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## **ESPON 2020 Cooperation Programme**

### **OPERATION IMPLEMENTATION GUIDELINES**

**FINAL**

1. Introduction .....	5
2. Application and evaluation procedures of the Single Operation.....	5
2.1 Submission procedure .....	6
2.1.1 Invitation to submit an Operation Proposal .....	6
2.1.2 Submission of the Operation Proposal .....	6
2.2 Evaluation procedure, eligibility criteria & evaluation criteria .....	7
2.2.1 Eligibility check procedure .....	7
2.2.2 Assessment procedure.....	8
2.3 Decision making and contracting procedure .....	11
2.3.1 Decision making procedure .....	11
2.3.2 Complaint procedure .....	12
2.3.3 Contracting procedure .....	13
3. Submission and evaluation of the Annual Work Plan.....	13
3.1 Preparation of the Annual Work Plan.....	13
3.2 Submission of the Annual Work Plan.....	13
3.3 Evaluation of the Annual Work Plan .....	14
3.4 Decision making and amendment of the Grant Agreement.....	16
4. Budget of the Operation .....	17
4.1 Programme financing.....	17
4.2 Preparation costs .....	18
4.3 Advance payments.....	18
4.4 Budget lines.....	18
4.5 Payment forecast .....	19
4.6 The decommitment rule (n+3).....	20
5. Operation implementation .....	20
5.1 Starting date of the Single Operation .....	20
5.2 Management and coordination .....	21
5.3 Operation changes.....	21
5.3.1 Request for changes procedure .....	22
5.3.2 Changes concerning budgetary issues .....	23
5.3.3 Extension of operation duration .....	24
5.4 End date of the Operation .....	24
6. Reporting.....	24
6.1 Reporting procedure.....	25

6.2	Guidance for reporting.....	26
6.3	Obligations after the closure of the Single Operation .....	26
7.	Financial management.....	27
7.1	Eligibility of expenditure- general principles .....	27
7.2	Budget lines.....	27
7.2.1	Staff costs.....	28
7.2.2	Office and administrative expenditure .....	32
7.2.3	Travel costs .....	33
7.2.4	External expertise .....	34
7.2.5	Equipment.....	36
7.3	Public procurements.....	38
7.4	Other budget and eligibility considerations.....	42
7.4.1	VAT .....	42
7.4.2	Fines, final penalties.....	42
7.4.3	Contributions in kind.....	43
7.4.4	Net revenues.....	43
7.4.5	Expenditure already supported by other EU or national/regional subsidies .....	43
7.4.6	Use of the euro and exchange rates .....	43
7.4.7	Gifts.....	43
7.4.8	Ownership of results and intellectual property rights.....	43
7.4.9	Financing activities outside the programme area .....	43
7.4.10	Anti-fraud measures .....	44
7.5	Accounting for expenditure .....	44
7.6	General principles .....	46
7.6.1	Equality between women and men .....	46
7.6.2	State aid .....	46
7.7	First Level Financial Control.....	47
7.7.1	Designation .....	48
7.7.2	Role of the first level controller .....	48
7.7.3	Validation of the expenditure by first level controller.....	51
7.7.4	Timing of the first level financial control .....	52
7.7.5	First level control costs .....	52
7.8	Second level auditing .....	52
7.9	Other controls.....	53

7.10 Irregularities, liability and follow-up actions .....	54
8. Outreach activities .....	54
9. Programme support .....	56

## **1. Introduction**

This Operation Implementation Guidelines provides information on the implementation of the ESPON 2020 Single Operation to be carried through in the framework of the ESPON 2020 Cooperation Programme (CP) and serve as a guide for all involved actors.

The management of this programme is ensured by:

- a monitoring committee
- a managing authority
- a certifying authority
- an audit authority

The characteristics, tasks and responsibilities of each of these bodies are described in the ESPON 2020 cooperation programme.

This document includes the practical information and guidelines on the implementation of the Single Operation which are immanent for an efficient operation implementation. The Operation Implementation Guidelines is conceived as a handbook also for the programme bodies involved in the steering, monitoring and checking of the Single Operation.

The Operation Implementation Guidelines will be revised and updated if any change is decided on the Cooperation Programme itself. The MC can decide changes if considered opportune for the implementation of the Single Operation and the programme as such or in case of needs.

## **2. Application and evaluation procedures of the Single Operation**

Based on the provisions made in the Operation Specification as approved by the Monitoring Committee, the ESPON 2020 Managing Authority - on behalf of the ESPON Monitoring Committee - will invite the Single Beneficiary to draw up and submit an Operation Proposal on the basis of provided templates.

The Operation Proposal will have to respond to the content and administrative requirements provided in the Operation Specification, and include the main elements as set out in the Operation Specification, including a Multiannual Work Programme, a first Annual Work Plan and relevant annexes.

The Operation Proposal shall be completed in English, working language of the programme. The Operation Proposal can be submitted at any time between the date of this invitation and the closing date stipulated in the invitation letter.

## **2.1 Submission procedure**

### **2.1.1 Invitation to submit an Operation Proposal**

The ESPON 2020 Cooperation Programme indicates that “the Operation Proposal will be submitted by the Single Beneficiary following the invitation by the ESPON MC to submit an Operation Proposals with reference to the Operation Specifications decided by the ESPON MC”.

Following the approval of:

- the Operation Specification,
- the Operation Implementation Guidelines,
- the Application Form,
- the Grant Agreement Model,

the MC officially asks the MA to send an e-mail and a notification to the Single Beneficiary with an invitation to prepare and submit an Operation Proposal. The notification will be sent out via the e-MS of the ESPON 2020 Programme and will include:

- the access code to the online application form interface
- the instruction to use the online form
- the clear indication of the deadline and the way for submitting the Operation Proposal.

Beside the above notification sent via the e-MS, the MA will also send an e-mail to the Single Beneficiary with the official documents (Cooperation Programme, Operation Specification, the Operation Implementation Guidelines and the Grant Agreement Model) attached.

### **2.1.2 Submission of the Operation Proposal**

The submission of the Operation Proposal will be done online via the e-MS of the ESPON 2020 Programme. The proposal of the Single Beneficiary will be stored on the system and submitted electronically. The application includes a number of automatic links and formulae. These features mean that error messages appear in the form if it is not properly filled in, and it cannot be submitted. This helps to significantly reduce the risk of submitting an ineligible application.

The following annexes shall also be uploaded to the e-MS and submitted electronically together with the Operation Proposal:

- Annex 1: Management Structure
- Annex 2: Financial Flowchart
- Annex 3: Risk Analysis

A short summary of the Operation Proposal automatically generated by e-MS after the successful completion of the online application form will have to be submitted printed, duly signed and stamped by the legal representative of the Single Beneficiary. This document has to be scanned and will have to be sent to the MA within the set deadline for the submission of the

Operation Proposal. The paper version of the summary has to be identical to the version submitted online—which can be verified by the control number generated by the online system.

The MA will receive an automatic notification from the e-MS about the submission of the Operation Proposal and inform subsequently the MC members. From this moment, the MC members will have access to the submitted proposal via the system (all MC members will be granted with an access code). A pdf version of the submitted Operation Proposal will also be made available by the MA.

Taking into account the intensive preparation took place in the framework of the JWG, no prior consultation with the MC will be necessary before the submission of the Operation Proposal.

**2.2 Evaluation procedure, eligibility criteria & evaluation criteria**

**2.2.1 Eligibility check procedure**

In relation to the eligibility of the Operation Proposal, the Cooperation Programme indicates that “the MA on behalf of the ESPON MC will assess the proposal according to eligibility criteria related to the completeness of the dossier both from an administrative point of view but also from a content point of view”.

The Operation Proposal, will therefore be checked by the MA against the eligibility criteria in order to ensure that it fulfils the set requirements. The eligibility assessment will be performed by the MA (two different persons<sup>1</sup>) as soon as the signed summary of the Operation Proposal is received. The MA will ensure that any conflict of interest is cleared.

The eligibility check will be implemented in the e-MS and will be documented by ticking boxes of “yes” or “no”, depending on whether the respective evidence has been provided or not. The Operation Proposal to be considered eligible will have to fulfil all the following criteria:

<b>ELIGIBILITY CRITERIA</b>
1. Operation Proposal has been submitted within the set deadline both the online platform and by post (only the signed summary <sup>2</sup> ).
2. The Operation Proposal is complete and includes the requested supporting documents all properly filled according to the instructions provided.

<sup>1</sup> The MA will ensure (and document) the absence of any conflict of interest during the implementation of the eligibility check.

<sup>2</sup> The Single Beneficiary will have to keep a proof of the submission of the summary within the set deadline in case no date stamp is placed on the envelope by the postal services. Following the electronic submission the Single Beneficiary will receive an automatic confirmation that the Operation Proposal was successfully submitted.

3. The Operation Proposal is complete with regards to the requested elements indicated in the Operation Specification and Operation Implementation Guidelines.
4. The Operation Proposal foresees all the compulsory activities as requested in the Operation Specification and Operation Implementation Guidelines.
5. The Operation Proposal respects all the minimum requirements foreseen in the Operation Specification and Operation Implementation Guidelines.
6. The budget limit has been respected.

In case the MA detects, during the eligibility check phase, one or more of the following omissions in application received within the deadline given, which would lead to the application being deemed ineligible, the Single Beneficiary will be informed in written by email and offered a maximum of seven working days (counting from the day following the sending of the email documented by the notification sent via the e-MS) to correct the omission(s).

The correctable omissions are the following:

- a) Missing application form annexes as requested in the online application platform;
- b) Missing signature and/or missing stamp on the summary;

The listed missing and/or corrected documents shall be a) uploaded to the e-MS and b) sent to the MA by e-mail within seven working days (counting from the day following the sending of the email documented by the notification sent via the e-MS).

Any document delivered after the deadline given will not be considered and the Operation Proposal will be deemed not eligible.

Shall the Operation Proposal be deemed non-eligible, the Single Beneficiary will receive a notification specifying the non-fulfilled eligibility criteria and will be asked to re-submit the Operation Proposal.

Following the completion of the eligibility check, the MA will decide on the eligibility status of the Operation Proposal and inform the MC.

The MC will be able to follow the implementation of the eligibility check procedure via the online e-MS.

### 2.2.2 Assessment procedure

The MA will inform the MC about the received Operation Proposal and provides access codes to the online evaluation platform. Each member of the MC (with the exception of Luxembourg and



Belgium due to their participation in the EGTC)<sup>3</sup> will have a maximum of four weeks to complete the online evaluation form based on evaluation criteria described and submit it electronically. The representative of the EC will also receive the necessary access code and will be provided with the same deadline to submit its evaluation.

In order to support the MA with the analysis and consideration of the individual assessments in the view of establishing an assessment report, an Assessment Committee will be established.

The Assessment Committee will be composed by a total of 5 Members:

- 4 representatives of the MC
- 1 representatives of the EC

The representative of the MA will coordinate the work and act as Chair.

Following the completion and submission and arrival of individual assessments within the deadline by MC members, the MA will call for a meeting of the Assessment Committee that will analyse and draw up an assessment report. Only the individual assessment received within the given deadline will be considered.

The assessment report will be submitted to the MC for discussion and formal approval.

The assessment report will include the necessary conditions to be fulfilled for the signature of the grant agreement.

In parallel with the eligibility check, the evaluation of the Operation Proposal takes place as indicated in the section above.

The assessment of the compliance with the evaluation criteria is based on a scoring system and comments/recommendation on each section.

The Cooperation Programme defines two sets of evaluation criteria, content related and management related.

