

The map of the Programme Area is shown. The Programme covers the following regions of Germany, Denmark, Lithuania, Poland and Sweden:

Vorpommern-Greifswald

Rostock, Kreisfreie Stadt

Nordwestmecklenburg

Vorpommern-Rügen

Lankreis Rostock

Bornholm

Østsjælland

Vest- og Sydsjælland

Klaipėdos apskritis

Tauragės apskritis

Telšių apskritis

Miasto Szczecin

Koszaliński

Szczecinecko-pyrzycki

Szczeciński

Słupski

Chojnicki

Starogardzki

Trójmiejski

Gdański

Elbląski

Kronobergs län

Kalmar län

Blekinge län

Skåne län

Interreg South Baltic Programme 2021–2027

Programme Manual

Version 1.0

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I GENERAL PROGRAMME INFORMATION

1.1 LEGAL FRAMEWORK

The Interreg South Baltic Programme 2021-2027 is a multilateral cross-border cooperation programme between the coastal regions of five EU Member States: Germany, Denmark, Sweden, Lithuania, and Poland, implemented in the framework of the Interreg instrument of the European Union funded by the European Regional Development Fund (ERDF).

The Programme document of the Interreg South Baltic Programme 2021-2027 was approved by the European Commission's on 4th October 2022 (C(2022) 7184).

Please note that provisions of the Programme document approved by the European Commission precedes over the present Programme Manual.

The following legal documents frame among others the implementation of the Interreg South Baltic Programme 2021-2027:

1. Regulation (EU) 2021/1058 of the European parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund.
2. Regulation (EU) 2021/1059 of the European parliament and of the Council of 24 June 2021 on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments.
3. Regulation (EU) 2021/1060 of the European parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy.
4. Interreg South Baltic Programme 2021-2027 document approved by the European Commission on 4 October 2022.

5. Regulation (EU) 2020/852 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.
6. Regulation (EU, Euratom) No 966/2012, providing the financial rules applicable to the general budget of the Union.
7. Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (Official Journal of the European Union L 119 of 4/5/2016 page 1–88).
8. Regulation (EU) No 1302/2013 of the European Parliament and of the Council of 17 December 2013 amending Regulation (EC) No 1082/2006 on a European grouping of territorial cooperation (EGTC) as regards the clarification, simplification and improvement of the establishment and functioning of such groupings.
9. Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union and the Guidance on the avoidance and management of conflicts of interest under the Financial Regulation (2021/C 121/01).
10. Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (hereinafter, 'GBER');
11. Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid.
12. Application Pack and other Programme documents.
13. Applicable national legal acts and regulations.

Please note that also all other relevant EU and national legislation may be applicable.

1.2 NEW GENERATION OF THE PROGRAMME

After more than 30 years of implementing territorial cooperation in the European Union, the Interreg programmes have entered the new generation for 2021–2027.

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The document meets the accessibility rules.

Similar to previous years, the cross-border cooperation tackles common challenges identified jointly in the border regions to exploit the untapped growth potential in these areas.

1.3 OVERALL VISION OF THE SOUTH BALTIC AREA

Maritime cooperation in the South Baltic area is based on joint challenges and opportunities strongly connected with a common natural resource – **the Baltic Sea**. The regions of the Programme have very strong historical roots of cooperation, which nowadays is an important background for sustainable regional growth. The potential of cooperative networks is strengthened by common assets such as knowledge-intensive services and research-intensive industries, the availability of businesses investing in and promoting clean, energy-efficient technologies, and the untapped resource of tertiary education graduates. At the same time, there are still considerable disparities in socio-economic characteristics, with visible urban-rural and west-east divides in the economic attainment of the SMEs, innovation capacity in the regions, demographic, migration, and labour market trends, and mobility patterns that need to be addressed by joint actions across borders, which were indicated in previous editions.

Previous editions emphasised the local character of the programme, which was reflected in its motto: **‘Going local. Meeting your needs. Connecting people and ideas’**. Since 2007, the networks created by beneficiaries were strengthened to make the potential of the area more visible in the European context, and the Programme itself took on more strategic and focused approach to support the blue and green economy at a very local level.

Taking it all into consideration, the vision for the South Baltic Programme 2021–2027 is:

United by the Sea into action for a blue and green future
Innovative, Sustainable, Attractive and Active South Baltic

‘Innovative’ – describes an approach to economic growth that utilises the endogenous potential of the SBA (e.g., number of research institutions, universities, and modern enterprises) for the SBA’s most important sectors, including energy, food,

transportation etc; the approach is highly desirable in the sectors of tourism and culture as well as other branches.

'Sustainable' – means that the actions that will be undertaken within the Programme will have a positive impact on the regions' environmental, social, and economic development. A sustainable approach is very much connected with the **green and blue economy**, related to environmentally friendly solutions promoting the sustainable management of resources (energy efficiency, recycling, safety, and health concerns) and related to economic activities in the fields of oceans, seas, and coasts.

'Attractive' – emphasises the natural and cultural values of the area. These regions not only have beautiful landscapes, but also a wealth of vegetation, green areas and deeply rooted cultural heritage.

'Active' – places emphasis on the need for actions aiming at ensuring economic growth and improving the quality of life of the South Baltic regions' inhabitants. It also refers to the issue of cooperation between various groups of stakeholders of different types and from different regions. We especially want to encourage local stakeholders to work together to keep the Programme as close as possible to area residents while promoting green and blue growth from the bottom up.

1.4 PROGRAMME MANAGEMENT BODIES AND STRUCTURE

Monitoring Committee (MC) is the main decision-making body of the Programme composed of assigned representatives of all participating Member States and a delegation of Euroregions as well as relevant social and economic partners, partners representing civil society as well as research organisations and universities. The MC approves the Programme documents, including selection criteria and procedures, and takes the final decisions on the submitted Application Forms (approval or rejection) and submitted complaints. A representative of the European Commission participates in MC meetings in an advisory capacity. The full list of MC members can be found on the Programme website.

National Authorities (NAs) are represented by all participating Member States of the Programme, and relevant functions are vested in the Polish Ministry responsible for Development Funds and Regional Policy, the Danish Enterprise and Construction

Authority, the Ministry of Economics, Construction and Tourism of Mecklenburg-Vorpommern, the Ministry of the Interior of the Republic of Lithuania and the Ministry of Enterprise, Energy and Communications of Sweden. The NAs provide comprehensive support to the MA at the national level, ensuring overall sound Programme management and implementation

Managing Authority (MA) is an executive body represented by the Polish Ministry responsible for Development Funds and Regional Policy. The Programme management and implementation are vested in the MA in accordance with the principle of sound financial administration and the applicable legislation. The MA is the party to the Subsidy Contract and disbursement payments to projects and applies for the return of funds by a project if irregularities are found.

Audit Authority (AA) is represented by the Polish Ministry of Finance. The AA is responsible for auditing the system and operations by performing the 'second level control'. The AA checks if the audit work complies with internationally accepted audit standards when carrying out audits on the MA, the JS and on the first level controllers.

Joint Secretariat (JS) is an assisting operational body located in Gdańsk, Poland. The JS is responsible for, inter alia, preparation and launching of the Programme Calls for Proposals, provision of information on the Programme to future applicants and project partners, management of the project selection procedures, assistance to projects in the implementation process, monitoring and verification of the project progress reports, etc.

Contact Points (CPs) are represented by assigned specialists located in each Programme region and are the first source of information about the Programme for potential applicants and project partners. Explicit and comprehensive information is provided in national languages and in relation to the national requirement, specifications, and rules. The CPs facilitate the partner search, organise and carry out training sessions and information meetings for potential applicants, provide information and give consultations during project development and implementation processes, etc.

First Level Control (FLC) defines controllers that are entitled to and responsible for verification of expenditure declared by the project partners located in each respective Member State. Its main tasks and responsibilities include cooperation with project partners in the auditing process at the partner level by verifying the eligibility of the expenditure declared, and compliance of the expenditure with the Programme rules, EC, and national legislative acts. Two FLC systems are recognised in the Programme, depending on the country of origin: a centralised system in Poland and Sweden, and a decentralised system in Denmark, Germany, and Lithuania. As these systems require different operational approaches from project partners, please make sure to refer to the detailed information in Chapter VI, Section 6 Audit and Control of this Manual.

2 SOUTH BALTIC PROGRAMME AREA

The South Baltic Programme is a multilateral cross-border cooperation programme created on the coastal regions of five EU Member States: Germany, Denmark, Sweden, Lithuania, and Poland. The Programme covers 25 NUTS3 regions (Bornholm, Østsjælland, Vest-og Sydsjælland, Skåne län, Blekinge län, Kalmar län, Kronobergs län, Nordwestmecklenburg, Rostock, Vorpommern-Rügen, Vorpommern-Greifswald, district-free city (kreisfreie Stadt) of Rostock, Miasto Szczecin, Szczeciński, Szczecinecko-pyrzycki, Koszaliński, Słupski, Starogardzki, Chojnicki, Gdański, Trójmiejski, Elbląski, Klaipėdos apskritis, Tauragės apskritis, Telšių apskritis).

3 COMPLEMENTARITIES WITH OTHER INTERREG PROGRAMMES

Synergies and complementarities between the strands of Interreg should be strengthened. The Interreg South Baltic Programme 2021–2027 geographically overlaps with the transnational Interreg Baltic Sea Region Programme 2021–2027, but the complementarity of these programmes should take into account their nature (cross-border vs. transnational) and so should be considered at various levels of cooperation opportunities, challenges, and recipients.

The South Baltic Programme also shares some larger parts of the area or might overlap thematically with other Interreg cross-border programmes on internal EU borders, namely:

- Interreg Central Baltic Programme
- Interreg Germany/Mecklenburg Vorpommern-Brandenburg-Poland Programme
- Interreg Öresund-Kattegat-Skagerrak Programme

It should be underlined that the interest of beneficiaries has grown quickly from call to call, thus in a short period, the South Baltic Programme has become a well-recognised financial instrument in this part of the Baltic Sea. At the same time, the Programme anchored itself well in the existing structures, being complementary with other financial instruments at different levels (regional, national, and international).

Interreg Baltic Sea Region Programme

The Programme covers the following territory: Denmark, Estonia, Finland, Germany (the States of Berlin, Brandenburg, Bremen, Hamburg, Mecklenburg-Vorpommern, Schleswig-Holstein and Niedersachsen), Latvia, Lithuania, Poland and Sweden.

In addition, organisations from Norway can take part in projects.

The **overlapping territory** with the Interreg Baltic Sea Region Programme: **Denmark** (Bornholm, Østsjælland, Vest-og Sydsjælland), **Sweden** (Skåne, Blekinge, Kalmar, Kronobergs), **Germany** (Nordwestmecklenburg, Rostock, Vorpommern-Rügen, Vorpommern-Greifswald, district-free city of Rostock), **Poland** (Miasto Szczecin, Szczeciński, Szczecinecko-pyrzycki, Koszaliński, Słupski, Starogardzki, Chojnicki, Gdański, Trójmiejski, Elbląski) and **Lithuania** (Klaipėdos apskritis, Tauragės apskritis, Telšių apskritis).

