.

The value attributed to contributions in kind does not exceed the costs generally accepted on the market in question.

The value and the delivery of the contribution can be independently assessed and verified.

In the case of provision of land or real estate, a cash payment for the purposes of a lease agreement of a nominal amount per annum not exceeding a single unit of the currency of the Member State may be made. The value of land or real estate must be certified by an independent qualified valuer or duly authorised official body and shall not exceed the limit in d)

In the case of contributions in kind in the form of unpaid work, the NPA eligibility rules for staff costs shall apply, in order to establish that the costs of the work performed by a third party have been valuated correctly.