<b><u>Content Related Criteria</u></b>
1. Soundness and consistency of the proposed implementation strategy, adequacy of the objectives and targets set and the actions and activities and their mix.
2. Considerations of target groups and how they are addressed.
3. Geographical balance of the implementation of the activities

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<sup>3</sup> Once the Operation Proposal is accepted and the Grant Agreement is signed Luxembourg and Belgium have the same roles as the other members of the MC. They will take part in the evaluation of any eventual resubmitted operation proposal or in the acceptance procedure of any changes related the approved operation.

4. Appropriateness and innovation of the overall approach.

**Management Related Criteria**

5. Appropriateness and clarity of the management structure and the implementation plan.

6. Transparency of procedures related to ERDF requirements.

7. Appropriateness of the allocation and justification of the resources.

Each criterion will be awarded a score between 0 – 10. Half marks can be given, too. The scores indicate the following with respect to the criterion under examination:

0. No evaluation possible: The proposal fails to address the criterion under examination or cannot be judged due to missing or incomplete information.
1. Unacceptable: The proposal almost fails to address the criterion making it very difficult to judge due to missing or incomplete information.
2. Extremely poor. The criterion is addressed very superficial and highly unsatisfactory manner.
3. Very poor. The criterion is addressed in a cursory and unsatisfactory manner.
4. Poor. Serious inherent weaknesses exist in relation to the criterion.
5. Un-sufficient. Inherent weaknesses exist in relation to the criterion in question, which are too serious for correction.
6. Sufficient. The proposal broadly addresses the criterion; however there are significant points that would need correction.
7. Fair. The criterion is addressed sufficiently; however some points would need correction.
8. Good. The proposal addresses the criterion well, although some improvements are still needed.
9. Very good. The criterion is addressed in a convincing way and only minor improvements are needed.
10. Excellent. The proposal successfully addresses all relevant aspects of the criterion in question without any shortcomings.

Each group of selection criteria has a total number of points. No weighting will be applied. However each criterion should be scored with a value of at least 6. If the Operation Proposal fails to achieve this minimum score for a criterion a recommendation for improvement will be asked to the Single Beneficiary.

Each MC member will assess and mark the Operation Proposal using the online evaluation tool. Evaluators will not make assumptions or interpretations about the Operation Proposal in addition to what is included in the online system and has been provided by the MA as pdf version. Concise and explicit concluding justification will have to be given as well as comments to scores when relevant. Recommendations for improvements to be discussed as part of a possible contracting can also be provided, if needed.

Once all MC members have completed their individual assessments the MA will convey a meeting of the Assessment Committee, as described in the section above, to establish the assessment report. The main objective of the meeting with the Assessment Committee is:

- To ensure a sufficient compilation of arguments voiced by the MC members in their evaluation pro and con the Operation Proposal.
- To review cases where a majority/minority view was recorded in the assessment report.

The assessment evaluation tool also includes provision to:

- Ensure the exclusion of any conflict of interest;
- The confidentiality of the information included in the system itself (and of the Operation Proposal).

The assessment report will have to detail the recommendations for improvement (if any), specifying which are mandatory.

In addition, the report will also have to indicate whether, due to the nature of the recommendations made, a new involvement of the MC is required or if the verification of the fulfilment with the recommendation can be delegated to the MA.

## ***2.3 Decision making and contracting procedure***

### ***2.3.1 Decision making procedure***

The assessment report will be sent to the MC for discussion and approval. The approved report will indicate the degree of fulfilment of the provisions given for the Operation Proposal based of the following categories:

- (1) **Compliance** (in this case, however, non mandatory recommendations for the consideration of the Single Beneficiary can be indicated)
- (2) **Partial compliance** requiring the submission of an adjusted Operation Proposal before signature of the Grant Agreement.
- (3) **Non-compliance.**

In case of **(1) Compliance**, the MA will notify the decision and communicate any non mandatory recommendation to the Single Beneficiary and proceed with the signature of the Grant Agreement.

In case of **(2) Partial compliance**, the MA will notify the Single Beneficiary and request the modification in the online system of the Operation Specification and its re-submission. In order to facilitate this process and reach a prior agreement on the adaptation to be implemented, coordination meetings between the Single Beneficiary and the MA can take place, if needed. Following the re-submission of the Operation Proposal, the MA will inform the MC through a short report explaining how the comments and recommendation made during the assessment procedure have been considered and implemented.

Depending on the nature of the recommendations and the indications in the assessment report, the MC might be requested to approve the modified Operation Proposal before signing the Grant Agreement. Otherwise, following the verification of the re-submitted Operation Proposal, the MA will proceed with the signature of the Grant Agreement.

In case of **(3) Non-compliance**, the MA will notify the Single Beneficiary that a more profound modification of the Operation Proposal is requested and will set a deadline for its re-submission.

The notification of the MA on the outcome of the assessment procedure shall be sent out to the Single Beneficiary indicatively within 3 months from the submission of the Operation Proposal.

### 2.3.2 Complaint procedure

Shall the Single Beneficiary be unsatisfied with the decision of the MC it has the right to file a formal complaint on the decision. The complaint must be well-grounded and follow a specific procedure and will be examined and answered by the Managing Authority.

The right to complaint is limited to the formal procedure established for the eligibility, evaluation and decision making processes as described in this document. The complaint should be lodged by the Single Beneficiary by addressing a communication in writing to the MA (by email) within 5 working days counting from the day following the receipt of the notification of the results of the eligibility and assessment procedure from the MA.

The complaint shall include an argumentation about where the Single Beneficiary sees a violation of which procedure. Following a complaint lodged within the given deadline, the Managing Authority will reassess the relevant procedure which regularity has been questioned by the Single Beneficiary. The reassessment will be done within 7 working days starting from the day following the receipt of the complaint by email.

The Managing Authority will forward the reassessment to the Monitoring Committee and ask the Committee for a formal decision through a short written procedure of 7 working days. The MA will notify the Single Beneficiary about the decision of the MC within 21 working days after the submission of the complaint by the Single Beneficiary.

In case that the MC finds that a procedural error occurred, the MC will re-open the relevant procedure which regularity has been questioned by the Single Beneficiary.

### 2.3.3 Contracting procedure

A Grant Agreement governing the obligations of the Single Beneficiary and its relation to the Programme will be signed between the Single Beneficiary and the ESPON Managing Authority. The contract is concluded in Euro.

To ensure a sound and efficient implementation of the Operation, the Grant Agreement may only be concluded if an adequate First Level Financial Control System has been set up in Luxembourg, the Member State where the Single Beneficiary is located, as set out in Article 125 4 (a) of the Regulation (EU) 1303/2013.

The Grant Agreement model is annexed to the invitation to submit a proposal.

## **3. Submission and evaluation of the Annual Work Plan**

The Single Beneficiary will every year – based on the Multi-Annual Work Programme submit a detailed Annual Work Plan (AWP) for approval to the ESPON MC via the ESPON MA which will be assessed, negotiated according to the evaluation criteria mentioned above and specified in the provision made to the Single Beneficiary. The individual Scoping Notes related to the relevant activities included in the AWP will have to be provided as separate annexes. The individual scoping notes shall specify whether a Project Support Team is foreseen.

The MA will coordinate the dialogue and cooperation between the ESPON MC and the Single Beneficiary in relation to the AWP to be submitted by the Single Beneficiary for approval by the MC.

The first AWP and Scoping notes will be submitted together with the Operation Proposal.

### ***3.1 Preparation of the Annual Work Plan***

The formal submission of the AWP shall be preceded by a consultation between the Single Beneficiary, the MC and the MA in order to discuss the themes of research and ideas for activities to be proposed by the Single Beneficiary in the AWP.

The consultation will be organized by the MA on behalf of the MC as part of the preparation process of the AWP. During the consultation the Monitoring Committee and the Single Beneficiary will also address the actions for which Scoping Notes and/or Project Support Teams shall be considered.

However, taking into account that the 1<sup>st</sup> Annual Work Plan is submitted together with the Multi Annual Work Programme and that intensive preparation took place in the framework of the JWG, no prior consultation will be necessary for the submission of the first AWP.

### ***3.2 Submission of the Annual Work Plan***

The AWP will have to be submitted online via the e-MS. The first AWP will have to be submitted together with the Operation Proposal within the same set deadline.

The Grant Agreement will specify the deadlines for the submission of the AWP by the Single Beneficiary as from 2016 proceeded by the consultation indicated in section 3.1.

An online template in the e-MS will be made available to the Single Beneficiary who will be able to access it via the codes provided with the invitation to submit the Operation Proposal.

The relevant annexes (e.g. Scoping Notes) part of the AWP will also be uploaded to the e-MS.

The MA will receive an automatic notification from the e-MS about the submission of the AWP and inform subsequently the MC members. From this moment, the MC members will have access to the submitted AWP via the system (all MC members will be granted with an access code). A pdf version of the submitted AWP will also be made available by the MA.

### **3.3 Evaluation of the Annual Work Plan**

As indicated in the Cooperation Programme, *“the Single Beneficiary will every year submit a detailed Annual Work Plan for approval to the ESPON MC via the ESPON MA which will be assessed, negotiated according to the evaluation criteria mentioned above and specified in the provision made to the Single Beneficiary.”*

Following the submission of the AWP, the MA will inform the MC.

In order to ease the procedure and considering the involvement of the MC in the preparation of the AWP, an Assessment Committee will take care of the evaluation.

The Assessment Committee will be composed by a total of 5 Members:

- 4 representatives of the MC
- 1 representatives of the EC

The representative of the MA will coordinate the work.

After nomination of the members of the Assessment Committee the MA will provide the access codes for the online evaluation tool. Following the completion and submission, within the set deadlines, of the 5 individual assessments by members of the Assessment Committee, the MA will draft an assessment report. Only the individual assessment received within the given deadline will be considered. The draft assessment report will be submitted with recommendations to the MC for discussion and formal approval. The assessment and approval of the Annual Work Plan will intervene indicatively within 3 months from its submission to the MA.

The assessment of the compliance with the evaluation criteria is based on a scoring system and comments/recommendation on each section.

The Cooperation Programme defines two sets of evaluation criteria, content related and management related.

<b><u>Content Related Criteria</u></b>
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1.	Soundness and consistency of the proposed implementation strategy, adequacy of the objectives and targets set and the actions and activities and their mix.
2.	Considerations of target groups and how they are addressed.
3.	Geographical balance of the implementation of the activities
4.	Appropriateness and innovation of the overall approach.

<b><u>Management Related Criteria</u></b>	
5.	Appropriateness and clarity of the management structure and the implementation plan.
6.	Transparency of procedures related to ERDF requirements.
7.	Appropriateness of the allocation and justification of the resources.

Each criterion will be awarded a score between 0 – 10. Half marks can be given, too. The scores indicate the following with respect to the criterion under examination:

0. No evaluation possible: The proposal fails to address the criterion under examination or cannot be judged due to missing or incomplete information.
1. Unacceptable: The proposal almost fails to address the criterion making it very difficult to judge due to missing or incomplete information.
2. Extremely poor. The criterion is addressed very superficial and highly unsatisfactory manner.
3. Very poor. The criterion is addressed in a cursory and unsatisfactory manner.
4. Poor. Serious inherent weaknesses exist in relation to the criterion.
5. Un-sufficient. Inherent weaknesses exist in relation to the criterion in question, which are too serious for correction.
6. Sufficient. The proposal broadly addresses the criterion; however there are significant points that would need correction.
7. Fair. The criterion is addressed sufficiently; however some points would need correction.
8. Good. The proposal addresses the criterion well, although some improvements are still needed.

9. Very good. The criterion is addressed in a convincing way and only minor improvements are needed.
10. Excellent. The proposal successfully addresses all relevant aspects of the criterion in question without any shortcomings.