The Programme supports four **objectives**:

1. Innovative society
2. Water-smart societies
3. Climate-neutral societies
4. Cooperation governance.

In the document there is a picture showing the map of the programme area and the overlaps between different Interreg programmes and the Interreg South Baltic Programme.

Interreg Central Baltic Programme

The Programme covers the following territory: Estonia (Kesk-Eesti, Kirde-Eesti, Lääne-Eesti, Põhja-Eesti and Lõuna-Eesti), Finland (Kymenlaakso, Satakunta, Uusimaa, Varsinais-Suomi, Etelä-Karjala, Kanta-Häme, Pirkanmaa, Päijät-Häme and Åland (autonomous)), Latvia (Kurzeme, Pierīga, Rīga, Vidzeme and Zemgale) and Sweden (Gotlands, Gävleborgs, Stockholms, Södermanlands, Uppsala, Östergötlands, Västmanlands and Örebro).

The Programme supports four **priorities**:

1. Innovative business development
2. Improved environment and resource use
3. Improved employment opportunities
4. Improved public services.

Interreg Germany/Mecklenburg Vorpommern-Brandenburg-Poland Programme

The Programme covers the following territory: Germany: the eastern part of Mecklenburg-Vorpommern (Vorpommern-Greifswald, Vorpommern-Rügen and Mecklenburgische Seenplatte), the north-east of Brandenburg (Uckermark, Barnim and Märkisch-Oderland), Poland: the West Pomeranian Voivodeship (Koszaliński, Szczecinecko-Pyrzycki, Szczeciński, Miasto Szczecin)

The **overlapping** territory with the Interreg Germany/Mecklenburg Vorpommern-Brandenburg-Poland Programme: **Germany** (districts of Mecklenburg-Vorpommern: Vorpommern-Rügen, Vorpommern-Greifswald) and **Poland** (Koszaliński, Szczecinecko-Pyrzycki, Szczeciński, Miasto Szczecin).

The Programme supports four **priorities**:

1. Activation of cross-border innovation potential
2. Overcoming the effects of climate change and protecting nature
3. Better participation in cross-border daily life through language, culture and tourism
4. Strengthening trust, jointly shaping cross-border development.

Interreg Öresund-Kattegat-Skagerrak Programme

The Programme covers the following territory: Swedish: Skåne, Halland, Västra Götaland, Danish: Østsjælland, Vest-og Sydsjælland, Hovedstaden Bornholm, North Jutland, Midtjylland and Norwegian Viken, Oslo, Vestfold og Telemark and Agder).

The **overlapping territory** with the Interreg Öresund-Kattegat-Skagerrak Programme: **Denmark** (Bornholm, Østsjælland, Vest-og Sydsjælland) and **Sweden** (Skåne).

The Programme supports four **areas of intervention**:

1. Innovation and Entrepreneurship
2. Green Transition
3. Transport and Mobility
4. Borderless Labour Market.

4 COMPLIANCE WITH DNSH PRINCIPLE, EUSBSR AND OTHER INITIATIVES

4.1 Compliance with the DNSH principle

The Do no significant harm (hereinafter – ‘DNSH’) principle is set out in the Regulation (EU) 2020/852 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088. It aims to classify certain

economic activities as 'environmentally sustainable' – understood as activities which contribute significantly to one or more of the six environmental objectives:

- Climate change mitigation
- Climate change adaptation
- The sustainable use and protection of water and marine resources
- The transition to a circular economy, including waste prevention and recycling
- Pollution prevention and control
- The protection and restoration of biodiversity and ecosystems

Activities shall not cause serious harm to any of the environmental objectives and shall also comply with minimum social safeguards.

Compliance of activities with the DNSH principle is already clearly stated in the Programme and supported by a Strategic Environmental Assessment report. The Programme does not expect to cause any significant damage to the environment due to the nature of the actions: the types of actions have been assessed as compatible with the DNSH principle and are not expected to have any significant negative environmental impact due to their nature.

However, the project should justify that it will not plan actions which can cause any serious damage to the environment. The DNSH principle is treated as a part of sustainable development principle and will be a subject of assessment. Detailed information is provided in Annex 6 Project selection process and criteria.

4.2 Contribution to the European Union Strategy for the Baltic Sea Region (EUSBSR)

The general linkage between the Programme priorities and the EUSBSR is described in the Programme Document. The Programme measures are clearly linked to the main goals of the EUSBSR: Save the Sea, Connect the Region and Increase Prosperity.

Strong links to the Policy Areas of the EUSBSR are observed, and complementarity with the Programme measures are expected:

- PA Energy – Programme measure 2.1. Supporting transition towards green energy
- PA Tourism – Programme measure 3.1. Developing sustainable, resilient, and innovative tourism
- PA Culture – Programme measure 3.1. Developing sustainable, resilient, and innovative tourism
- PA Innovations – Programme measure 1.1. Digitilising the region.

Project applications are strongly encouraged to refer to the EUSBSR. The Strategy is available on the website <https://www.balticsea-region-strategy.eu/>. A proactive approach to the Strategy is more than welcomed. The contribution to the EUSBSR and relevant Policy Areas will be assessed during the quality assessment of project application. Detailed information is provided in Annex 6 Project selection process and criteria.

Applicants may benefit from reference to the EUSBSR in various ways, by i.a.:

- improving visibility of the project
- better and broader capitalisation of project outputs
- mainstreaming of jointly developed solutions.

The JS will provide the necessary support and guidance to the applicants on the possibilities and requirements for projects to link with the EUSBSR.

The Programme may also support projects that do not have clear links to the EUSBSR or only limited ones. However, all successful applicants will contribute to the objectives, priorities, and measures of the South Baltic Programme. Therefore, a general reference to the EUSBSR will be confirmed indirectly.

4.3 European Green Deal and other EU initiatives

The European Green Deal is mentioned in the Programme Document. The EU committed to achieve climate neutrality by 2050, especially by actions focused on: investing in environmentally friendly technologies, supporting innovations in industries, more sustainable public transport, decarbonising the energy sector, energy

efficiency and working with international partners to improve global environmental standards. The chosen Programme measures have a robust contribution to achieving the goals of the European Green Deal, mainly measures 1.1., 2.1, 2.2, 2.3 and 3.1.

The applicants are encouraged to provide a general reference to the EU Green Deal. Applicants may also refer to other EU initiatives e.g., related to digitalisation, health, REPowerEU and others. However, there is no such obligation. For example, the project may contribute to the Commission's initiative called 'A New European Bauhaus' but as a rule, the Programme actions were not planned in the context of this initiative.

4.4 Horizontal principles for the Interreg Programmes

Regardless of the selected Priority and the relevant Measure, each project application should consider the horizontal principles for the Interreg programmes. The principles of equal opportunities and non-discrimination, as well as accessibility, including for persons with disabilities and equality between women and men, shall be of particular importance during project preparation and implementation.

Principle of equal opportunities and non-discrimination, including accessibility for persons with disabilities

The principle of equal opportunities and non-discrimination, including accessibility for persons with disabilities, implies that all persons, irrespective of sex, race, racial, ethnic, or social origin, genetic features, language, religion or belief, political views or any other views, membership of a national minority, property, birth, disability, age, or sexual orientation, should be able to fairly and fully participate in all areas of life on equal terms.¹

The obligations to ensure equal opportunities and non-discrimination, including accessibility for persons with disabilities, in the programmes co-financed from European funds are laid down in the Common Provisions Regulation² and in the Interreg Regulation.³ The Regulations oblige the Member States to take action to prevent any forms of discrimination by developing and implementing programmes.

¹ Guidance on ensuring the respect for the Charter of Fundamental Rights of the European Union when implementing the European Structural and Investment Funds ('ESI Funds')

² Articles 9 and 73 of the Common Provisions Regulation.

³ Article 22(2) of the Interreg Regulation

The funds should not be spent to support actions that favour any form of segregation or exclusion, while for the financing of pilot actions, they should guarantee accessibility for persons with disabilities (if relevant). This concerns both the project participants, recipients of project actions and products, as well as the staff and external service providers involved in the project (e.g., public procurement). Caring for equal opportunities involves, above all, active actions and planning of solutions that contribute to the reduction of barriers faced by different social groups in terms of free access to goods, services, information, and infrastructure.

The project partners are obliged to include the needs of persons with disabilities in the logic of the project intervention and to consider the needs of these persons at each stage of the project implementation. It is necessary to analyse the needs and barriers of persons with disabilities in the field of the project implementation and project theme, to plan actions accessible to all interested parties (including horizontal actions such as project promotion, project management, etc.), to develop products that comply with the principle of universal design and/or are accessible to people with disabilities.

When forming the project proposal, applicants are recommended to consider the following issues and to:

1. Analyse the barriers and needs of persons with disabilities and other groups that are particularly exposed to discrimination in terms of the subject matter and scope of the project.

It should be assumed that the target groups and project stakeholders (e.g., those taking part in trainings, workshops, concerts, patients) or those benefiting from the project effects (a new digital service, a newly opened exhibition) may include people with disabilities. For this reason, applicants should identify whether and, if so, to what extent the problem that will be mitigated or resolved by the implementation of the project concerns persons with disabilities, and to plan such actions that will make the project and its effects accessible to all end users.

When analysing the need to implement a project, applicants should review the situation of persons with disabilities in the context of the project area/theme and identify their needs, which may vary considerably depending on the type of disability.

Different forms of support are required by the following persons: the blind and visually impaired, the deaf and hard-of-hearing, the deaf-blind, persons with mobility disabilities, with intellectual disabilities, with mental disorders or diseases, age-related restrictions, etc.

The analysis of the situation of a group in the context of a project may be based on both quantitative and qualitative data, depending on the subject matter of the project and the availability of data. The applicant should provide the data sources used in the analysis and, if it refers to its own studies, describe their assumptions.

2. Consider the principle of equal opportunities and non-discrimination, including accessibility for persons with disabilities, for the purposes of the project, if applicable:
 - a) the support for persons with disabilities is an important element in justifying the implementation of a project (e.g., developing an IT solution for persons with poor eyesight),

or
 - a) the project implementation may contribute to improving the situation of persons with disabilities in the area of the project implementation and project theme (e.g., conducting trainings for persons with hearing impairment); it is then necessary to consider focusing the project on supporting persons with disabilities in the project objectives.
3. Ensure that project actions are accessible to all interested parties regardless of sex, race, racial, ethnic or social origin, genetic features, language, religion or belief, political or any other views, membership of a national minority, property, birth, disability, age or sexual orientation, with particular focus placed on the needs of persons with disabilities.