Each group of selection criteria has a total number of points. No weighting will be applied. However each criterion should be scored with a value of at least 6. If the AWP fails to achieve this minimum score for a criterion a resubmission will be asked to the Single Beneficiary.

Evaluators will base their assessment of the AWP on the text included in the online system and has been provided by the MA as pdf version. Concise and explicit concluding justification will have to be given as well as comments to scores when relevant. Recommendations for improvements to be discussed can also be provided, if needed.

The assessment evaluation tool also includes provision to:

- Ensure the exclusion of any conflict of interest;
- The confidentiality of the information included in the system itself (and of the AWP).

The assessment report will have to detail the recommendations for improvement (if any), specifying which are mandatory.

In addition, the report will also have to indicate whether, due to the nature of the recommendations made, a new involvement of the MC is required or if the verification of the fulfilment with the recommendation can be delegated to the MA.

### ***3.4 Decision making and amendment of the Grant Agreement***

The assessment report will be submitted to the MC for discussion and formal approval.

The assessment report will include the necessary conditions to be fulfilled by the Single Beneficiary for the signature of the grant agreement.

The assessment report approved by the MC will indicate the degree of fulfilment of the provisions given for the AWP based on the following categories:

- (1) **Compliance** (in this case, however, non mandatory recommendations for the consideration of the Single Beneficiary can be indicated)
- (2) **Partial compliance** requiring the submission of an adjusted AWP before its approval and inclusion as addendum to the Grant Agreement
- (3) **Non-compliance.**

In case of **(1) Compliance**, the MA will notify the decision and communicate any non mandatory recommendation to the Single Beneficiary and proceed with the amendment of the Grant Agreement.



In case of **(2) Partial compliance**, the MA will notify the Single Beneficiary and request the modification in the online system of the AWP and its re-submission. In order to facilitate this process and reach a prior agreement on the adaptation to be implemented, coordination meetings between the Single Beneficiary and the MA can take place, if needed. Following the re-submission of the AWP, the MA will inform the MC through a short report explaining how the comments and recommendation made during the assessment procedure have been considered and implemented.

In case of **(3) Non-compliance**, the MA will notify the Single Beneficiary that a more profound modification of the AWP is requested. The MA will call for a new coordination/brainstorming meeting between the Single Beneficiary, the MC and the MA before setting a new deadline for its re-submission.

The assessment report will specify any recommendations for improvements that may have to be complied with before amending the Grant Agreement.

#### **4. Budget of the Operation**

Good preparation is fundamental to ensuring a prompt start to the Single Operation's activities after approval, as well as its smooth implementation thereafter.

It is certainly useful to estimate the funds potentially available and to take into account the recommendations for a reasonable budget. The overall budget has to be in line with the activities planned, and the Single Operation's duration. This implies that the detailed budget is always prepared on the basis of the activities needed to meet the Single Operation's objectives and the resources required to carry out these activities within the time allowed.

##### ***4.1 Programme financing***

The maximum grant available for the Single Operation from the Cooperation Programme amount to 46.207.234 EUR of which 85% are coming from the ERDF funds and the remaining 15% from the Member States contributions to the programme. The Single Operation can receive in addition 1.825.000 EUR provided by the participating Partner States. Therefore, the maximum available budget for the implementation of the Single Operation amounts to 48.032.234 EUR.

The Operation Proposal will have to include a budget covering up to this maximum amount.

The detailed budget should be prepared on the basis of the actions needed to meet the Operation's objectives and the resources required to carry out these actions within the time allowed.

The Operation Proposal shall include a budget:

- With a breakdown per budget line (BL);
- With a breakdown of the External Expertise / Services budget per type of actions (as defined in the Cooperation Programme)

#### **4.2 Preparation costs**

The Single Beneficiary might receive programme funding for their costs related to the preparation of the Operation Proposal. Preparation costs have to show a direct and demonstrable link to the development of the Operation Proposal.

Typical activities during the preparation phase of the Operation Proposal are the following:

- Development of the Operation Proposal,
- Meetings with the programme authorities,
- Completion of the online application form,
- Participation in events organized in relation to the preparation of the proposal, individual consultation with members of the programme authorities.

The preparation costs must be broken down into the same budget lines as the other components of the Operation and will have to be included in the overall budget of the Single Operation at the application stage.

The activities must have taken place in the period between the invitation of the ESPON MA for preparing the Operation Proposal and the date on which the application has been submitted online to the programme. These costs must be paid out before they are reported in the first Operation Progress Report.

The eligible preparation costs cannot exceed the 2% of the awarded grant as stated in the Grant Agreement.

As an example, should the total budget of the Single Operation be 48.032.234 € (Member States and Partner States contribution to Priority axis 1 of the CP) the maximum preparation costs would amount to a total of 960.644,68 € and shall cover the costs of the ESPON EGTC during the preparation of the Operation Proposal.

#### **4.3 Advance payments**

The Single Beneficiary will be granted one advanced payment up to 6 %. At the signature of the Grant Agreement a first payment of 2% will be executed, followed by two additional payments of 2% each will be processed after 4 months and 8 months from the signature of the Grant Agreement respectively. An additional 2% can be granted upon requested by the Single beneficiary subject to MC approval and the availability of Programme funding

#### **4.4 Budget lines**

The budget table in the application form provides for a sub-division into the following budget lines (BL):

Budget Line	Applicable for
<b>Staff costs</b>	the personnel/ <b>staff employed</b> by the Single Beneficiary
<b>Office and administration costs</b>	
<b>Travel and accommodation costs</b>	
<b>External expertise and service costs</b>	<b>External experts</b> (including their office and administrative expenditure + travel, equipment costs)
<b>Equipment costs</b>	the personnel/ <b>staff employed</b> by the Single Beneficiary

For detailed information on the different budget lines, please see section 7.2 of this guideline.

The budgets of the Annual Work Plan will follow the same structure. The Annual Work Plan template will include, in addition to the Annual Work Plan budget for the reference year, the cumulative budget for the Annual Work Plans already approved in the previous year to ease the monitoring of the Single Operation.

#### **4.5 Payment forecast**

At the application stage, the Single Beneficiary needs to plan a spending forecast for each of the six-monthly reporting periods. Based on the budget planning as described above, the spending forecast should take into consideration the following:

- The reporting periods cover periods of six months (for more information please see section 6.2).
- The spending forecast should be an estimation of the actual payments to be made in each of the six-monthly periods. Therefore, it only partly reflects the activities taking place in a certain period. Indeed, if an activity is carried out close to the end of a reporting period, the related payment may only be possible in the following period and the costs should therefore be budgeted in the following reporting period. It should be kept in mind that the time of an activity being carried out is not necessarily simultaneous with the payment related to the activity.

The spending forecast of the Single Beneficiary is important for the programme, because the programme must also comply with its own spending forecast. The programme's spending forecast is based on ERDF allocations by the Commission. Thus, if the Single Operation does not meet its spending forecast, the programme may also not meet its own. In the event of the programme not meeting its spending forecast, it will be subject to de-commitment and the programme budget would be reduced accordingly. This is why the Single Operation will be monitored on the basis of its spending forecast. It is therefore important that the Single Beneficiary:

- carefully prepares a realistic spending forecast,
- is ready to start the implementation very quickly after approval,
- monitors the financial spending continuously during implementation and
- ensures regular, timely and full reporting.

#### **4.6 The decommitment rule (n+3)**

At the beginning of every year, the Commission allocates a certain amount of ERDF to the ESPON 2020 programme. The annual allocation must be spent within 3 years following the year of commitment. If, at the end of 3 years, the annual allocation is not spent, the corresponding ERDF budget will be lost (= de-committed). If this loss results from the Single Operation lagging behind its spending targets, the programme will be obliged to reduce the grant allocated to it. Therefore, the spending forecast becomes part of the grant agreement, which also includes provision that any amounts which are not reported in time and in full may be lost.

The first year of potential de-commitment for the ESPON 2020 programme is 2018.

In particular, taking into account that the entire Priority Axis 1 of the ESPON 2020 Programme is implemented by the Single Operation, there is an obligation for the Single Beneficiary to respect the minimum spending forecast in order to avoid a reduction of the grant. The table below indicates the minimum amount of ERDF to be claimed within the end of the respective year.

<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
5 743 476,5 €	6 435 236,4 €	8 567 465,8 €	8 715 084,7 €	9 814 881,8 €

## **5. Operation implementation**

### **5.1 Starting date of the Single Operation**

With the exception of the costs related to the preparation of the Operation Proposal (see above) costs for the Single Operation are eligible from the date of the submission of the Operation Proposal to the end date of the operation. The Single Beneficiary should be ready to

start the implementation of the Single Operation immediately after the notification of the decision of the Monitoring Committee.

The Single beneficiary can decide to start the implementation of the activities straight after the submission of the Operation Proposal. However, the costs will be eligible only to the extent they are in line with the later approved Operation Proposal. Therefore, implementation of the Single Operation activities in the period between the submission of the Operation Proposal and the approval of the MC is undertaken at the Single Beneficiary's own risk. In fact, it could theoretically happen that the Operation does not fulfil the conditions and thus is finally not approved or some of the proposed activities are finally not accepted. The same is valid for the eligibility of the activities included in the Annual Work Plan

### **5.2 Management and coordination**

Management and coordination includes the administrative, legal and financial activities necessary for running and implementing the Single Operation.

In order to ensure a proper implementation of the Single Operation, the Single Beneficiary should set up an efficient and reliable management and co-ordination system.

A contact person for the MA regarding all question related to Coordination should be nominated.

An impeccable financial management shall be ensured for the accounts, financial reporting, the internal handling of ERDF funds and national contributions. The internal coordination within the Single Beneficiary will be needed in order to enable the efficient financial management of the Single Operation.

A contact person for the MA regarding all question related to financial management should be nominated.

Management arrangement shall be in line with the provisions of Article 14.4 of the Grant Agreement template provided to the Single Beneficiary.

### **5.3 Operation changes**

A distinction needs to be made between changes in the Multi Annual Work Programme and/or in the Annual Work Plan.

In the case of the Annual Work Plan:

- minor changes (e.g. rescheduling of activities and budget changes within the 10% budget flexibility for each budget line and 10% of the total budget of the Annual Work Plan) can be implemented without prior approval. However, they have to be communicated to the MA via the submission of a revised Annual Work Plan at the moment of submitting the Annual Work Plan for the following year(s). This in order, for the MC and the MA, to have an updated overview of the progress of the Single Operation towards the achievements of the outputs/results and financial targets.

- major changes that effects the overall activities and outputs targets and budget changes exceeding the above mentioned flexibility threshold are subject of a formal request to the MA and must be negotiated with the MA and the MC depending on the content of the changes. A modified Annual Work Plan will have to be timely submitted to the MA. The approved modified Annual Work Plan will be annexed to the Grant Agreement. The Single Beneficiary will be notified about the decision of the MA/MC on the changes requested.

It has to be noted that all changes implemented will be monitored against the Multi Annual Work Programme and the thresholds set for its changes, as detailed below.

In the case of the Multi Annual Work Programme:

- minor changes (e.g. changes in contact details, bank account and budget changes within the 10% budget flexibility for each budget line and 10% of the total budget of the Multi Annual Work Programme) can be implemented without prior approval. The changes (with the exception of budget changes) must be timely communicated to the MA via the online update of the relevant section(s) of the Multi Annual Work Programme. Budget changes within the flexibility threshold will simply have to be reported during the financial reporting procedure.
- major changes (e.g. changes in types of actions, activities, outputs/results targets, indicators, duration, outreach strategy, evaluation strategy, management of the operation etc.) have to be requested to the MA online via the submission of a revised Multi Annual Work Programme. The MA will have to involve the MC in the decision and the Single Beneficiary will be notified about the result. In relation to the budget, any change exceeding the 10% flexibility rule described above and limited to a maximum of 20% of each budget line shall be approved according to the same procedure.