The actions planned in a project should be accessible to all interested parties regardless of the type and degree of disability. When designing actions, the applicant should, among others:

- a) provide access to project and recruitment information to all interested parties (e.g., project information on a website compliant with the WCAG 2.1 standard, or later, information on the project provided to local/regional non-governmental organisations supporting persons with disabilities, accessible information materials, a recruitment process with at least two application channels: electronically and in person or by post/telephone),
 - b) differentiate the manner of providing support and adapt it to the individual needs and capabilities of the individual project participants (e.g., the materials for visually impaired persons should be printed in a larger font; a sign language interpreter or assistant of a person with a disability should be provided),
 - c) break down stereotypes and causes of segregation in different spheres of life (e.g., including the image of persons with disabilities in media messages),
 - d) ensure that the project management is compliant with the equality principles (e.g., the recruitment process for a project position should be accessible to all interested parties – the place or manner of delivering the work should be adapted to the needs of persons with disabilities, and social clauses should be included in public procurement).
4. Ensure that products comply with the principle of universal design or are accessible to persons with disabilities.

The project products must be accessible, which means that they comply with the concept of universal design. The products, working environment, programmes and services should be designed in such a manner that they are useful to everybody as far as possible, without the need to adapt them or prepare a specialist design⁴. One

⁴ Convention on the Rights of Persons with Disabilities: www.un.org.

of the overriding objectives of universal design is to promote equality and to ensure that persons with disabilities are able to fully participate in social life by removing the existing barriers and preventing the emergence of new ones.

During the implementation process, partners should carry out their actions as described in the Application Form and describe these actions in the progress report by including the aspect of accessibility for persons with disabilities. It should be indicated what was done to ensure access for persons with disabilities and how the actions have mitigated the inequalities of disability.

Principle of equality between women and men and integrating the gender perspective

The principle of equality between women and men is to ensure that women and men are given equal social value, equal rights, and equal obligations, and that they have equal access to the resources they can benefit from (financial resources, development opportunities). This principle guarantees the possibility to choose a way of life without restrictions arising from gender stereotypes. Its implementation also involves the consideration of the gender perspective in the development, performance, and evaluation of EU-funded programmes.

The obligations to ensure equality between women and men are embedded in the Common Provisions Regulation⁵ and in the Interreg Regulation.⁶ The programme institutions are required to develop transparent and non-discriminatory procedures and selection criteria for projects that ensure gender equality.

The project partners are obliged to consider the gender perspective at each stage of the project preparation and implementation.

When forming the project proposal, applicants are recommended to consider the following issues and to:

1. Perform an analysis of the barriers to equality⁷ in the thematic area of the project and/or from the perspective of the project implementation area, if applicable.

⁵ Articles 9 and 73 of the Common Provisions Regulation.

⁶ Article 22(2) of the Interreg Regulation.

⁷ Barriers to equality include above all: horizontal and vertical segregation in the labour market, gender pay gaps in equivalent positions performing the same duties, low accessibility of flexible working arrangements, low involvement of men in performing family responsibilities, low participation of women in decision-making processes, gender-based violence, gender invisibility in health care, insufficient pre-school or institutional care for children under 3 years of age, gender-related stereotypes in all areas, multiple (cross-) discrimination in all areas, i.e. on the grounds of two or more factors (e.g. with regard to women aged 50 or

When analysing the need for the project, the applicants should consider the situation of women and men (potential project participants), indicating whether there are barriers to equality (systemic inequalities and limitations with regard to one sex (mostly women) which are copied and consolidated in social and cultural terms) in the context of the project implementation/thematic area. When diagnosing equality barriers, the situation of the women and men involved in the project should be considered.

2. Plan actions that will address the diagnosed barriers to equality or identify preventive actions if no barriers have been diagnosed.

The applicants should indicate what type of actions will be carried out within the project to mitigate the identified barriers to equality. The planned actions should address these barriers. When describing the actions, particular attention should be paid to the project recruitment process and the adaptation of adequate forms of support to the project participants in terms of the diagnosed inequalities.

If no barriers to equality have been identified in the Application Form, it should be specified which actions will be taken to comply with the principle of equality between women and men so such barriers do not appear at any stage of the project implementation.

Strengthening equality between women and men includes building information and promotional message based on stereotype-free communication (language, graphics, images). The Application Form should describe how such stereotype-free communication will be implemented. It is recommended to use gender-sensitive language, that is, male and female or neutral forms (e.g., 'we are hiring' or 'we are looking for a person with experience in the area of...').

The applicants should also indicate how they plan to ensure the implementation of the principle of equality between women and men in the project management process.

This information should contain a proposal for specific actions to be taken within the project as part of its management. Equality-based project management consists primarily in ensuring that those involved in the project implementation (e.g., the

more years, persons with disabilities, members of ethnic minorities./Source: How to implement the principle of equality between women and men in the projects co-financed from the EU funds in the period 2014–2020. Guidance for project managers and institutions of the implementation system.

management staff, professional staff, the staff of a contractor/partner) have adequate knowledge of the obligation to respect the principle of equality between women and men and are able to apply this principle in the everyday work on the project – providing a training or an information meeting for the project staff.

Other actions for equality-based project management include:

- ensuring the project team works in such a way as to reconcile work and private life (e.g., organising work with flexible employment forms or working hours, organising project team meetings or internal trainings during such hours to enable the participants to drop off and pick up their children to and from a care facility, providing care for the dependants – elderly, persons with disabilities);
- developing and implementing an anti-discrimination and anti-harassment procedure within the project.

Note: Equality-based project management does not consist in hiring 50% of men and 50% of women to manage the project or making a simple declaration that the project management will comply with the equality principles.

Applying the criterion of gender in the recruitment process is contrary to labour law, and the application of the policies of equal pay for women and men for equal work or work of equal value is an obligation under labour law rather than a horizontal principle.

During the implementation process, in the respective reports, the partners shall describe actions taken within the project to mitigate the identified barriers to equality (if any). What has been done to ensure that the needs of women and men are met as part of the project actions should be indicated.

If no barriers to equality have been identified in the Application Form, the partners shall describe which actions they take to comply with the principle of equality between women and men in the progress report so such barriers do not appear at any stage of project implementation.

Such progress report shall also describe which horizontal actions they take to promote and manage the project by considering the principle of equality between women and men.

For the project proposal to comply with the horizontal principles, when forming the project proposal, applicants are recommended to:

1. Identify the project actions in support of equality and describe how the project will ensure that planned actions are accessible to everybody, in particular persons with disabilities.
2. Identify how the project actions addresses the barriers to equality in the intervention area or within the outreach of the project.
3. Specify the project staff recruitment plan and ensure that the project will be accessible to any potential interested parties.
4. Specify the accessibility of the project's products.
5. Specify the process of dissemination of the information about the project to reach out to the greatest possible group of interested parties.
6. Specify the process of dissemination of the information about the project to use messages that are free from stereotypes (e.g., promoting the image of women in the professions that are usually considered to be male-oriented, and the image of men in the professions perceived as female-oriented).
7. Describe the selection process to recruit project staff and the application criteria.

Describe a manner for project management that will promote equality between women and men.

Sustainable development principle

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Important aspects of sustainable development include not only economic, but also social as well as environmental considerations. Each project should, as appropriate to its nature, take into account matters that regard preserving, protecting and improving the quality of the environment; protecting human health; prudent and rational utilisation of natural resources; combating climate change⁸.

⁸ In accordance with Article 9 of the Common Provisions Regulation, all projects financed under the programme shall be pursued in line with the objective of promoting sustainable development as set out in Article 11 TFEU (Environmental protection requirements must be integrated into the definition and implementation of the Union's policies and activities, in particular with a view to promoting sustainable development), taking into account the UN Sustainable

A new approach in the 2021–2027 financial perspective is the ‘do no significant harm’ (DNSH) principle, which is an element of the horizontal principle. It encompasses the prohibition of doing significant harm in the following six areas: climate change mitigation, climate change adaptation, water resources, the circular economy, pollution prevention, biodiversity. An activity does significant harm when at least one of the following six situations is taking place.

When assessing the existing circumstances, both the environmental impact of the activities itself and the environmental impact of the products and services provided by these activities throughout their life cycle shall be taken into account.

1. An activity does significant harm if it leads to significant greenhouse gas emissions.

Environmental objective violated: climate change mitigation

2. An activity does significant harm if it leads to an increased adverse impact on the current climate and the expected future climate.

Environmental objective violated: climate change adaptation.

3. An activity does significant harm if it is detrimental to:

- the good ecological status of surface water (e.g., a river, a lake, an artificial reservoir) and groundwater; or
- the good environmental status of marine waters

Environmental objective violated: the sustainable use and protection of water and marine resources

4. An activity does significant harm if it leads to:

- a significant inefficiency in the use of materials or natural resources such as non-renewable energy sources, raw materials, water and land at one or more stages of the life cycle of products, including in terms of durability, reparability, upgradability, reusability or recyclability of products;
- a significant increase in the generation, incineration, or disposal of waste, with the exception of the incineration of non-recyclable hazardous waste; or

Development Goals (<https://sdgs.un.org/goals>), the Paris Agreement (<https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>) and the ‘do no significant harm’ principle. These projects shall be pursued in full respect of the Union’s environmental acquis.

- the long-term disposal of waste may cause significant and long-term harm to the environment

Environmental objective violated: the circular economy, including waste prevention and recycling.

5. An activity does significant harm if it leads to a significant increase in the emissions of pollutants into the air, water or land, as compared with the situation before the activity started

Environmental objective violated: pollution prevention and control

6. An activity does significant harm if:

- it is significantly detrimental to the good condition and resilience of ecosystems; or
- it is detrimental to the conservation status of habitats and species, including those of Union interest

Environmental objective violated: the protection and restoration of biodiversity and ecosystems.

Application of the sustainable development principle and the 'do no significant harm' principle within the Programme.

Support may be provided only to such projects that respect the sustainable development principle (including the 'do no significant harm' principle). The way the sustainable development principle is included in a project should be logically linked with the project's objectives, results, and activities. It is important that the Application Form includes not only a declaration of respecting the principle, but also a description how it is implemented in the project.

The principle of sustainable development should be implemented at all stages of project implementation:

1. preparation: at this stage, it is important to analyse alternative solutions, i.e., other ways of implementing the project (e.g., selection of other activities), to choose the one that is the most advantageous in terms of the principle of

sustainable development. All potentially relevant environmental and health issues should be identified and considered during preparation of the project,

2. implementation: all project activities shall respect the principle in question, including e.g., promotional activities,
3. completion: the project outputs and results shall be used in accordance with the principle.

For projects involving an element of investments in infrastructure, the principle of sustainable development is particularly important and imposes additional requirements.

These additional requirements are stipulated in Article 22(4)e of the Interreg Regulation and should be met by projects with infrastructure and investment components. More information can be found on the **Programme website**.

In some cases, relevant for projects with infrastructure components, the climate change impacts should be taken into account in accordance with the 'Technical guidance on the climate proofing of infrastructure in the period 2021–2027' (2021/C 373/01) issued by the European Commission.