In the event of doubts as to whether the changes are of a minor character or not, the Single Beneficiary should contact the MA as early as possible to request a formal change in activities/outputs/changes in the budget.

It has to be underlined that any change implemented has in any case to be in line with the minimum requirements set for the Single Operation in the Operation Specification.

### 5.3.1 Request for changes procedure

For any changes the Single Beneficiary needs to fill in a 'request for change' in the online system. This functionality, activated by the MA upon request, can be requested at any time during the implementation of the Single Operation. Budget changes of the Multi Annual Work Programme within the flexibility rule are just to be reported during the financial reporting procedure.

The request for change template is based on the latest approved Operation Proposal and needs to be updated for the respective parts related to the change. Furthermore, the Single Beneficiary has to describe the requested change and provide a clear justification for it.

Depending on the nature of the requested changes, a decision on the approval will be taken either by the Managing Authority or by the Monitoring Committee. The changes enter into force only when the official notification is sent to the Single Beneficiary.

The Single Beneficiary should be aware that a formal request for change procedure can only be launched during the lifetime of the Single Operation. It is not possible to implement a formal request for change procedure after the end date of the operation (as indicated in the Operation Proposal).

### 5.3.2 Changes concerning budgetary issues

The budget in the Operation Proposal and of the Annual Work Plan should be as precise as possible. However, changes may become necessary during the Operation implementation. It is therefore important to know that the ESPON Programme provides the following rules for budget reallocations and thus gives some budget flexibility.

Shift of budgets between different budgets lines are allowed as long as the following conditions are all fulfilled:

- The maximum amount of grant awarded remains the same;
- The minimum requirements set for the Single Operation in the Operation Specification are still met;
- The minimum spending forecast indicated in section 4.6 are not affected by the change.
- No budget line drops down to zero;
- Indirect administration calculated on a flat rate basis stays within the threshold of 25% of eligible direct costs even when calculated as a flat rate of maximum 15% of direct staff costs.

#### Changes without prior request to MA (10% flexibility rule):

During the implementation of the actions, the Single Beneficiary is entitled to reallocate between the Single Operation budget lines/Annual Work Plan according to the limits of the flexibility rules described in section 5.3.1. The 10% limit is calculated on the basis of the latest approved budgets, respectively the Single Operation budget and the Annual Work Plan budget.

However, in relation to the budget line external expertise of the Multi Annual Work Programme, any change has to be approved by the MA and the MC even within the 10% limit.

#### Changes with prior request to MA and MC (above the 10% flexibility rule)

If the changes exceed the 10% they need to be approved by the MA/MC before they can be implemented. These changes can be requested at any time during the implementation of the Single Operation according to the procedure described in section 5.3.A.

In the case of the Multi Annual Work Programme changes are limited to a maximum of 20% for each budget line in comparison to the originally approved Operation Proposal.

### 5.3.3 Extension of operation duration

Taking into account the implementation framework of the ESPON 2020 programme there is no possibility to extend the duration of the Single Operation.

Minor changes can be requested in relation to the extension of the eligibility period of the Single Operation and are subject to the approval of the MA. The extension of the eligibility period will not involve an extension for the implementation of the activities but will only be related to the length of the administrative closure of the Single Operation. Taking into account the strict de-commitment rules and the closure deadlines for the ESPON 2020 Programme, this flexibility is in any case limited to a very maximum of two months and will only be granted in exceptional cases.

### **5.4 End date of the Operation**

The end date is the date by which:

- all activities must have been completed (incl. all activities related to the administrative closure of the Single Operation);
- all payments must have been made, meaning debited from the bank account (with the exception to the payment of the last certification of the first level financial controller)

Any expenditure (including costs linked to the closure of the Single Operation) incurred, invoiced or paid after the official end date is ineligible (with the exception to the payment of the last certification of the first level financial controller).

The non-declared expenditure will be de-committed due to the fact that the programme as such is subject to de-commitment rules.

The end date of the Single Operation will be specified in the Grant Agreement.

## **6. Reporting**

In order to follow the implementation of the Single Operation and as a basis for the transfer of the funds to the operation, a progress report (and related annexes) has to be submitted periodically to the programme. The progress report constitutes an important channel of information between the operation and the programme. It includes both activity and financial information related to the implementation of the operation.

The progress report is also a main source of information to demonstrate the programme's achievements and usefulness. In particular, it provides the raw material that is used as the basis for producing the analysis of the programme's achievements, which is to be included in the reports to the European Commission.

For reporting purposes, an online reporting platform has been set up in the e-MS. The Single Beneficiary can access the system through a code sent by the Managing Authority. Progress reports are submitted to the programme through this online platform. A summary, duly signed by the Single Beneficiary, must also be submitted to the programme.



In principle, each progress report covers a period of six months. The reporting periods and the respective submission deadlines will be specified in the Grant Agreement. However, in order to provide the MA with the necessary information to comply with EC reporting requirements, the reporting deadlines will be 30 April and 31 October every year regardless the starting date of the Single Operation.

Depending upon the status of liquidity of the Single Beneficiary, payment claims may also be submitted earlier on request to the Managing Authority. In such case a revised timetable for submitting payment claims can be proposed by the Single Beneficiary. If accepted, the timetable of the Grant Agreement will be adapted accordingly.

### ***6.1 Reporting procedure***

The reporting procedure for Single Operation can be summarised as follows:

- a) The Managing Authority provides the Single Beneficiary with the access codes for the online reporting platform of the e-MS. The reporting platform is available for completion during the entire implementation period of the Single Operation. The Single Beneficiary has therefore the opportunity to complete the system on regular basis with the most recent information, facilitating with this a smooth and quick reporting procedure.
- b) The online reporting platform is composed of two main sections, an activity and a financial part. For each reporting period the Single Beneficiary completes the online forms by the deadlines set in the Grant Agreement. The supporting documents related to the concerned reporting period and as part of the operation's audit trail are also to be uploaded to the e-MS document repository at the same time. The completed report is then submitted via the online platform for verification in compliance with the country specific requirements for control to the designated first level controller.
- c) The first level financial controller performs its checks on the activities and expenditures reported. During the control implementation the controller might request clarifications, corrections and additional supporting documents that are to be provided by the Single Beneficiary via the online reporting system. The controller concludes its verification by completing the control documents (control certificate, control checklist and control report as detailed in section 7.7.3) and verify the progress report in the system.
- d) Following the verification of the first level controller the Single Beneficiary informs the Managing Authority about the completion of the reporting procedure. The Managing Authority checks the report and if necessary sends clarification requests to the Single Beneficiary. The MA reserves its right to ask the Single Beneficiary and the first level controller to provide more in-depth documentation (e.g. the detailed list of all the expenditure incurred, copies of the invoices and bank transfers etc.). Once all points have been clarified, the progress report is approved and the Certifying Authority is notified.

- e) The Certifying Authority, after having performed additional checks, executes the payment to the Single Beneficiary.

It has to be highlighted that the reports due by 30 April have a more detailed level of information and additional sections will have to be completed in order to provide the MA with the necessary relevant information for the annual reporting to the EC.

### ***6.2 Guidance for reporting***

For the overall coherence of the progress reports, the information provided for the activities and outputs shall be fully consistent. All reported expenditure need to be in line with the activities carried out and reported in the respective reporting period. When compiling the progress report, the Single Beneficiary has to make sure that a link to the implemented activities can be made.

It is essential that expenditures are reported within the relevant reporting period and no exceptions will be allowed in order to avoid the risk of double declaration of expenditure. If exceptionally an expenditure cannot be reported within the correct reporting period, the MA needs to be informed and a justification provided before including this delayed expenditure in one of the following progress reports.

In exceptional cases, where expenses were wrongly declared and the error is noticed by the Single Beneficiary after receiving the corresponding payment from the CA, the MA needs to be informed immediately. In order to implement the financial correction on the following reporting period, the Single beneficiary will have to provide justifications and supporting documentation to the MA.

### ***6.3 Obligations after the closure of the Single Operation***

According to the Common Provisions Regulation (EU) No 1303/2013 Article 140, the Single Beneficiary is required to archive documents related to the operation's implementation for a minimum period. The MA provides information on this period with the closure notification letter. This period might be interrupted in duly justified cases and will resume after this interruption. Upon request by the programme, by the Commission or by the Court of Auditors, the documents have to be made available. The following rules apply to the archiving of documents:

- The documents have to 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 the original documents or documents that exist in electronic version only.
- The procedure for certification of conformity of documents held on commonly accepted data carriers with the original document has to be laid down by the national authorities and shall ensure that the versions held comply with national legal requirements and can be relied upon for audit purposes.

- Where documents exist in electronic form only, the computer systems used have to meet accepted security standards that ensure that the documents held comply with national legal requirements and can be relied upon for audit purposes.

Other, possibly longer statutory archiving periods, as required by national law, remain unaffected from the rules mentioned above. This means, for example, if the national law requires archiving for ten years, then the documents have to be archived for ten years.

## **7. Financial management**

### ***7.1 Eligibility of expenditure- general principles***

There are different levels of eligibility rules on expenditure:

- the European level: EU regulations
- the programme level: specific rules decided for the ESPON 2020 Cooperation Programme
- the national level: national rules applicable in the country of the Single Beneficiary

In the absence of rules set at EU or programme level or in areas that are not precisely regulated, national or institutional rules apply.

To be eligible, costs must:

- relate to activities planned in the application form, be necessary for carrying out these activities and achieve the operation's objectives and be included in the estimated budget,
- be in accordance with the principles of sound financial management i.e. reasonable, justified, consistent with the usual internal rules of the Single Beneficiary, the EU, the programme and national rules,
- be identifiable, verifiable, plausible and determined in accordance with the relevant accounting principles,
- be incurred and paid by the Single Beneficiary, debited from its bank account within the eligibility period of the operation and no later than the operation end date, be substantiated by proper evidence allowing identification and checking.

### ***7.2 Budget lines***

Based on Regulation (EU) No 481/ 2014, the following sections provide an overview on the eligibility principles for the different budget lines applicable in the programme:

- staff,
- administration,
- travel and accommodation,
- external expertise and services,

- equipment.

For each budget line, a definition is provided as well as guidance for budgeting and reporting. The Single Beneficiary should study the information both when preparing their Operation Proposal and later on for the progress reporting.

### 7.2.1 Staff costs

#### **Definition**

Staff costs consist of costs for staff members employed by the Single Beneficiary and who are working full time or part time on the implementation of the Single Operation.

Staff costs cover the gross employment costs, which usually comprise the following:

- Salary payments (fixed in an employment/work contract)
- Other costs directly linked to salary payments paid and not recoverable by the employer such as employment taxes and social security (including health coverage and pension contributions).

Staff costs relate to the costs of activities that the Single Beneficiary would not carry out if the Single Operation was not undertaken.

Overheads and any other office and administrative expenditure cannot be included in this budget line.

Staff costs have to be calculated on a real costs basis.

In the following sections, more details and information are provided, in particular different options are described:

- 1) Person working full-time on the Single Operation
- 2) Person working partly on the operation at a fixed percentage
- 3) Person working partly on the Single Operation at a flexible percentage (flexible number of hours per month):
  - Calculation based on the contractual hours as indicated in the employment contract
  - Calculation based on dividing the latest documented annual gross employment costs by 1.720 hours
- 4) Person employed by the Single Beneficiary on an hourly basis.

#### **Key principles**

Staff costs must be calculated individually for each employee. They are taken from the payroll accounts and include the employee's total gross remuneration and the employer's contribution of social contributions (provided that they are not recoverable by the employer). In accordance with the personnel policy of the Single Beneficiary, costs such as bonuses, fuel, lease car, relocation benefits, luncheon vouchers etc. can be fully or partly claimed after calculating the

eligible share for the Single Operation. Costs not fixed in employment/work contract or by law are not eligible.

Depending on the working contracts existing and time involvement in the Single Operation (as listed above) specific methods of calculation will be applied, as explained below.

Expenditure for staff costs should be proportionate to the roles and responsibilities of the individual staff members.

### **1) Person employed by the Single Beneficiary, and working full-time on the Single Operation**

#### **Key principles**

Staff costs shall be calculated as follows:

- The employee's total monthly gross employment cost (incl. employer's social contributions) can be claimed;
- A document clearly setting out 100% of the time to be worked on the Single Operation (it can be the employment contract and/or any other document issued by the employer such as a 'mission letter');
- No separate working time registration ("timesheet") is needed.

#### **Supporting documents for the verification of expenditure (first level control)**

The following documents need to be provided to the first level controller to support the eligibility of the costs:

- Employment contract or any other equivalent legal agreement that permits the identification of the employment relationship with the Single Beneficiary;
- A document clearly showing that the employee works 100% of the time on the Single Operation (it can be the working contract or any other document issued by the employer such as a 'mission letter');
- Document identifying the real salary costs (gross salary and employer's social contributions) for the employee, such as pay slips or other accounting documents where the employment costs are clearly detectable;
- Proof of payment.

The **mission letter** is a document that clearly indicates that the employee works full time for the Single Operation. The following points have to be respected in relation to this document in order to prove the plausibility of the time allocation:

- The document is issued for the specific employee at the beginning of the period to which it applies.
- It is dated and signed by the employee and a line manager/supervisor.
- It must contain the percentage of time expected to be dedicated to the Single Operation per month and a description of the role, responsibilities and the main tasks that are

assigned to the employee in question and that provide sufficient evidence for the time allocation.

- The time allocation and description of tasks are reviewed on a regular basis (e.g. annually on the occasion of the staff appraisal) and adjusted if needed (e.g. due to changes in tasks and responsibilities).

## **2) Person working partly on the Single Operation on a fixed percentage**

### **Key principles**

Staff costs shall be calculated as follows:

- A fixed percentage of the gross employment cost (incl. employer's contributions), in line with a fixed percentage of time worked on the Single Operation per month;
- A document clearly setting out the percentage of time to be worked by the employee on the Single Operation per month (it can be the employment contract or any other document issued by the employer like a 'mission letter' as described under point 1).;
- No separate working time registration ('timesheet') is needed.

### **Supporting documents for the verification of expenditure (first level control)**

The following documents have to be provided to support the eligibility of costs when reporting to the programme:

- Employment contract or any other equivalent legal agreement that permits the identification of the employment relationship with the Single Beneficiary;
- A document setting out the percentage of time to be worked on the Single Operation per month (it can be the employment contract and/or any other document issued by the employer, clearly identifying the fixed percentage of monthly time dedicated to the Single Operation);
- Document identifying the real salary costs (gross salary and employer's social contributions) for the employee, such as pay slips or other accounting documents where the employment costs are clearly detectable;
- Proof of payment.

## **3) Person working partly on a flexible percentage (flexible number of hours per month)**

### **Key principles**

The calculation is based by dividing the latest documented annual gross employment costs by 1.720 hours.

Staff costs shall be calculated as follows:

- A flexible share of the gross employment cost (incl. employer's social contributions), in line with a number of hours varying from one month to the next worked on the Single Operation;
- A time registration system ('timesheet') is required and must cover 100% of the working time of the employee (including the working time not related to the Single Operation);
- An hourly rate should be calculated by dividing the latest documented annual gross employment costs by the 1,720 hours. The hourly rate should then be multiplied by the number of hours actually worked on the Single Operation.

#### **Supporting documents for the verification of expenditure (first level control)**

The following documents have to be provided to support the eligibility of the costs when reporting to the programme:

- Employment contract or any other equivalent legal agreement that permits the identification of the employment relationship with the Single Beneficiary;
- Document identifying the latest annual salary cost (gross salary and employer's social contributions over the past 12 months reference period) for the employee, such as pay slips or other accounting documents where the employment costs are clearly detectable;
- Proof of payment;
- Document showing the calculation of the hourly rate;
- Registration of the monthly working time covering 100% of the working time of the employee and identifying the time spent on the Single Operation: timesheet or equivalent time recording system.

Points of attention:

The latest annual gross employment cost does not necessarily refer to the calendar year. The latest available data from a period of one year (12 consecutive months) must be used to calculate the hourly rate. Data from July 2015 - June 2016 is used for the reporting period January - June 2016, and data from January-December 2016 (if available) is used for the reporting period July-December 2016. No recalculation of the previous period is needed or recommended (source of error).

Should the latest annual salary costs not be available, it is possible to take the actual months of employment to calculate the annual salary costs. For example, if an employee has only been employed for 3 months, the actual employment cost for 3 months is multiplied by 4 to obtain the annual salary cost.

#### **4) Person employed on an hourly basis**

##### **Key principles**

Staff costs shall be calculated as follows:

- The employee's hourly rate as indicated in the employment contract is multiplied by the number of hours worked on the Single Operation.
- A time registration system ('timesheet') related to the contract is required and must cover 100% of the hours worked by the employee (including the working time not related to the Single Operation, if applicable).

### **Supporting documents for the verification of expenditure (first level control)**

The following documents have to be provided to support the eligibility of the costs when reporting to the programme:

- Employment contract or any other equivalent legal agreement that permits the identification of the employment relationship with the Single Beneficiary and the hourly rate;
- Document identifying the real monthly salary costs (gross salary and employer's social contributions) for the employee, such as pay slips or other accounting documents where the employment costs are clearly detectable;
- Proof of payment;
- Registration of the hours worked covering 100% of the working time by the employee and identifying the time spent on the Single Operation: timesheet or equivalent time recording system.

#### **7.2.2 Office and administrative expenditure**

Office and administrative expenditure shall cover costs borne by the beneficiary linked to the administration and implementation of the operation. These costs, either direct or indirect, shall be limited to the following items:

- Office rent;
- Insurance and taxes related to the buildings where the staff is located and to the
- Utilities (e.g. electricity, heating, water);
- Office supplies;
- General accounting provided inside the beneficiary organisation;
- Archives;
- Maintenance, cleaning and repairs;
- Security;
- IT system;
- 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 cost listed above are treated as **indirect costs**, they can be calculated either on a real cost basis according to a fair and equitable method or on a flat-rate basis of 15% of direct staff costs in accordance Article 68(1)(b) of Regulation (EU) No 1303/2013.

### **Supporting documents for the verification of expenditure (first level control)**

The following documents have to be provided to support the eligibility of the costs when reporting to the programme:

- Contract or other written agreement of equivalent probative value;
- Evidence of the selection process (if relevant), in compliance with the applicable EU, national, programme and internal public procurement rules. Any changes to the contract must comply with the public procurement rules and must be documented.
- Invoices
- Proof of payments
- Proof of delivery of the service/products (if applicable)
- Documentation on the fair and equitable method for the calculation of indirect costs.

### **7.2.3 Travel costs**

This budget line concerns the travel and accommodation costs of staff employed by the Single Beneficiary. Any trip must be clearly motivated by the operation's activities and necessary for the successful implementation of the Single Operation.

As a general rule the most economic way of transport and accommodation has to be chosen. If available, public transport shall always be preferred. If a more expensive way of transport is chosen it can be reimbursed on the basis of the equivalent public transport cost.

### **Key principles**

Pursuant to the Regulation (EU) No 481/2014 Article 5, expenditure on travel and accommodation costs is limited to the following items:

- a) Travel (e.g. airline and train tickets, travel and car insurance, fuel, toll and parking fees);
- b) meals;
- c) accommodation;
- d) visa;
- e) daily allowances.

Any item listed in points (a) to (d) covered by a daily allowance will not be reimbursed in addition to the daily allowance.

The following general principles must be respected:

- Costs must be borne by the Single Beneficiary. Direct payment by an employee must be supported by a proof of reimbursement from the employer;
- Real costs and daily allowances must be in line with the specific national or institutional rules applicable to the Single Beneficiary. In the absence of national or internal rules on daily allowances, real costs apply;
- Usually, travel and accommodation costs should relate to trips undertaken within the programme area.

Expenditures incurred outside the Union part of the programme area are eligible if incurred in accordance with Article 20(2) and Article 20(3) of Regulation (EU) 1299/2013.

Travel costs incurred outside the programme area are eligible only if they are explicitly mentioned and justified in the Operation Proposal. Should there be trips outside the programme area that are not detailed in the Operation Proposal, a specific request needs to be submitted in advance by the Single Beneficiary to the MA for validation.

#### **Supporting documents for the verification of expenditure (first level control)**

The following documents must be available for control purposes:

- Agenda (or similar) of the meeting/seminar/conference;
- Documents proving that the journey actually took place (boarding passes, participant lists etc.);
- Invoices (including hotel bills, transport tickets, etc.) and, if applicable, the employee's expense report
- Proof of payments (of the invoices/expenses report by the employer to the employee);
- Daily allowance claims (if applicable), including proof of reimbursement by the employer to the employee.

#### **Points of attention**

Travel and accommodation expenses related to individuals other than staff directly employed by the Single Beneficiary (members of the stakeholder groups but also consultants, experts), have to be included in the 'external expertise and service' budget line.

#### **7.2.4 External expertise**

##### **Definition**

External expertise and service costs include expenditure paid on the basis of contracts or written agreements, against invoices or requests for reimbursement to external service providers who are subcontracted to carry out certain tasks/activities linked to deliveries of the Single Operation (e.g. studies and surveys, translation, website development, coordination, financial management, first level control).

Pursuant to the Regulation (EU) No 481/2014 Article 6, expenditure on external expertise and service are limited to the following services and expertise:

- studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- training;
- translations;
- IT systems and website development, modifications and updates;
- promotion, communication, publicity or information linked to the Single Operation;
- financial management;
- services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- participation in events (e.g. registration fees);
- legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- intellectual property rights (see also section 7.4.10);
- verifications under Article 125(4)(a) of Regulation (EU) No 1303/2013 and Article 23(4) of Regulation (EU) No 1299/2013 (i.e. first level control costs);
- certification and audit costs at programme level under Articles 126 and 127 of Regulation (EU) No 1303/2013;
- 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;
- travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
- other specific expertise and services needed for operations.

### **Key principles**

The costs of external expertise and services are connected to the implementation of certain tasks of the Single Operation that cannot be carried out by the Single Beneficiary itself and therefore are outsourced to external service providers.

The work of external service providers is necessary and should be paid on the basis of:

- Contracts or other written agreements of equivalent probative value,
- Invoices or requests for reimbursement of equivalent probative value.

All applicable EU, national, programme and internal public procurement rules must be respected.

Even below EU thresholds, contracts with external providers must comply with the principles of transparency, non-discrimination, equal treatment and effective competition (see also section 7.3 on public procurement).

**Supporting documents for the verification of expenditure (first level control)**

The following documents must be available for control purposes:

- Evidence of the selection process, in compliance with the applicable EU, national, programme and internal public procurement rules. Any changes to the contract must comply with the public procurement rules and must be documented;
- A contract or other written agreements of equivalent probative value laying down the services to be provided with a clear link to the Single Operation,
- An invoice or a request for reimbursement providing all relevant information in line with the applicable accountancy rules,
- Proof of payment,
- Outputs of the work of external experts or service deliverables within the contractual deadlines.