Examples of activities that the inclusion of sustainable development principle in planned projects include:

- efficient management of resources (e.g., energy, water),
- use of fully recyclable materials and environmentally friendly technologies,
- waste minimisation,
- taking environmental issues into account when developing and purchasing technologies,
- selecting venues for the meetings that can be reached by means of public transport, and communicating this in the invitation,
- when organising events, selecting venues that care for environment protection, pursue corporate social responsibility and sustainable development strategies (with relevant certificates), including venues where: access for persons with disabilities is ensured, waste segregation is conducted, energy efficiency

measures have been put in place, energy-efficient equipment and installations are provided,

- minimising the quantity of printed materials (i.e., by using double-sided printing, toner saving mode, recycled paper), and electronic form is preferred,
- catering service which uses local, seasonal, organic, and fair-trade products, prepared by social economy entities (e.g., social co-operatives, sheltered workshops, etc.) is preferred,
- raising ecological awareness,
- using sustainable modes of transport as much as possible (e.g., railway instead of air transport), and using ways of interaction that do not require travelling whenever possible.

The 'do no significant harm' principle applies to all projects.

5 FINANCING OF THE SOUTH BALTIC PROGRAMME

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

The total ERDF funding allocated to the South Baltic Programme for the period 2021–2027 is EUR 85.5 million.

The ERDF funding is divided between four Programme priorities

PRIORITY 1 – Innovative South Baltic

Allocation: 15 983 312,00 EUR

Share of the Programme budget: 19%

- **1.1 Digitilising the region**

Allocation: 11 188 319,00 EUR

Share of the Programme budget: 13%

- **1.2 Building connectivity of the region through internationalisation**

Allocation: 4 794 993,00 EUR

Share of the Programme budget: 6%

PRIORITY 2 – Sustainable South Baltic

Allocation: 35 962 450,00 EUR

Share of the Programme budget: 42%

- **2.1 Supporting transition towards green energy**

Allocation: 14 384 980,00 EUR

Share of the Programme budget: 17%

- **2.2 Promoting sustainable use of water**

Allocation: 12 586 857,00 EUR

Share of the Programme budget: 15%

- **2.3 Supporting a circular and more resource-efficient development**

Allocation: 8 990 613,00 EUR

Share of the Programme budget: 10%

PRIORITY 3 – Attractive South Baltic

Allocation: 19 979 140,00 EUR

Share of the Programme budget: 23%

PRIORITY 4 – Active South Baltic

Allocation: 7 991 656,00 EUR

Share of the Programme budget: 9%

Technical Assistance

Allocation: 5 594 155,00 EUR

Share of the Programme budget: 7%

TOTAL: 85 510 713,00 EUR; 100%

6 CO-FINANCING RATES

Unlike in the previous editions of the Programme, the maximum co-financing rate for all project partners from the 5 Member States participating in the Programme is established at the same value. This means that regardless of the location of the

beneficiary, each project partner may receive up to 80% ERDF co-financing for eligible expenditure generated within a project. The remaining part of the costs must be contributed by the partners from their resources, constituting national co-financing. This also applies to partners located within the Programme Member States, but outside the Programme area (see Chapter II, Section 3 Partnership principles in South Baltic Programme).

For partners located in EU Member States other than the Programme Member States, the applicable ERDF co-financing is a maximum of 80%.

It must be emphasised that co-financing rates for particular project partners may be reduced if the activities are subject to state aid rules or insufficient funding is available in the Programme.

II DETAILED DESCRIPTION OF PRIORITIES

The Programme motto 'United by the Sea into action for a blue and green future' supports the vision of an Innovative, Sustainable, Attractive and Active South Baltic region (for more information, please refer to Chapter I, Section 1.2 Overall Vision of the South Baltic Area). Based on the identified key development challenges corresponding to these approaches, four priorities were defined by the Interreg South Baltic Cross-Border Cooperation Programme 2021–2027 to be addressed within the cross-border cooperation.

PRIORITY 1 – Innovative South Baltic

- Programme Measure 1.1 Digitilising the region
- Programme Measure 1.2 Building connectivity of the region through internationalisation

PRIORITY 2 – Sustainable South Baltic

- Programme Measure 2.1 Supporting transition towards green energy
- Programme Measure 2.2 Promoting sustainable use of water
- Programme Measure 2.3 Supporting a circular and more resource-efficient development

PRIORITY 3 – Attractive South Baltic

- Programme Measure 3.1: Developing sustainable, resilient, and innovative tourism

PRIORITY 4 – Active South Baltic

- Programme Measure 4.1: Strengthen the cooperation capacity of actors based within the South Baltic Area (including civil society)

A comprehensive description of the Programme measures, indicators, main target groups, and exemplary types of project partners is outlined in the **Programme document**.

1 Priority 1 – Innovative South Baltic – enhancing the level of innovation and internationalisation of local actors

Programme Measure 1.1: Digitilising the region

The South Baltic area has significant economic potential, however in the present days, innovative approaches still require stimulation and support. The digitalisation of public services and increasing the level of digitalisation of different sectors will lead to integrated services and stronger connectivity within the South Baltic area. It will support the development of digital skills and boost development, especially of sectors related to the blue and green economy.

The Measure supports:

1. Increase of the digitalisation level of different sectors of the regional economy.
2. Development of digital connectivity, strengthening solutions in the field of artificial intelligence and cybersecurity.
3. Technology transfer between regions and strengthening cooperation in the cross-border dimension.

The indicative list of cross-border activities includes:

1. Development, demonstration and implementation of solutions for the digitisation of:

- public services, e.g., developing inclusive new e-services: transport (e-ticketing), healthcare (e-care);
- processes in different sectors, e.g., in maritime in the form of joint security standards and applications for small ports, in logistics in the form of optimisation of the transport of passengers and goods;
- learning modalities that focus on digitalisation, e.g., online tools, apps in the most relevant sectors.

2. Collaborative actions aimed at:

- building platforms for cooperation of digital innovation hubs/universities/R&D institutions and SMEs;
- promotion of digitalisation processes and new digital solutions, e.g., cross-border promotion campaigns;
- enhancing social aspects of digitalisation, e.g., development of e-services for elderly people and/or people with disabilities.

3. Support for the development of specific digital competences of the employees of public sector institutions related to the integration of jointly developed digital solutions to public administration processes.

4. Transfer of knowledge on technical standards and the exchange of best practices between regions.

Note:

- 1. Projects can include pilot actions with infrastructural and equipment components.**
- 2. Both regular and small-scale projects may be implemented under this Measure.**
- 3. Implementation of large-scale infrastructure is not possible!**

Output indicators

Obligatory output indicators

- Jointly developed solutions

Optional output indicators (Projects shall select and contribute to other Programme indicators according to the focus and activities of the project)

- Enterprises supported by grants
- Enterprises with non-financial support
- Enterprises supported (as umbrella indicator for Enterprises supported by grants and with non financial support)
- Public institutions supported to develop digital services, products and processes
- Pilot actions developed jointly and implemented in projects

Result indicators

Obligatory result indicators

- Solutions taken up or up-scaled by organisations

Optional result indicators

- Users of new and upgraded public digital services, products and processes

Programme Measure 1.2: Building connectivity of the region through internationalisation

Economic growth of the South Baltic area requires, inter alia, actions dedicated to the enhancement of SMEs' competitiveness, innovativeness, as well as their presence on an international market. To become more visible on the international market, the expansion of SMEs needs efficient cross-border learning and networking platforms, business advisory services and matchmaking actions to assist them in moving from domestic to international business practices.

Project proposals are encouraged to include innovation-driven activities in cooperation with different stakeholders to create cross-sectorial partnerships and collaborations as there is strong potential for cooperation.

The Measure supports:

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The document meets the accessibility rules.

1. Enhancement of SMEs' competitiveness, innovativeness, as well as their presence on an international market.
2. Technology transfer and cooperation between enterprises, research centres and the higher education sector to foster innovative solutions.
3. Creation of new platforms and opportunities through cross-border cooperation.

The indicative list of cross-border activities includes:

1. Support for:
 - cooperation between SMEs to create innovative solutions, e.g., in the blue and green sectors;
 - collaborative research projects between, e.g., SMEs, universities, public entities and business support organisations.
2. Development and promotion of:
 - international markets joint products/solutions/services;
 - networks and clusters, and their expansion aiming at improving innovation capacity, quality of services and internationalisation among local actors, etc.
3. Organisation of fairs, exhibitions, marketing and joint branding campaigns promoting products and services from the South Baltic Area on international markets.

Note:

1. **Projects can include pilot actions with infrastructural and equipment components.**
2. **Both regular and small-scale projects may be implemented under this Measure.**
3. **Implementation of large-scale infrastructure is not possible!**

Output indicators

Obligatory output indicators

- Jointly developed solutions
- Organisations cooperating across borders

Optional output indicators (Projects shall select and contribute to other Programme indicators according to the focus and activities of the project)

- Enterprises supported by grants
- Enterprises with non-financial support
- Enterprises supported (as umbrella indicator for Enterprises supported by grants and with non financial support)

Result indicators

Obligatory result indicators

- Solutions taken up or up-scaled by organisations
- Organisations cooperating across borders after project completion

2 Priority 2 – Sustainable South Baltic -promoting sustainable development and blue and green economy

Programme Measure 2.1: Supporting transition towards green energy

Improvement with regard to the use of renewable energy sources, increased renewable energy production and development of the related supplementary systems are one of the most important elements in the context of positioning the South Baltic area as a leader in terms of the blue and green economy. Cross-border cooperation is anticipated to be aimed at raising awareness of the need for developing solutions to improve the production and use of renewable energy, which can further help in implementing the energy transitions. Solutions may include complementary actions focusing on developing and adapting systems of energy storage and distribution to ensure the safe and efficient use of renewable energy.

The Measure supports:

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The document meets the accessibility rules.

1. Development and introduction of cross-border solutions supporting the production and use of renewable energy.
2. Facilitation and popularisation of the use of renewable energy sources.
3. Capacity-building actions, transfer of knowledge and elaboration of green policy strategies.

The indicative list of cross-border activities includes:

1. Promotion of:
 - areas of cooperation regarding energy policies, e.g., joint strategy development, joint studies, action plans and joint development of harmonisation tools, spatial development plans, etc.;
 - the use of renewable energy and green fuels, e.g., pilots, and knowledge exchange and best practices in the maritime sector and support in establishing new markets in the area;
2. Development, demonstration and implementation of solutions in the production and utilisation of energy from renewable sources;
3. Elaboration and testing of common standards in renewable energy by public entities, in cooperation with universities, research centres, companies and cooperatives of farmers and residents;
4. Elaboration of joint green policy strategies and patterns to overcome challenges and mobilise regional opportunities for renewable energies;
5. Capacity-building actions, transfer of knowledge and exchange of best practices on renewable energy, green technology solutions.