**Points of attention**

- The travel and accommodation costs of external experts have to be budgeted and reported under the budget line for external expertise costs.
- Advance payments may only be accepted if they are supported by an invoice or another document of probative value. The corresponding activity must have taken place (and have been verified by the first level controller) by the end date of the Single Operation at the latest.
- The costs of services contracted by the Single Beneficiary for arranging the travel and accommodation of its own staff members (e.g. travel agencies, etc.) must be claimed under the budget line 'travel and accommodation'.
- The budget line for external expertise and services shall be further detailed according to the categories defined in the ESPON 2020 Cooperation Programme and in the online application platform: Specific Objectives 1 to 4 and financial/accountancy and IT related expenditures.

**7.2.5 Equipment**

**Definition**

Expenditure for the financing of equipment purchased, rented or leased and necessary to achieve the objectives of the Single Operation.

Pursuant to Regulation (EU) No 481/2014 Article 7, equipment expenditure is limited to the following items:

- office equipment;
- IT hardware and software;
- furniture and fittings;
- laboratory equipment;
- machines and instruments;
- tools or devices;
- other specific equipment needed for the operation.

### **Key principles**

Equipment items can only be funded by the programme if no other EU funds have contributed towards the financing of the planned equipment. Equipment has to be purchased in compliance with public procurement rules.

When reporting expenditure for equipment, the following points need to be considered:

- If the equipment is used solely for the purpose of the operation and was incurred and paid within the eligible period, the full purchase cost of the equipment should be reported.
- If the equipment has been purchased before the approval of the operation, a pro-rata depreciation will be applied. Only the value of the depreciation incurred during the timeframe of the Single Operation is eligible.
- If the equipment has been purchased during the lifetime of the Single Operation but the depreciation plan is longer than the Single Operation duration, a pro-rata depreciation will be applied. Only the value of the depreciation incurred during the timeframe of the Single Operation is eligible.
- If non-depreciable equipment (e.g. low-value asset) has been purchased, the full purchase cost of the equipment should be reported.
- If the equipment is rented or leased, depreciation does not apply, i.e. the full cost is reported.
- If the equipment has been purchased but is used only partially for the Single Operation, only the share related to the use of the equipment for the Single Operation will be reported. This share has to be calculated according to a justified and equitable method in line with legislation or general accounting policy of the Single Beneficiary.
- For example, if a laptop for the management of the Single Operation is purchased in the second half of the operation, only the share for the remaining implementation period can be reported. Similarly, if a staff member works on two operations e.g. with an equal share of 50% and uses the equipment item (e.g. a laptop) also equally for both operations, only 50% of the equipment costs can be reported on each side.

### **Supporting documents for the verification of expenditure (first level control)**

The following documents must be available for control purposes:

- Evidence of compliance with the applicable EU, national, programme and internal procurement rules,
- Invoice (or a supporting document with equivalent probative value to invoices, in case of depreciation) providing all relevant information in line with the applicable accountancy rules,
- Calculation of depreciation in compliance with the applicable national schemes,
- Proof of payment.

### **Points of attention**

- Rented equipment: any equipment necessary for the content-related implementation of the operation needs to be budgeted and reported in this budget line. Renting costs for equipment do not fall under the budget line 'external expertise and services costs'.
- Second-hand equipment: costs of second-hand equipment may be eligible under the following conditions:
  - a) no other financial assistance has been received for it from the European Structural and Investment Funds;
  - b) its price does not exceed the generally accepted price on the market for that equipment;
  - c) it has the technical characteristics necessary for the operation and complies with applicable norms and standards.

### **7.3 Public procurements**

During the implementation the operation, the Single Beneficiary buys goods and services externally. Whenever purchases are made and contracts are awarded to external suppliers, the Single Beneficiary has to be in a position to demonstrate the good use of public funds. The principles of transparency, non-discrimination and equal treatment have to be respected and conditions of effective competition must be ensured. Five levels have to be taken into consideration:

- the EU public procurement directives
- national rules
- programme rules (see below)
- internal rules of the Single Beneficiary (if any)
- specific rules related to anti-fraud measures (see specific section).

The public procurement rules define the tendering and publicity procedures applicable to different threshold values. Each contract should be awarded on the basis of objective criteria which ensure compliance with the principles of transparency, non-discrimination and equal treatment and which guarantee that tenders are assessed under the conditions of effective competition.

The Single Beneficiary should be aware that these fundamental principles also apply for purchases and subcontracted activities below the threshold values. Basically, both below and above the thresholds the main difference for public contracts is the degree of publicity and formality of the tendering procedure: in certain cases, a request for three offers ('bid-at-three') might be sufficient whereas for others it may be necessary to announce the tender in national/regional media or EU wide, etc.

Central to ensuring adherence to the public procurement rules is the following documentation:

- Terms of reference (sufficiently specified, including clear information to candidates on award and weighting criteria);
- Request for offers or procurement publication/notice;
- Offers/quotes received;
- Report on assessment bids (evaluation/selection report) incl.
  - o justification for the procedure chosen in the light of the identified needs,
  - o evaluation of the offers in the light of the previously announced award and weighting criteria;
- Letters of acceptance and rejection;
- Contract, including any amendments and/or renewals (with evidence that these did not distort competition in the relevant market' and that there was no modification of the object of the initial contract);
- Evidence that the payments made match the contract (invoices and proof of payment);
- Proof of delivery of goods or services within the contractual deadlines.

#### **Points of attention**

- Evidence has to be available that the choice made regarding publicity requirements (sufficient degree of advertising) is in compliance with the EU Directives, the national and the programme applicable legislation (depending on the thresholds). The Single Beneficiary is required to keep a record of every step of the public procurement procedure for first level control and audit purposes.
- The greater the interest of the contract to potential bidders from other countries, the wider the coverage should be. So, depending on the nature of the services and goods, an EU-wide advertising may be required, even if the value of the contract is below the EU-threshold.

- The applicable tendering procedure are applied according to the contract value. When calculating the value of a contract, the maximum total amount that may be paid during the entire contract period (incl. renewal periods) needs to be estimated.
- When establishing the contract value, the Single Beneficiary has to take into consideration all (potential) contracts of the same type that it has implemented or will implement during the financial year.
- A procurement may not be divided into several smaller procurements with the purpose of fitting them individually into the value range applicable to direct awarding.
- If a direct award procedure is used for reasons of urgency, it has to be proven that the urgency is due to unforeseeable circumstances. Insufficient planning by the Single Beneficiary does not justify a direct award.
- If a direct award procedure is used for technical /exclusivity reasons, it must have been ruled out that any other supplier than the one being contracted is capable of providing the requested services. This elimination procedure must be based on objective criteria. The fact of having worked already with a certain external provider in the past, having been satisfied by the work quality and wanting to benefit from the knowledge the provider acquired thanks to having worked with the partner organisation in the past and on similar subjects do not represent sufficient justification for a direct award. If objective proofs do not exist, an open tender has to be organised. Its outcome will then prove if there is really no equivalent alternative on the market.

To avoid any loss of ERDF, the Single Beneficiary has to be in a position to prove the awarding of contracts in compliance with public procurement rules.

### **Programme procurement rules**

Taking into account that the Single Operation is largely implemented via external service providers, specific minimum requirements at programme level have been defined for the implementation of public procurements. These minimum requirements should ensure that public procurements implemented by the Single Beneficiary are:

- in line with the principle of sound financial management
- in accordance with competition, transparency, non-discrimination/equal treatment and economic proportionality criteria.

The determination of each procurement procedure for a particular work, service or delivery shall be motivated and documented in written by the Single Beneficiary making reference to the criteria mentioned above.



In particular the Single Beneficiary is requested to follow the provision indicated below in addition to complying with the public procurement law of Luxembourg:

Amount of the purchase in €	Applicable procedure
above 20.001	<p><b>Open</b> with publication in official sources/and with publication in an official source (Official Journal of the EU, Luxembourg “Portail marchés publics).</p> <p>or</p> <p><b>Restricted procedure</b><sup>4</sup> with publication in official sources/and with publication in an official source (Official Journal of the EU, Luxembourg “Portail marchés publics)</p>
between 2.001 and 20.000	<p>- <b>Open procedure</b> with publication on the Luxembourg “Portail marchés publics” and the Single Operation Website;</p> <p>or</p> <p>- <b>Restricted procedure without publication</b> (i.e. request min. 3 offers. It is however recommended to request more to enlarge the competition);</p> <p>depending on what appears to be more successful.</p> <p>Duration of the publication shall be proportional to the value of the contract (e.g. at least 10 days for contract above 5.000€ and at least 5 days for contract below 5.000€)</p>
between 501 and 2.000	<p><b>Direct contracting</b> with documentation of the price check (as the price is subject to a normal range of competition or is publically available)</p>
Below 500	<p>Direct contracting with proportional and economic way documenting the prices of the items/services purchased directly.</p>

In addition, **direct contracting** is allowed for any amount in case of:

a) fulfilment of one of the criteria of Art. 8 b - i of Luxembourg Law on Public Procurement which establishes that direct contracting can be concluded if:

- none or non-acceptable offers have been received after an open procedure;
- in case of work, delivery or service addressing research, experimentation, studies or updating;

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<sup>4</sup> Two step procedure: first call for interest and then invitation of minimum five tenderers to present a detailed tender.

- related to a specific exceptional cases where it is not possible to define a price in advance;
- work, delivery or service for which the execution is linked with technical, artistic, scientific, property rights reason and therefore should be allocated to a specific provider;
- strictly necessary measures because of an unforeseen urgency. The urgency cannot be evoked by the contracting authority.
- complementary work which is not included in the in initial work because of not been foreseeable: if the work can technically and economically not be separated, or if the works has to be done for indispensable perfection of already agreed tasks (cannot exceed 50 % of the initial contract);
- for complementary works devoted to partially renew existing installations, (extension and partly renewable), if the change of a contractor would lead to the need to also acquire other technical material because of incompatibility or disproportional cost of making the installation compatible.;
- if the work, delivery or service is part of a market where the prices are subject to the normal competition or the service is subject to an official remuneration grid.;

b) urgency (caused by external events and not by the Single beneficiary and in any case not more than two times on the same issue)

c) other procedure did not lead to any result.

#### ***7.4 Other budget and eligibility considerations***

##### ***7.4.1 VAT***

In accordance with Regulation (EU) No 1303/2013 Article 69 (3), VAT is not eligible except in the case where VAT is non-recoverable under national VAT legislation. In practice, if the Single Beneficiary can recover VAT (regardless whether he actually does it or not), all expenditure reported to the programme has to be reported without VAT.

In addition, in the framework of the implementation of the Single Operation, in any case VAT on external expertise for services contracted under specific objective 1, 2 , 3 and 4 is not eligible for funding from the ESPON 2020 Cooperation programme and shall be excluded from reporting.

##### ***7.4.2 Fines, final penalties***

Fines, financial penalties and expenditure on legal disputes and litigation, as well as interest on debt are not eligible in accordance with Regulation (EU) No 1303/2013 Article 69 (3) and Regulation (EU) No 481/2014 Article 2 (2).

Also, costs related to the fluctuation of foreign exchange rates are not eligible.

#### 7.4.3 Contributions in kind

Contributions in kind, i.e. provision of works, goods, services, land or real estate for which no cash payment has been made (e.g. unpaid voluntary work) are not eligible.

#### 7.4.4 Net revenues

In accordance with Regulation (EU) No 1303/2013 Articles 61 and 65, if the operation generates net revenue for example through services, conference participation fees, sales of brochures or books, it must be deducted from eligible costs in full or pro-rata depending on whether it was generated entirely or only partly by the co-financed operation. The ERDF funding is calculated on the basis of the total cost after deduction of any net revenue.