Note:

1. **Projects can include pilot actions with infrastructural and equipment components.**
2. **Both regular and small-scale projects may be implemented under this SO.**

3. Implementation of large-scale infrastructure is not possible!

Output indicators

Obligatory output indicator

- Jointly developed solutions

Optional output indicator (Projects shall select and contribute to other Programme indicators according to the focus and activities of the project)

- Pilot actions developed jointly and implemented in projects

Result indicators

Obligatory result indicators

- Solutions taken up or up-scaled by organisations

Programme Measure 2.2: Promoting sustainable use of water

The Baltic Sea and its tributaries suffer from a high level of pollution (e.g., plastics and chemicals) and eutrophication. Both are consequences of the unsustainable exploitation of the local environment and water reservoirs. Moreover, the consequences of climate change will result in enhanced risk of marine and flash floods, producing more intensive fluxes of pollutants into the Baltic Sea. Actions under this measure should aim at broadening the support of efficient and sustainable water management, especially in the field of reducing the outlets of nutrients and hazardous substances into river-basins, and subsequently the Baltic Sea, to enhance the water quality.

The Measure supports:

1. Efficient and sustainable land use and water management.
2. Combating eutrophication and various hazardous substances in the aquatic environment for the purposes of water enhancement.

The indicative list of cross-border activities includes:

1. Promotion of:
 - areas of cooperation regarding the enhancement of aquaculture with the main focus on reducing eutrophication and pollution of the waters of the South Baltic Area;
 - areas of cooperation regarding water management policies, e.g., joint strategy development, joint studies, action plans, etc.;
2. Development, demonstration and testing of:
 - green technology solutions in water management (including sustainable land use and wastewater collection and treatment) and nature-based flood water management;
 - solutions for reducing the pollution of the Baltic Sea by chemical munitions and other dangerous remains of sunken oil ships;
3. Development and testing of:
 - innovative solutions aimed at decreasing the outflows of nutrients from small and diffuse sources in catchment areas (including evaluation of the cost effectiveness of solutions);
 - innovative solutions for sustainable water management that positively influence the biodiversity in waters and the protection of nature;
4. Development of solutions that help to secure various conflicting water uses that serve public interests, e.g., recreation and free time vs. water usage, as well as water resource protection, as well as the future water supply (both for drinking water and industrial water);
5. Elaboration and testing of common standards in waste and water management by public entities, in cooperation with universities, research centres, companies and cooperatives of farmers and residents;
6. Capacity-building actions, transfer of knowledge and exchange of best practices in the fields of water management and wastewater collection and treatment.

Note:

- 1. Projects can include pilot actions with infrastructural and equipment components.**
- 2. Both regular and small-scale projects may be implemented under this Measure.**
- 3. Implementation of large-scale infrastructure is not possible!**

Output indicators

Obligatory output indicator

- Jointly developed solutions

Optional output indicator (Projects shall select and contribute to other Programme indicators according to the focus and activities of the project)

- Pilot actions developed jointly and implemented in projects

Result indicators

Obligatory result indicators

- Solutions taken up or up-scaled by organisations

Programme Measure 2.3: Supporting a circular and more resource efficient development

Sustainability and prosperity in the region require new solutions to generate significant changes to several areas such as mobility, employment, healthcare and social security systems, social structure, family policy and cultural patterns, production and consumption models, use of natural (non-renewable) resources, mature and emerging markets, and business sectors. Thus, there is visible potential for cooperation aimed at the promotion and implementation of circular economy-related actions connected to reuse and recycling, circular product development and

design, new resource-efficient products and services, water efficiency methods for industry and the public sector, etc.

The Measure supports:

1. Promotion of the transition to the circular economy and a focus on ways to establish behaviours and attitudes in support of responsible consumption and production.
2. Development of the economy in a sustainable way, supporting projects for the transition to environmentally friendly production processes, resource efficiency and waste management.

The indicative list of cross-border activities includes:

1. Promotion of areas of cooperation regarding waste management policies, e.g., joint strategy development, joint studies, action plans, etc.;
2. Implementation of cross-border awareness-raising campaigns aimed at local public companies (waste/water/heating/facility/transport management) and SMEs to facilitate a transition from traditional management to circular-oriented;
3. Development, demonstration, and implementation of:
 - new joint business models (e.g., service instead of selling a product), product design (prevent waste, use non-toxic materials to prepare for reuse and recycling), production and distribution technologies/solutions/processes in waste/water management and resource efficiency (e.g., re-use, recycling, recovery), including optimised energy utilisation (e.g., biogas) and industrial symbiosis;
 - solutions/investments that minimise the use of new raw materials, including promoting the use of recycled materials, in production processes;
4. Forming cooperation networks aimed at the re-use of waste as a resource;
5. Joint actions/pilot projects aimed at:
 - optimisation of value chains for recycled materials;

- testing innovative solutions regarding re-use of waste, including from the fishing, forestry and agriculture sectors;
 - inhabitants on building awareness about the necessity to introduce the processes of waste management in households;
6. Elaboration and testing of common standards in waste management by public entities, in cooperation with universities, research centres, companies and cooperatives of farmers and residents and NGOs;
 7. Capacity-building actions, transfer of knowledge and exchange of best practices on waste management solutions, sharing best practices and blueprints on data sharing on current waste management practices and waste flows.

Note:

1. **Projects can include pilot actions with infrastructural and equipment components.**
2. **Both regular and small-scale projects may be implemented under this Measure.**
3. **Implementation of large-scale infrastructure is not possible!**

Output indicators

Obligatory output indicator

- Jointly developed solutions

Optional output indicator (Projects shall select and contribute to other Programme indicators according to the focus and activities of the project)

- Pilot actions developed jointly and implemented in projects
- Enterprises with non-financial support

- Enterprises supported (as umbrella indicator for Enterprises with non financial support)

Result indicators

Obligatory result indicators

- Solutions taken up or up-scaled by organisations

3 Priority 3 – Attractive South Baltic – activate the tourist and cultural potential of South Baltic Area

Programme Measure 3.1: Developing sustainable, resilient, and innovative tourism

The blue and green character of the South Baltic area together with a shared cultural heritage are some of the key advantages in terms of developing the tourism sector.

In this measure, the emphasis is placed on the development of sustainable tourism: the actions should focus on the improvement of the tourist and cultural offers and creation of new ones forming new and innovative services and products that are socially, economically, and environmentally sustainable; reduction of the negative impact of travel and tourism on the natural environment; sustainable use of resources such as energy and water as well as orientation towards the needs of potential tourists without compromising the needs of the citizen.

The activities may also contribute to mitigating tourism seasonality and the transition towards sustainable, year-round tourism.

Note: No 'stand-alone' infrastructure or actions without a cross-border dimension shall be co-financed.

The Measure supports:

1. Increase of the visibility of the South Baltic area as a tourist-attractive area and strengthening its common tourist and cultural offer.
2. Focus on social inclusion and a contribution to the mitigation of the negative consequences of the COVID-19 pandemic on the labour market.

The indicative list of cross-border activities includes:

1. Building or strengthening networks of tourism and cultural actors and exchange of knowledge in the field of development of tourism or culture;
2. Development of joint strategies and solutions for tourism and cultural sectors, including the creative industries, development of innovative solutions related to tourism and culture (including digital solutions);
3. Improvement of cross-border offers and products of sustainable tourism, small-scale tourism infrastructure including:
 - small investments in cross-border tourism routes;
 - preservation of joint cultural heritage;
 - adaptation to the needs of people with special requirements or disabilities.
4. Strengthening the sustainability dimension of tourism, including:
 - pro-ecological solutions;
 - reducing the negative impact on the environment;
 - promotion of slow tourism and health tourism;
 - actions involving local communities into the functioning of the tourism and culture sector;
 - use of social innovations in tourism and culture.
5. Promoting the common brand of the South Baltic and joint cultural or natural tourism heritage, e.g., promotion campaigns or events.

Note:

- 1. Projects can include pilot actions with infrastructural and equipment components.**
- 2. Both regular and small-scale projects may be implemented under this Measure.**

3. Implementation of large-scale infrastructure is not possible!

Output indicators

Obligatory output indicators

- Jointly developed solutions

Optional output indicators (Projects shall select and contribute to other Programme indicators according to the focus and activities of the project)

- Cultural and tourism sites supported
- Pilot actions developed jointly and implemented in projects
- Organisations cooperating across borders

Result indicators

Obligatory result indicators

- Solutions taken up or up-scaled by organisations

Optional result indicators

- Visitors of cultural and tourism sites supported
- Organisations cooperating across borders after project completion

4 Priority 4 – Active South Baltic – improving cooperation governance

Programme Measure 4.1: Strengthen the cooperation capacity of actors based within the South Baltic Area (including civil society)

This measure supports capacity-building and strengthening the cross-border cooperation of different actors functioning within the Programme area (specifically ones representing the public sectors and the civil society) to solve common cross-border problems and build mutual reliance in the areas of administration, regional development, and cross-border mobility.

Potential beneficiaries of this measure include a wide group of actors, especially local actors considered to be newcomers to cross-border cooperation, creating ample opportunities for networking and developing relationships between them.

The exchange of experience between NGOs, youth centres, etc., and building cooperation capacities are foreseen under the implementation of a joint project. Activities are expected to develop stronger links between the civil society and public entities, through encouraging bottom-up participation in decision- and policymaking.

The Measure supports:

1. Overcoming obstacles to cross-border cooperation to ensure that the benefits of cooperation are made available to diverse groups.
2. Strengthening cross-border cooperation, networking and developing relationships with local actors, and boosting cross-border collaboration.
3. Influencing the capacity-building of the actors to strengthen the confidence among participating stakeholders.

The indicative list of cross-border activities includes:

1. Delivery of initiatives (programmes, trainings, workshops, etc.), aimed at strengthening the networking and cooperation capacity of local actors;
2. Activities supporting:
 - joint local self-government administration/agencies and other institutions (e.g., NGOs) building multi-level governance and supporting cross-border dialogue;
 - development of stronger links between citizens and institutions at a cross-border level of civil society and bottom-up involvement in decision- and policymaking e.g., in the field of cooperation on marine pollution or cooperation between youth secretariats;
 - youth empowerment, engagement of the youth with civil society and into civil society, and actions with a cross-border dimension;

- exchange of experience in the field of social innovation among universities, high school and vocational school students as well as graduates;
 - increase in the involvement of local actors (e.g., NGOs, cultural institutions, non-formalised organisations, organisations supporting people with disabilities and from vulnerable groups) in cross-border project development and intercultural dialogue;
3. Awareness-raising and promotion measures among local actor groups to increase trust, promote a cooperation culture and common identity of the actors;
 4. Development and promotion of models, networks gathering diverse actors especially small institutions and those from rural and peripheral areas (e.g., research institutions, SMEs, business development organisations, universities, public entities) to improve the cooperation capacity.

Note:

1. **Projects can include pilot actions with infrastructural and equipment components. However, the small infrastructure or equipment only of a minor, complementary nature is supported, if their contribution to the Measure's objectives is demonstrated.**
2. **Both regular and small-scale projects may be implemented under this Measure.**
3. **Implementation of large-scale infrastructure is not possible!**

Output indicators

Obligatory output indicators

- Organisations cooperating across border

Optional output indicators (Projects shall select and contribute to other Programme indicators according to the focus and activities of the project)

- Participations in joint actions across borders

Result indicators

Obligatory result indicators

- Participations in joint actions across borders

Optional result indicators

- Participations in joint actions across borders after project completion

III SPECIFIC FEATURES OF THE SOUTH BALTIC PROJECTS

1 PROJECT PHASES AND PROJECT TYPES

1.1 Project phases

Each project in the South Baltic Programme can generally be divided into three main phases: preparation, implementation, and closure. Each phase has a predefined end, and a specific result that is expected to be developed and delivered at the end of each respective phase.

There is an image here in the text. On the image there is an arrow from the right to the left to show the different phases of a project. The first phase on the left is the project preparation that lasts till the end date of the call for proposals. The second phase in the middle of the image is the implementation phase that lasts up to 36 months. The last phase on the right side of the arrow is the closure phase that includes a 120 days long period dedicated to the submission of the final report.

Preparation phase – covers the process of project proposal development and submission of the Application Form and ends on the last day of the call for proposals to which the developed Application Form was submitted.

It should be noted that project partners are granted an opportunity to reimburse costs related to the development of the project proposal. The only way to cover preparation costs is through a lump sum of EUR 22,000. It means that the real costs related to the development of the project proposal cannot be submitted and claimed for reimbursement. Proof of delivery of the activities covered by the lump sum is a submitted and approved (selected for funding) project application.

Please note that preparation costs can be granted **only** for regular projects **excluding** projects that are developed as the result of received seed money support from the Interreg South Baltic Programme 2014–2020 or 2021–2027 or any other seed money instrument.

Implementation phase – covers the period of realisation of all activities planned in the Application Form. All projects must deliver all outputs and achieve the project's objectives by the end the implementation phase. Regardless the project type, the start and end date of each project are stipulated in the Subsidy Contract framing the implementation phase.

Start date of the implementation phase:

The earliest start date of the project can be the day after the end date of the respective call for proposals.

At the latest, the implementation phase is required to start three months after the decision of the Monitoring Committee.

Note:

- Project activities can be carried out before the approval of the project by the Monitoring Committee, but at the project's own risk.
- Projects on the reserve list are applied with a different project implementation start date (for more information, please refer to Chapter V, Section 5 Selection of projects and Complaints procedure).

End date of the implementation phase:

The end date of the project is identified based on the chosen project duration specified in the Application Form. At the same time, all projects must be finalised not later than 31 December 2029.

Closure phase – covers the period from the day after the end of the implementation phase until the submission of the final project progress report to the Joint Secretariat: in total, up to 120 days.

This period is fully dedicated to the administration of the project finalisation and concentrates on preparing the final project progress report and submitting it to the Joint Secretariat.

1.2 Project types

The South Baltic Programme recognises regular, small-scale, and seed money projects. Each Call for Proposals announcement will provide precise information on the targeted type of projects. Each project type can be implemented under all Programme Measures.

Table 1 Project types

Regular project

- Objective: To address identified challenges and needs of the Programme Area in a complex way in the chosen sector.
- Duration: Up to 36 months
- Total eligible budget: Recommended between EUR 1,000,000 and EUR 2,000,000. The project budget may differ from the recommendation if it is justified by the planned activities, outputs or size of the partnership. In no case shall the total eligible budget exceed 5,000,000 EUR.
- Partnership: Minimum requirement: Two partners from the Programme Area from two different Member States. The Programme strongly emphasises that projects involving project partners from the Programme area from only two Member States are not the prime target and can be funded only in exceptional and well justified cases. As general rule, the size and composition of the partnership shall correspond to the planned project activities, therefore the number of partners in individual projects may differ

from the recommended project size. Main focus is on multilateral cooperation. Recommended average project size is 6–8 project partners.

- Intervention logic: The project should contribute to a set of relevant Programme output and result indicators.
- Simplification measures: Simplified eligibility rules, as specified in Chapter IV General rules on the eligibility of costs and budget structure
- Separate Terms of Reference: Not introduced.

Small-scale project

- Objective: To address the challenges and needs of the Programme Area, for example by facilitating the involvement of the following actors to cross-border cooperation: NGOs, small and not experienced organisations, newcomers to the Interreg cooperation, especially public institutions from the hinterlands.
- Duration: Up to 18 months
- Total eligible budget: Up to EUR 200,000
- Partnership: Minimum requirement: Two partners from the Programme Area from two different Member States. The Programme strongly emphasises that projects involving project partners from the Programme area from only two Member States are not the prime target and can be funded only in exceptional and well justified cases. As general rule, the size and composition of the partnership shall correspond to the planned project activities, therefore the number of partners in individual projects may differ from the recommended project size. Main focus is on multilateral cooperation. Recommended average project size is 4–6 project partners.
- Intervention logic: The project should contribute to relevant Programme output and result indicators. Considering the project size, the number of selected indicators may be limited compared to regular projects.
- Simplification measures: Simplified eligibility rules specified in the dedicated Terms of Reference and in Chapter IV General rules on the eligibility of costs and budget structure.
- Separate Terms of Reference: Introduced

Seed Money scheme

- Objective: To facilitate the preparation of regular project applications to be implemented and financed under the Interreg South Baltic Programme
- Duration: Up to 6 months
- Total eligible budget: To be specified in the Terms of Reference
- Partnership: Minimum requirement: Two partners from the Programme Area from two different Member States. The Programme strongly emphasises that projects involving project partners from the Programme area from only two Member States are not the prime target and can be funded only in exceptional and well justified cases. As general rule, the size and composition of the partnership shall correspond to the planned project activities, therefore the number of partners in individual projects may differ from the recommended project size. The number of partners may only exceed 6 in well justified cases.
- Intervention logic: Specific outputs are defined in the Terms of Reference.
- Simplification measures: Simplified eligibility rules specified in the dedicated Terms of Reference.
- Separate Terms of Reference: Introduced

1.3 Operations of strategic importance

In addition, the Programme also introduces the concept of operations of strategic importance, i.e., strategic projects. Strategic projects are the one strongly connected to the overall vision of the Programme defined as 'United by the Sea into action for a blue and green future – Innovative, Sustainable, Attractive and Active South Baltic'. The central location of the sea, the maritime character and the importance of the blue and green economy are the most important characteristics of the SBA. Therefore, the condition of the sea is a crucial factor for the SBA. Strategic projects shall have the potential to significantly contribute to combating the pollution and eutrophication of the Baltic Sea.

In its initial stage, the programme considers Measure 2.2 of particular relevance for strategic projects. The projects funded under this SO will contribute with tangible and visible results, ones that can be seen, touched, and photographed and can therefore

be used by the programme and the European Commission in visibility measures. For each funded project, the result will be the development of new solutions that contribute to reducing the pollution and the eutrophication of the Baltic Sea.

The strategic projects will not be a separate project type but will serve communication and promotion purposes. Therefore, the strategic project label will be granted to regular projects that significantly contribute to combating the above-described challenges, i.e., combating the pollution and the eutrophication of the sea. Projects that aim to obtain the strategic project label should indicate this in the Application Form during the application process. Granting the strategic status will be part of the project selection procedure.⁹ In addition to the thematic focus, projects that aim to obtain the strategic label shall fulfil the following criteria:

- Demonstrating a contribution to the EUSBSR, ideally supported by a Letter of Support from the relevant PA.
- Involvement partners from all five Member States of the Programme is recommended.
- The partnership covers the element of the Triple Helix (involvement in the project of the institutions representing **public sector, academia, and business**) or ideally the Quadruple Helix (involvement in the project of institutions representing **public sector, academia, business, and civil society**).

The main aim of the concept of strategic projects is to significantly contribute to the Programme visibility through communication and promotion actions. The projects that receive the strategic label are expected to implement joint capitalisation, communication, and dissemination actions.

The Programme bodies will provide support and assistance in these publicity actions (e.g., a communication event involving the Commission and Managing Authority, media coverage, social media campaigns, press dissemination of information on the projects through the programme website).

⁹ Strategic status can be granted only to approved regular projects. If a project applies for strategic status, but it is not granted, the project can still be approved for funding.

For their part, partners of the strategic project should plan and allocate additional funding in the project budget specifically for the communication activities and outputs (e.g., materials, products) related to the assigned status of the strategic project.

Inter alia, each strategic project should foresee organising the information event (e.g., a final conference) to which the EC and MA representatives must be invited.¹⁰

The selection of regular projects to receive the strategic label will take place in the framework of the project selection procedure. It can also be granted to the ongoing projects once the project fulfils the criteria for an operation of strategic importance (i.e., as a result of a change introduced to the project).

2 CONTRIBUTION TO THE OBJECTIVES OF THE SOUTH BALTIC PROGRAMME

The South Baltic Programme requires that all projects directly contribute to the objectives of the Programme. Therefore, the intervention logic of the project shall be interlinked with the Programme intervention logic. The project intervention logic provides the necessary information to assess how the project will achieve its objectives and results and how it will contribute to the Programme objectives and indicator.

2.1 Building blocks of the Programme and project intervention logic

Programme intervention logic

- **Programme Measure:** Foreseen positive change in a specific field the Programme seeks to achieve through the implementation of projects.
- **Supported actions:** Interventions and activities that are supported under a Programme Measure.
- **Programme output indicator:** The output indicator measures the 'actual products' developed under a certain Programme Measure. The programme output indicators under each Measure are defined in the Programme Document.

¹⁰ Article 36(4)(e) of the Interreg regulation.

- **Programme result indicator:** Measures the immediate effects of the interventions supported. The Programme result indicators are linked to the Programme output indicators.

Project intervention logic:

- **Project objective:** A concrete statement describing what the project is trying to achieve to address the needs and challenges of the Programme Area and identified target groups in the selected sector and for what purpose it requires the production and use of the project outputs.
- **Project activities:** The activities of the project that need to be implemented to deliver its outputs and results and to achieve its objective.
- **Deliverable:** Direct outcome of project activities, intermediate steps of project implementation and milestones in delivering outputs.
- **Project output indicator:** The overall outcome of a set of project activities. The developed 'products' of a project.
- **Project result indicator:** Measuring the effect and the utilisation of the project outputs. Project result indicators are linked to project outputs indicators.

2.2 Linking Programme and project intervention logic

Therefore, the Programme and project intervention logics are closely interlinked, as illustrated below.

In the document here there is a figure indicating the building blocks of the programme and project intervention logics and the links between them. The figure consists two columns. The left one contains the building blocks of the programme intervention logic. In the top of it there is the Programme Measure. An arrow leads to he next building block under the Programme Measure which are the supported actions that are defined under the scope of the Programme Measure. From supported actions an arrow leads down to the Programme output indicators and from Programme output indicators an arrow leads further down to the Programme result indicators.