#### 7.4.5 Expenditure already supported by other EU or national/regional subsidies

Any expenditure which is already 100% co-financed by another EU-funding source or a national or regional subsidy is not eligible (double-financing).

#### 7.4.6 Use of the euro and exchange rates

All financial reporting and follow-up will be in euros. Expenditure incurred in another currency will have to be converted using the exchange rate of the Commission applicable in the month when the expenditure was paid out by the Single Beneficiary (according to the bank statement). The monthly exchange rates of the Commission are published on:

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

#### 7.4.7 Gifts

Pursuant to Regulation (EU) No 481/2014 Article 2, gifts are not eligible, except those not exceeding EUR 50 per gift where related to promotion, communication, publicity or information..

#### 7.4.8 Ownership of results and intellectual property rights

As a general principle, the results of the Single Operation (e.g. studies, policy recommendations, good practice guides) are expected to be freely available to the public. A wide dissemination of outputs amongst a wide European public is not only desirable but is also what the European Commission expects from the funded operations. As a logical consequence, any commercial use of the results by the Single Beneficiary (or by any of the external experts contracted) would be in contradiction to the general mission of the programme. The Single Beneficiary should therefore take the necessary measure in service contracts to prevent any commercial use of the results of the operation and ensure its ownership rights.

#### 7.4.9 Financing activities outside the programme area

The ESPON 2020 programme area covers all EU Member States, Iceland, Liechtenstein, Norway and Switzerland. In principle, all activities of the Single Operation should take place within this programme area. If the Single Beneficiary intends to carry out activities or events outside the programme area, this is possible in justified cases, provided that Regulation (EU) No 1299/2013,

Article 20 is respected and that external activities in total do not exceed 20% of the total ERDF allocated to the operation. If activities (including travel) or events are planned outside the programme area, the following conditions need to be fulfilled:

- the activity and/or event is for the benefit of the programme area;
- the activity and/or event is essential for the implementation of the Single Operation;
- the implementation and/or the relevance of the activity or the event have been approved by the programme beforehand.

### **Point of attention**

From experience, the most common activities outside the programme area concern the organization and participation of/in conferences or events outside the EU or the Partner States (Iceland, Liechtenstein, Norway and Switzerland). Such activities should preferably already be planned and justified in the Annual Work Plan. If no approval has been obtained ex-ante, the Single Beneficiary shall get an approval of the MA before organize/participate in such events. Without the MA approval expenditure cannot be accepted by the programme.

#### **7.4.10 Anti-fraud measures**

The EU has established strict rules in relation to conflict of interest and anti-fraud measures. The Single Beneficiary is therefore invited to describe in the Operation Proposal how intends to prevent that any conflict of interest and any fraud will occur in the implementation of the Single Operation. In particular, the Single Beneficiary shall describe which internal management measures intends to implement. As minimum requirement, the MA requests that, in relation to public procurements and purchase of services, an independent revision (internal) of the ToR and the evaluation of the offers received is undertaken. A similar procedure shall be ensured also in relation to the evaluation and selection of the expression of interest and the services upon requests under Specific Objectives 2. Additional guidance will be provided by the MA.

### **7.5 Accounting for expenditure**

In order to receive ERDF, all expenditure to be reported by the Single Beneficiary has to be verified beforehand. The next section provides guidance on the accounting principles that apply to the Single Operation.

Expenditure can only be reported if the following principles are respected:

- The calculation is based on actual costs.
- The costs are definitively borne by the Single Beneficiary and would not have arisen without the operation.
- The expenditure has actually been paid out before the end of the reporting period. Expenditure is considered to be paid when the amount is debited from the Single Beneficiary's bank account. The payment is usually proven by bank statements. The date

when the invoice was issued, recorded or booked in the accounting system does not count as a payment date.

- The expenditure is directly linked to implementation of the Single Operation and is necessary for its successful implementation.

The Single Beneficiary must ensure that all accounting documentation related to the operation is available and filed separately, even if this leads to a dual treatment of accounts (for example, if the usual accounting management requires central filing, a copy should also be kept in a separate file to allow quick access to the operation's supporting documents).

### **Accounting documents**

The following list gives an overview of the documents that have to be available for financial control and audit purposes and retained for a minimum period, which will be indicated in the closure notification:

- approved Operation Proposal
- grant agreement (original)
- relevant operation correspondence (financial and contractual)
- progress reports
- details on budget
- list of expenditure by partner
- first level control confirmation
- approbation certificates
- control checklists and control reports
- bank account statements proving the reception and the transfer of funds
- invoices or documents of equivalent probative value (e.g. pay slips for staff costs)
- bank account statements / proof of payment for each invoice
- proofs for delivery of services and goods: studies, brochures, newsletters, minutes of meetings, translated letters, participant lists, travel tickets, etc.
- evidence that the publicity requirements have been respected (see section 8)

Depending on the budget line, the following documents should also be available:

- staff costs: calculation of hourly rates, information on actual annual working hours, labour contracts, payroll documents and time records of personnel working for the operation (if relevant)
- travel and accommodation: travel expense claims, evidence that the journey took place (e.g. boarding passes, train tickets)

- external expertise and services: list of contracts and copies of all contracts with external experts and/or service providers, documents relating to public procurement (public procurement notes, terms of reference, offers / quotes, evaluation reports, order forms, etc.)
- equipment: record of assets, physical availability of equipment purchased in the context of the operation, calculation method in case of depreciation or if the equipment cost is allocated to the operation on a pro-rate basis, documents related to public procurement.

In the context of the operation an overview of the amounts reported must exist in computerised form. It must be possible to clearly identify which expenditure has been allocated and reported for the operation and to ensure that expenditure is not reported twice (in two different budget lines, reporting periods, operation/funding schemes). This clear identification is ensured through:

- a separate accounting system or
- an adequate accounting code for all expenditure relating to the Single Operation.

## **7.6 General principles**

This section details the considerations that have to be made of the EU's so-called horizontal principles on sustainable development, equal opportunities and non-discrimination and equality between men and women. General considerations on state aid rules can also be found here.

### **7.6.1 Equality between women and men**

The ESPON 2020 Cooperation Programme adopts the horizontal principle of gender equality as a cross-cutting theme implying supporting equality between men and women in any relevant cases within the scope of the programme's action.

The programme strives to promote equality between women and men at all stages of programme implementation, including the preparation, implementation, monitoring and evaluation of operations.

The Single Beneficiary is invited to explain in the application how the Single Operation complies with, and possibly even strengthens, gender equality. At the end of the operation, the Single Beneficiary will be asked to report on how the activities and outputs actually contributed to this horizontal principle.

Compliance with the above horizontal principles has to be explained in the specific section of the application form.

### **7.6.2 State aid**

The main provisions regulating state aid control are set out in articles 107 and 108 of the Treaty on the Functioning of the European Union (TFEU). These articles generally prohibit state aid and

define the rules to be followed by the Member States on the granting of aid that is in line with the state aid law.

In order to determine whether a public grant involves state aid, the following criteria apply:

- The beneficiary is an undertaking, i.e. an entity engaged in an economic activity
- The grant confers a benefit or advantage to the beneficiary which it would not have otherwise received
- The grant is selective
- The grant distorts or threatens to distort competition
- The grant affects trade between the Member States
- Any activities fulfilling all the above criteria cannot be financed under the ESPON 2020 Programme.

During the quality assessment of the Operation Proposal (see section 2.2.2), the MA will check that the proposed activities are in line with the programme rationale and therefore not subject to state aid rules. If the Single Operation is approved by the programme's monitoring committee any proposed activities not fulfilling this criterion will be excluded from the Operation Proposal.

### ***7.7 First Level Financial Control***

Before submission to the MA, each progress report has to be verified and confirmed by an independent controller compliant with the first level control system set up in Luxembourg, in accordance with Article 125 of Regulation (EU) No 1303/2013 and Article 23 of Regulation (EU) No 1299/2013.

This verification is carried out by a first level controller, i.e. somebody who has the qualifications (usually auditors or certified public accounts) to verify that the expenditure connected to the implementation of the operation was spent in compliance with the relevant EU, programme, national and regional, institutional rules. The main aim of the controls is to provide a guarantee for the managing authority, the certifying authority and, most importantly, to the Single Beneficiary itself that costs co-financed under the ESPON 2020 programme are accounted for and claimed in accordance with the legal and financial provisions of the grant agreement, the approved Operation Proposal, the ESPON 2020 programme rules, national rules and EU regulations.

The central approbation body of the decentralised first level control system is appointed by Luxembourg to check the first level controller proposed by the beneficiary.

First level controllers hold the qualifications required by Luxembourg and in the performance of their duties are obliged to fulfil the requirements for the first level controls laid down in the regulatory framework and in the national legal framework. The Single Beneficiary will have to run a public procurement as soon as the contracting is confirmed in order to identify the external controller and getting approved by the Central Approbation Body.

The Single Beneficiary must submit its Progress Report via the online monitoring system of the programme (together with the required supporting documents) to the controller in order to have its expenditure validated.

#### 7.7.1 Designation

In accordance with Article 23 of Regulation (EU) No 1299/2013, it is the responsibility of Luxembourg to designate the controllers responsible for verifying that the expenditure declared by the Single Beneficiary complies with the applicable law and the programme rules and that the funded products and services were delivered and paid. In practice, this means that the Single Beneficiary has to seek confirmation of the reported expenditure from a controller who is authorised by the Luxembourg.

The main principle is that the controllers have to be independent and qualified to carry out the control of expenditure. In order to be considered independent, the controllers have to fulfil certain criteria and in particular be independent (no other contractual relationships should exist with the Single Beneficiary that could lead to a conflict of interest).

Luxembourg has set up a de-centralised system for the first level controls of the Single Operation. In this context, the Single Beneficiary has to provide an approbation certificate delivered by the approbation body designated at programme level for the chosen first level controller. This approbation certificate has to be submitted with the first progress report. If, during the implementation, a new first level controller is appointed, a new approbation certificate has to be provided.

With regard to the qualification of the first level controller, it has to be bear in mind that the task of controlling the expenditure co-financed under the ESPON 2020 programme goes beyond checking the accounts: it also involves a judgment on the compliance with ERDF, national and programme rules. The controllers are therefore expected to have a profound knowledge of controlling expenditure under the Structural Funds regulations as well as a good knowledge of English (considering that all programme documents and reports are in English).

#### 7.7.2 Role of the first level controller

The first level controllers' task is to verify that the expenditure reported by the Single Beneficiary in each progress report fulfils the following conditions:

- the costs are eligible,
- the conditions of the programme, approved Operation Proposal form and grant agreement have been observed and followed,
- the invoices and payments are correctly recorded and sufficiently supported,
- the related activities, sub-contracted supplies and services are in progress or have been delivered or carried out,
- the community rules have been respected especially with regard to information and publicity, public procurement, equal opportunities and protection of the environment.



The controllers have to be familiar with the content of the following documents in order to be able to confirm the compliance with the provisions laid down in:

- the EU regulations and directives, i.e. in particular with:
  - Regulation (EU) No 1303/2013 (Common Provisions Regulation)
  - Regulation (EU) No 1301/2013 (ERDF Regulation)
  - Regulation (EU) No 1299/2013 (European Territorial Cooperation Regulation)
  - Regulation (EU) No 481/2014 (Eligibility of expenditure for cooperation programmes)
  - EU Directives on public procurement
- further national rules and guidance (e.g. national public procurement rules)
- the implementation guidelines
- the Operation Proposal
- the grant agreement

If there are amendments to the Operation Proposal and/or the grant agreement, the Single Beneficiary has to ensure that the latest version is made available to the first level controller.

The programme provides standard documents providing guidelines for the controllers during the control work, to ensure the application of the same quality standards and to document the control steps properly:

- A standard control confirmation to be signed (electronically) by the first level controller;
- A standard control report
- A standard control checklist.