The right column on the figure includes the building blocks of the Project intervention logic. On the top of the column there is the project objective. A horizontal arrow leads from project objective to the Programme Measure on the left side indicating that the objective of the project shall correspond to the Programme Measure. From the objective an arrow leads down to the project activities. The building block of project activities is horizontally linked to the supported actions on the left side. From the project activities an arrow leads further down to deliverables. Deliverables do not have a counterpart in the programme intervention logic and thus they do not have a horizontal connection to it on the figure. From deliverables an arrow leads further down to project output indicators that are linked horizontally to Programme output indicators. From project output indicators an arrow leads to project results indicators that is the last building block of the intervention logic and that is linked horizontally to programme result indicators.

2.3 Indicators

Deliverables

Project deliverables are the documentations of the implementation of project activities (e.g., analysis, pilot implementation report, workshops, etc.). They are used to assess the project's progress towards achieving its outputs and the project objective. Project deliverables do not have a counterpart in the Programme intervention logic, and they cannot be claimed as project outputs. Deliverables are included into the workplan, and their achievement is monitored in the project reports. Projects, as a general rule, shall not define more than 10 deliverables.

Output indicators

The project outputs are the 'products' of the projects that contribute to the achievement of the project objective (e.g., pilot actions, solutions, organisations supported, organisations cooperating across borders). Project outputs shall capture the most important outcomes of the projects. As a general rule, each project shall

define up to 5 outputs, out of which a maximum of 4 are jointly developed solutions,¹¹ not considering those outputs that are connected to the partnership of the project.

Under each Programme Measure, the programme output indicators are defined in Chapter II. Project output indicators shall be defined in a way that they fall under the scope of the linked Programme output indicator. Each project shall contribute to at least one Programme output indicator. For projects implemented in Priority 1, Priority 2, and Priority 3, it is obligatory to define a project output indicator that contributes to the *Jointly developed solutions* programme output indicator and to the relevant result indicator. For projects implemented under Priority 4 and Measure 1.2 in Priority 1, it is obligatory to contribute to *Organisations cooperating across borders* and to the relevant result indicator.

The progress in achieving the project output indicators is monitored in the project progress reports. Each project shall report the completed outputs in the final project progress report at the latest.

Result indicators

Result indicators measure the utilisation and the effect of the developed outputs. They are directly derived from output indicators; thus, the projects shall not define them separately. Nevertheless, when defining the project outputs and developing the project intervention logic, the projects shall bear in mind the connection between the output and result indicators and the fact that the achievement of the project result indicators will be monitored by the Programme.

Data on result indicators will be collected from the projects in the final project progress report at the latest. The Lead Partners will be required to inform the Joint Secretariat about the achieved value of the indicators and provide evidence related to the achievement.

Annex 7 Indicator Factsheet provides detailed guidance and rules on the use of output and result indicators.

¹¹ Instead of developing multiple solutions under the same project output, each solution shall be defined as a separate project output, with the target value 1.

3 PARTNERSHIP PRINCIPLES IN SOUTH BALTIC PROJECTS

The South Baltic Programme sets requirements for the project partners and formed partnerships to be recognised as relevant and eligible for Programme funding.

3.1 Project partnership

When it comes to the formation of a partnership, the Programme sets the minimum requirement for the partnership to be recognised as relevant for the Programme goals.

Minimum requirement:

Two project partners from the Programme Area from two different Member States.

Important:

The Programme **strongly emphasises** that projects involving project partners from the Programme area from **only two** Member States **are not the prime target** and can be funded only in exceptional and well justified cases.

Cooperation of project partners from the Programme area from **at least three different** Member States are supported by the Programme foremost.

As a general rule, the size and the composition of the partnership shall correspond to the planned project activities, therefore the number of project partners in individual projects may differ from the recommended project size. The minimum requirement sets the smallest partnership, but it is strongly recommended to involve relevant partners from the whole Programme area to demonstrate its authentic cross-border nature.

Organisations located outside the Programme Area but having important cooperation potentials can also join the partnership as project partners. In such case, they shall either strengthen and develop functional links within and outside the Programme Area or contribute to the benefit and bring added value to the Programme Area.

The partnership may be facilitated by the involvement of associated partners, regardless of their location. A detailed description of the roles of the associated partners is provided in Chapter III, Section 3.6 Associated partners.

3.2 Number of partners in the partnership

Based on previous experience, the recommended partnership size is 6–8 partners in a regular project. Nevertheless, as general rule, the size and the composition of the partnership shall correspond to the planned project activities, therefore the number of partners in individual projects may differ from the recommended project size.

In each project, one partner should be introduced with a leading role representing the whole partnership, and act as a Lead Partner, and the other(s) – act as project partners (for more information, please refer to Chapter III, Section 5 Project Management and Coordination).

3.3 Lead Partner

To act as a Lead Partner in a South Baltic Programme project, an organisation must meet the criteria set by the Programme. Each Lead Partner should have sufficient financial, management and organisational capacities.¹²

Eligible legal form:

- national, regional and local authorities;
- bodies governed by public law (as defined in Art 2(1) of Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94, 28.3.2014). This means a body fulfilling all three conditions:
 1. established under public or private law for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character, and
 2. having legal personality, and

¹² On request, Lead Partners should present and provide the Joint Secretariat with three years of balance sheets and employment records to prove their ability to cover potential irregularities during project implementation.

3. financed, for the most part, by the State, regional or local authorities, or other bodies governed by public law; or subject to management supervision by those bodies; or having an administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities, or by other bodies governed by public law.
- associations of one or several regional or local authorities;
 - associations of one or several bodies governed by public law;
 - European Grouping of Territorial Cooperation (EGTC) (as defined in the Regulation (EC) No 1082/2006 as amended by Regulation (EU) No 1302/2013).

Geographical location:

1. Programme area (referring to the legal address of the organisation).
2. In justified cases, organisations at the national or regional level that are located outside the Programme area but have a recognisable impact and/or functional links with the Programme area. In such cases, it is strongly recommended that the JS is contacted in advance to confirm eligibility.
3. The national/regional authorities which have territorial jurisdiction over the Programme region can also become Lead Partners, if justified.

3.4 Project partners

To act as a project partner in a South Baltic Programme project, an organisation must meet the criteria set by the Programme. Each partner should have sufficient financial, management and organisational capacities.¹³

Eligible legal form:

- national, regional and local authorities;
- bodies governed by public law (as defined in Art 2(1) of Directive 2014/24/EU);

¹³ On request, partners should present and provide the Joint Secretariat with supporting documents (for example, balance sheets and employment records) to prove their financial and organizational capability to participate in the project/carry out the actions planned for them and to cover potential irregularities during project implementation.

- associations of one or several regional or local authorities;
- associations of one or several bodies governed by public law;
- European Grouping of Territorial Cooperation (EGTC) (as defined in the Regulation (EC) No 1082/2006 as amended by Regulation (EU) No 1302/2013);
- SME associations and clusters;
- Chambers of commerce, trade unions and NGOs;
- other entities established under public or private law operating for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character;¹⁴
- SMEs.¹⁵

Geographical location:

1. Programme area (referring to the legal address of the organisation).
2. Organisations located outside the Programme area, but in exceptional cases with a justification for their involvement.
3. Applicants located within EU Member States other than the Programme Member States are entitled to receive a maximum of 80% of ERDF co-financing. Such applicants may become partners only under special conditions.

3.5 Involvement of SMEs

The new Programming period of the Interreg South Baltic Programme 2021–2027 recognises a new Programme type of organisations as eligible project partners – SMEs.

¹⁴ This group may also cover private entities that have been authorised by law or a public body to operate for the specific purpose of meeting needs in the general interest: Such entities must prove their public service mission by sending a legally binding document confirming that the entity operates for the specific purpose of meeting needs in the general interest. Examples of the documents can be:

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

¹⁵ A micro-, small- or medium-sized enterprise according to the Commission Recommendation 2003/361/EC and Annex I of the Commission Regulation (EU) No 651/2014.

SMEs are characterised as innovation-oriented, embraceable organisations that are adaptable to changes and trends. The involvement of SMEs as project partners is believed to significantly help the project results to be promoted, maximise their effect, and stimulate their growth and expansion. SMEs' support will get the project's results to the market faster, speed up and scale up the project's operations, help research, development, and innovation (R&D&I) activities to keep up with market developments, boost business, use new technologies faster, and create market impact.

Cross-sectorial partnerships and collaborations are expected to be formed to put forward cross-border learning, networking, and cooperation; and not only to introduce project outputs and innovations to market faster but to adapt and sustain them more efficiently.

The following rules and requirements are set for SMEs participating in projects as project partners:

1. SMEs can participate as project partners in projects under all Programme Measures.
2. SMEs cannot act as the Lead Partners.
3. Each organisation representing an SME should be established at least 3 years before the announcement of the Call for Proposals for which each respective SME is applying.
4. To confirm their status, each SME must fill in a relevant section in the **Supplementary Application Form** and submit it in the WOD2021 Application System.¹⁶
5. The involvement of SMEs in projects as projects partners should be justified and explained to be relevant and necessary for the achievement of the project results.¹⁷ The relevance of each SMEs is subject to Quality assessment.

¹⁶ The detailed information on the data to be introduced to the WOD2021 Application System is described in detail in the WOD2021 Applicant Manual available on the Programme website <https://southbaltic.eu/>.

¹⁷ The JS reserves the right to request additional documentation during the assessment process. Documents related to State Aid/ De minimis aid may also be requested during the assessment process.

An organisation cannot join a partnership as a project partner if its main activity within its business profile and its role in the project consists of project coordination, management, communication, and consulting!

Note: it is strongly recommended to involve partners from the public sector located in the Programme area of the respective participating country from where any SME is involved to achieve broader coverage of target groups, wider communication, and sustainability of the project results maintained with the help of the public sector organisation.

3.6 Associated partners

Associated partners represent important stakeholders/key target groups/end users of the project results. If an organisation is not able to comply with the eligibility requirements needed for project partners (or is not willing to become financially involved in the project for other reasons) but is willing to take part in the projects, it may take on the role of an associated partner.

Associated partners do not share the project budget: they dedicate their own resources to the project. At the same time, associated partners participate in the activities of the project but are not directly involved in the design and implementation of the project.

There are three specific features of associated partners:

- They cannot be subcontracted by the project partners to carry out parts of their activities in a project due to the potential risks relating to conflict of interest and infringement of fair competition rules;
- Another project partner can cover travel and accommodation expenditure of the associated partner if it is essential to the achievement of the project's objectives and does not infringe the state aid rules. As a rule, these costs should be included in the Application Form;
- They must not generate any revenues (i.e., payments from third parties outside the partnership that constitute income to the organisation as a result of its involvement in the project activities) from the project implementation and its outcomes.