The standard documents mentioned above have been developed in a joint approach between European territorial cooperation programmes in order to bring greater harmonisation to the different strands of European territorial cooperation. The text of the documents may not be amended or extended. The control report and checklist template provides the minimum requirements for the controllers' checks and documentation. Additional points (e.g. documentation of checks on the basis of national rules) may be added.

The first level controller has to take into consideration that, when signing the control report for a certain reporting period, they are confirming the full amount of eligible expenditure. In order to have sufficient reassurance, the controllers are thus expected to check 100% of the expenditure. Only in very well justified cases, sampling is possible on the condition that the sample is representative (costs from all budget lines are checked), the method, scope and the results are fully documented and give sufficient evidence and reassurance for confirming the full expenditure (no risks/errors identified for items checked within the sample, otherwise the full expenditure should be checked).

The first level controller has to verify that the reported activities have taken place, the delivery of sub-contracted supplies, work and goods is in progress or has been completed.

In accordance with Regulation (EU) No 1303/2013 Article 125 (5), this verification has to be done on-the-spot, at least once during the implementation of the Single Operation. At the same time, the Regulation stipulates that the means invested on 'on-the-spot' verifications should remain proportionate to the costs to be verified and the level of risk identified.

In order to identify the risk inherent to the certification of a certain amount of costs, the following criteria could be considered:

- size of costs to be reported,
- number of contracts involving important public procurement processes,
- general quality of the partner's reporting documents,
- reporting problems already encountered.

In any case, it is important to document in the control report the check on the existence and reality of goods, works and services procured, the type of evidence viewed and the method chosen. If the first level controller decides not to carry out an on-the-spot check a sound justification has to be documented.

#### **Why are on-the-spot checks useful?**

The Single Operation includes activities such as meetings, seminars, studies which therefore mainly involve staff, administration, external expertise and travel costs. Administrative verifications can provide assurances to a large extent, but they cannot always cover everything.

The on-the-spot check usually focuses on two aspects, which can help to assure the proper implementation of the Single Operation:

1. The good functioning of internal processes and systems related to the approval, ordering, accounting and payment of reported costs.

An on-the-spot check gives a better understanding of the supporting documents: interviews and walk-throughs can be conducted, which means that a certain process can be traced from the beginning to its end inside the Single Beneficiary organisation with the people responsible, such as public procurement processes from the launch of the tender to the selection, contracting and final delivery of the contract or a payment process from the ordering of the service to its delivery, invoicing, registration in the accounting system and final payment. Moreover, original documents (invoices, timesheets) can be accessed.

## 2. The existence and delivery of goods and services

The staff working on the Single Operation can actually be met. Outputs such a publications, equipment items etc. can be reviewed in more depth. Supporting documents such as staff contracts, bank statements as payment proofs and procurement documents can be reviewed and accessed more easily.

On-the-spot checks also accelerate the verification process.

### 7.7.3 Validation of the expenditure by first level controller

The implementation of first level control, including the exchange of Operation progress reports, with supporting documents, storage of supporting documents and verification and certification is processed via the online platform of the computerized monitoring system of the program. The controller completes online the declaration of the validation (Control Certificate), the Control Checklist, the Control Report, and validates the Progress Report (financial and activity parts).

As a general rule, all documents provided by the Single Beneficiary are stored and archived in the monitoring system of the programme.

Once the first level controller finalizes its control, the Single Beneficiary has to submit via the online platform of the programme to the MA the following documentation:

- The Operation Progress Report which is composed of a Financial Report sections and an Activity Report;
- The control certificate;
- The control report;
- The control checklist.

MC members will have full reading access to these documents via the e-MS platform.

### **Tools**

In order to collect all information and supporting documents necessary for the reporting and first level control process, the MA has developed an online reporting platform (e-MS). The developed tools for the financial management and for the validation of the expenditure by the first level controllers are:

- Online Operation progress reports (financial report sections and activity report);
- Online *declaration of the validation* of the expenditure (control certificate)
- Online Control Checklist (including a separate section to be completed for each procurement above 20.000EUR).
- Online Control Report.

In addition, the detailed procedure for the validation is explained in the “Guidelines for Certification”.

These documents requested in the course of the certification process are stored and collected in the relevant module of the electronic monitoring system of the Programme.

#### 7.7.4 Timing of the first level financial control

The Single Operation is required to submit the progress report within three months after the end of each reporting period (see section 6.2). Expenditure must therefore be verified within this timeframe. In order to ensure timely submission, the controls have to be scheduled carefully in relation to the submission deadlines.

In this context, it is important to keep in mind that;

- expenditure has to be reported regularly, i.e. during the reporting period in which it is incurred,
- the controller can only carry out the control after receipt of all the documents,

#### 7.7.5 First level control costs

Control costs for the verification of expenditure are eligible under the external expertise budget line. In order for the control costs for the last progress report to be eligible, the activity (first level control) and the payment have to be made before the official end date of the Single Operation.

### **7.8 Second level auditing**

The Audit Authority of the ESPON Programme is responsible for:

- Ensuring the effective functioning of the management and control system in the Programme, by performing audits on the MA, CA and on the first level controller and
- Ensuring that audits are carried out on the operation, in order to verify the expenditure that has been declared.

According to the regulatory framework, the auditors must be independent of the first level control system.

The regulatory provisions imply that the Single Operation will undergo a second level auditing. Every year between 2017 and 2022, checks on the Single Operation will be carried out to verify if the Operation correctly declared expenditure in the Operation Progress Reports.

The Single Operation will be checked by the national competent auditor, Inspection General des Finances of Luxembourg.

The national auditor of Luxembourg will be in charge of checking the Single Operation and will lead and organize the schedule of the audits.

The audit starts when the auditor launches the audit and informs the Single Beneficiary about the aim and schedule of the checks. The audits implies both desk checks and on the spot checks.

It is the duty of the Single Beneficiary to facilitate the audit actions and to provide requested documentation and accesses to locations and premises.

Auditors will check:

- Compliance of the implementation with the approved conditions;
- Compliance with rules of the regulatory framework, of the national legislation and of programme rules;
- Soundness of the management and control system implemented at operation level;
- Soundness of the first level controls performed.

After closing of the desk checks and on the spot checks the Single Beneficiary will receive a report from its auditor and will have a limited period of time to debate upon the auditors' findings. This procedure is named "the contradictory procedure", its length might vary in time according to the rules set by the AA.

Comments from the Single Beneficiary will be reported in the auditors' report. Once the contradictory procedure has been closed, the auditor will finalize the report and inform the AA, and the MA/CA about the outcomes and suggest follow up actions, if needed.

MC members will have full reading access to these documents via the e-MS platform.

The MA will address the MC of the programme for the approval of necessary follow up actions. The follow up actions approved by the members of the MC will be implemented by the MA/CA. The MA will relate directly to the Single Beneficiary in the follow up process and also channel the proper data to the CA.

It is important to underline that the programme bodies should communicate and request data and documentation via the computerised monitoring system of the programme in the course of the audit. The data already collected during the first level control process has to be considered in the process.

Costs incurred during the second level auditing by the Single Beneficiary might be reported and considered eligible for funding, within the thresholds set by the budget of the Single Operation and if complying with the eligibility rules set in the Operation Specification.

### **7.9 Other controls**

The Managing and Certifying Authority of this Programme are also entitled to perform checks at the operation to ensure that a sound management and control system has been implemented.

Other checks might also be performed on the operation by other auditing bodies of the European Commission services, the European Court of Auditors, other auditing bodies of the participating Member and Partner States or other national public auditing bodies.

The Single Beneficiary is obliged to fully cooperate with these bodies in the performance of their duties and to offer accessibility to premises and documentation.

### **7.10 Irregularities, liability and follow-up actions**

If during the first level controls, the second level audits, the MA on-the-spot checks or other controls, an irregular use of granted funds is detected, the following actions could be adopted with respect to the Operation:

- Recovering of grant,
- Cancelling part of the grant,
- Cancelling the whole grant .

In case there is a suspicion of an irregularity, fraud or bankruptcy, or detection of a systemic error in reporting, the MA and CA are entitled to withhold the payment of the funding.

According to the Grant Agreement, the Single Beneficiary is financially responsible for the management of the Single Operation and liable for any infringements pursued.

The MA and the CA will undertake the necessary follow-up actions with respect to the Single Beneficiary to pursue the Member States' decision.

Regarding the liabilities related to the impossibility to recover already paid out funding the rules apply as described in the ESPON 2020 CP.

## **8. Outreach activities**

The Single Operation has the obligation to communicate and inform targets groups and the general public about the Single Operation and its achievement. This can be done via the implementation of the outreach strategy under strategic objective 4.

### **Activities**

Activities may include newsletters, a large conference, networking lunch, workshop, email alerts, press release, website, promotional literature, regional seminars, etc. .

Regarding promotional 'gadgets' or 'giveaways' the EC has communicated to follow restrictive approach. Only communication material specifically required for reaching the defined target groups and objectives may be produced. Such publicity material needs to be specified in the Annual Work Plan.

### **Evaluation**

It is important to put tools in place to measure the impact of the different communication outputs and results, and to potentially improve the effectiveness of the outreach strategy. A certain number of indicators are pre-defined at programme level and these need to be reported through each progress report.

### **Logo**

The Regulation (EU) No 1303/2013 (Annex XII, Article 2.2) requires all beneficiaries to follow a number of rules regarding the use of the logo of the European Union and the respective fund – ERDF in the case of the ESPON 2020 Programme. The logo must always be visible in a

prominent place (on the first/landing page, visible, without scrolling, on all electronic and mobile devices) and of a comparable size to other logos used.

### **Single Operation website**

The Single Beneficiary has to follow the requirements laid down in the Regulation (EU) No 1303/2013 (Annex XII Article 2.2 paragraph 2.a) and publish information about the Single Operation on their website. A short description of the Single Operation, its aims and results and highlight the financial support from the European Union (ESPON 2020 Programme/ ERDF). The information about the Single Operation has to include the programme logo set in a visible place, meeting the general visibility and publicity requirements of the programme.

### **Posters**

Within six months after the approval of the Single Operation, the Single Beneficiary has to place at least one poster with information about the Single Operation (minimum size A3), including the financial support from the ERDF, at a location readily visible to the public, such as the entrance area of a building (Regulation (EU) No 1303/2013, Annex XII Article 2.2 paragraph 2.a). The poster needs to stay visible for the whole duration of the Single Operation. The production costs of the poster need to be budgeted.

### **Events**

During events, the Single Beneficiary shall place the EU flag and the poster (or a banner) in a readily visible place (e.g. the front of the meeting room) ensuring visibility of the EU and the programme. The EU logo and the programme logo have to be used on any agendas, list of participants, related hand-outs and presentations.

### **Publications**

All digital or printed material, such as booklets, leaflets, newsletters, studies, or presentations must display the EU and the programme logo set. Also, a clear reference to the ERDF funding needs to be made in each publication.

Please note that if the visibility and publicity requirements are not observed or only partly observed, the related costs incurred may be considered ineligible for ERDF funding.

### **Checklist of publicity requirements**

- Logo set used
- Inform about the Single Operation on the website
- Linked to ESPON programme website
- Single operation poster at a readable visible place
- ERDF support mentioned on all documents used for the public or the participants in the activities
- Website updated at least once every six month

## **9. Programme support**

The MA provides ad-hoc support to the Single Beneficiary during the entire implementation of the Single Operation. The support can take the forms of specific guidance, support, also via meetings. The Single Beneficiary is encouraged to keep a close coordination with the MA in content, administrative and financial related aspects of the Single Operation.

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