3.7 Geographical location of the project activities

As a rule, activities within the South Baltic Programme should be implemented in the Programme area to focus on bringing positive change to the Programme Area.

In exceptional cases, if necessary and clearly justified, some activities may be implemented outside the Programme area or even in the territories of other EU Member States.

4 COOPERATION IN THE SOUTH BALTIC: CROSS-BORDER APPROACH, INNOVATIVENESS AND ADDITIONAL CHARACTER OF PROJECTS

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

Joint development identifies:

- Participation of all partners in the preparation of the project idea and transformation of it into a project application.
- Application of the knowledge and expertise of each partner, as well as determination of their motives and needs from the project.
- Determination of the management structure, division of tasks and allocation of responsibilities.

Joint implementation includes:

- Active collaboration between the different participating organisations in the delivery of the project outputs.
- Exchange of experience and best practices.
- Involvement of several partners in each activity to help in developing a truly cross-border solution.

Joint staffing requires:

- Contribution of staff of each partner to the project implementation and cross-border cooperation.

- Clear identification of roles between assigned staff members, so all management activities are performed, and duplication of efforts is avoided.
- Supervision of the implementation of the activities and project in general on behalf of the entire project partnership by designated partners/specialists.

Joint financing implies:

- Financial contribution to the project budget by each partner (apart from associated partners).
- Reflection of responsibilities and involvement in the project by each partner in their respective budget.

In addition to the close cooperation characterised above with the four cooperation criteria, it is important to ensure that the project demonstrates the **added value of a cross-border approach**.

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

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

By **additional character** it is meant that projects should explore new areas of activity, gather new ideas and inspiration, exchange know-how and best practices and learn from one another. The tasks of the participating organisations performed on a regular basis will not be financed.

The **innovative character** of a project does not necessarily mean an innovative theme or final outcome of the project. It may be represented by approaching a challenge, problem or opportunity in an original way that offers significant advantages compared to the usual problem-solving strategies. It can also be innovative if a project promotes the application of scientific research among practitioners and/or if it brings a successful methodology to new user groups in other countries.

5 PROJECT MANAGEMENT AND COORDINATION

Management and coordination of the project requires from the partnership to:

1. Determine the role of each partner in the formed partnership.
2. Propose a relevant management structure.
3. Form a coordination and decision-making system.

5.1 Role in the partnership

In the framework of the project, one partner should lead the project in the name of all partners and represent the whole partnership. The Lead Partner is recommended to be designated at early stages of the project proposal formation so the responsibilities and task within the partnership are clearly determined.

The following main tasks should be carried out by the **Lead Partner**:

1. Representation of the partnership and responsibility for the overall coordination, management, and implementation of the project.
2. Signing of the Subsidy Contract for the project with the Managing Authority.
3. Signing of the Partnership Agreements with the project partner(s) agreeing on the division of tasks, responsibilities and financial obligations and liabilities.
4. Coordination of proper communication between project partners, the Managing Authority, and the Joint Secretariat.
5. Assurance of the correct implementation of actions within the project and respective reporting procedures.
6. Preparation and submission of the project progress reports.
7. Monitoring of the implementation progress and achievement of the project outputs and results.
8. Insuring the sound financial management and timely transfer of the Programme funding to partners.
9. Maintenance of proper visibility and communication in the project.
10. Ensuring durability of project results and outputs.

The following main tasks should be carried out by the **project partner(s)**:

1. Carrying out actions necessary for timely and full implementation of the partner's part of the project.
2. Informing the Lead Partner about needed changes in project activities or budget in a timely manner.
3. Maintaining separate accounting records or a separate accounting code for the purpose of implementation of the project.
4. Preparing partner progress report(s) for the First Level Controller.
5. Ensuring the relevant representation and visibility of the Partner's part of a project.

5.2 Management structure

Such structure should cover three main areas of project management, reflected by three management roles: **project manager, finance manager and information manager**.

These roles can be performed either by the staff of the organisations participating in the project or by appointed external experts. Depending on the size and complexity of the project, all roles can be performed by one person, or each role can be performed individually.

The **project manager** role involves the overall management of the project implementation and is concentrated on the delivery of project outputs.

Responsibilities of the project manager:

- communication within the project partnership, between the project and the Programme institutions (mainly the Joint Secretariat);
- monitoring project progress against the project workplan;
- compiling project progress reports based on inputs provided by the project partners;

- managing changes and rescheduling the workplan, if necessary; managing risks, problems and other issues reported by partners and ensuring good information flows within the partnership.

The person in this position is recommended to be qualified in the management of EU-funded projects and should have experience working in an international team.

The **finance manager** role concentrates on budgetary and financial issues related to the implementation of the project. The person in this role ensures that these aspects of the project are in line with the Programme and national rules.

Responsibilities of the finance manager:

- cooperation with the project manager in the financial aspects of project implementation and ensuring that the budget is spent in line with the spending plan of the project;
- advising partners in terms of cost eligibility on Programme-level monitoring if the project is spending in line with the declared activities, the spending plan, budget, and flexibility limits;
- compiling the financial part of the progress reports;
- managing the budgetary changes and any other financial issues in the project;
- cooperating with the First and Second Level controllers.

The person in this position should be familiar with accounting rules, EU and national legislation for the management of the ERDF, public procurement and financial control, and possess very good knowledge of English (both spoken and written).

To comply with the EU requirements on information and promotion, the project should also appoint an **information manager**.

Responsibilities of the information manager:

- cooperation with the project manager regarding information and communication in the project implementation;

- coordination of the planning and implementation of the project's communication activities, particularly those related to communication with target groups, end users and other external stakeholders of the project;
- liaising with pan-Baltic or Europe-wide organisations relevant to the project theme and with the Joint Secretariat in the area of project promotion;
- monitoring if the project's written communication is branded in accordance with EU and Programme requirements.

The person in this position should have strong communication skills.

Since English language is the official and working language of the South Baltic Programme, it is necessary that the above-mentioned post-holders are fluent in English.

5.3 Coordination and decision-making system

The coordination and decision-making system should consider solution-taking processes, resolving disputes among partners, and reporting problems and issues.

To support the coordination, the projects often use tools such as:

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

6 PROJECT ACTIVITIES AND WORK PACKAGES

The term 'activity' in relation to the South Baltic Programme project is understood as a group of tasks and actions that lead to the achievement of the deliverables, project outputs and project objectives, and are necessary for the proper implementation of

the project. It is necessary to list and describe the project activities in a way that the responsibilities and working steps of each Partner are clear and transparent. The Programme, however, does not request the provision of further detail at the level of a specific task.

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

For the implementation of a project, **up to four content-related work packages can be planned**. The scope and names of content-related work packages shall be defined by the project according to the specific subject and composition of the project (e.g., 'strengthening the capacity of risk management organisations', 'pilot actions in cross-border risk management'). In addition to the content-related work packages, a work package for project management shall be defined.

Additionally, the projects shall define the following technical work packages connected to simplified cost options. These work packages are necessary for administration and financial purposes and thus their description shall be limited.

1. Project preparation: Projects that have not received seed money funding for the development of the project application should define a project preparation work package to claim the lump sum for project preparation (see Chapter IV, Section 3, Sub-section 3.1. Project preparation costs).
2. Indirect costs: Projects should define a work package for indirect costs to claim the flat rate for office and administration expenditures (15% of staff costs), the flat rate for travel and accommodation expenditures (15% of staff costs) and the flat rate for staff costs if this option is applied (20% of direct costs) (see Chapter IV, Section 3, Sub-section 3.2. Staff costs, 3.3. Office and administration and 3.4. Travel and accommodation).

Note: Project communication tasks do not constitute a separate work package but should be described in a separate section of the attachment to the Application Form.

As there is no dedicated work package for communication activities in the project budget, expenses for relevant communication activities and outputs (e.g., materials, handouts, souvenirs, products, etc.) should be planned within the work packages they are envisaged for. Therefore, the budget defined for the content-related work packages should include expenses for the relevant communication tasks.

It is also recommended for project partners to determine and include project exit activities in the list of project actions, if relevant, e.g., an exit plan, a durability plan to ensure sustainability of the project results, etc., to ensure smooth project finalisation, closure, and durability.

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

IV GENERAL RULES ON ELIGIBILITY OF COSTS AND BUDGET STRUCTURE

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

1 GENERAL RULES ON COST ELIGIBILITY

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

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

1. **EU rules.** Taking into account that the Programme is co-financed from the ERDF, all general rules concerning eligibility of expenditure regarding structural funds are applicable. EU regulations to be followed:
 - Regulation (EU, Euratom) No 966/2012, providing the financial rules applicable to the general budget of the Union;
 - Regulation (EU) No 2021/1060, where Articles 63 to 68 give specific provisions on applicable law as well as on the eligibility of expenditure;

- Regulation (EU) No 2021/1060, where articles 53 to 57 give specific provisions on the forms of grants;
 - Regulation (EU) No 2021/1059, where Articles 37 to 44 give specific provisions on the eligibility of expenditure applicable to programmes of the European Territorial Cooperation goal (Interreg);
2. **Programme rules.** Additional rules on the eligibility of expenditure for the Programme as a whole, as described in the Programme Manual.
 3. **National (including institutional) eligibility rules.** Apply to matters not covered by the eligibility rules laid down in the abovementioned EU and Programme rules.

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

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

- it was incurred in line with the provisions of the subsidy contract and the approved Application Form;
- it complies with the rules laid down in the Programme and the Programme Manual;
- it complies with the applicable EU and national law;
- it was actually incurred within the period specified in the subsidy contract (with the exception of project preparation and closure costs);
- it has been incurred in relation to the project implementation and it is necessary for the project implementation;
- it has been made rationally and effectively, in line with the principle of achieving the best results from a given input;

Publicity rules must be followed for incurred costs, particularly events, equipment, and publications.

- it has been appropriately documented;
- it has been appropriately entered in the accounting system;
- it has been specified in the progress report.

Expenditures eligible for co-financing are expenditures actually incurred by the project partner or body entitled to incur costs on behalf of a project partner (real costs), and costs reimbursed by simplified cost options.

Forms of support:

- Real costs

Expenditure actually incurred and paid by project partners.

- Simplified cost options (SCOs)

Pre-defined simplified methods such as lump sums and flat rates.¹⁸

Note: Where SCOs are used, some financial documents (e.g., invoices, proofs of payment) related to cost items are not checked, but the eligible costs are calculated according to a pre-defined method based on activities, outputs, results (lump sum), or as a fixed percentage of some other costs (flat rate).

A paid invoice or another accounting document of equal probative value e.g., payroll, etc., with the attached proof of payment is the proof of incurring real costs. The term 'expenditure actually incurred' should be understood as expenditure incurred in cash terms, i.e., as disbursement of cash from a cash register or a bank account of the project partner.

The exceptions to the above rule include:

- contribution in-kind (the Programme allows only voluntary work as a contribution in-kind, see Chapter IV, Section 3 (sub-section 3.2. Staff costs);
- expenditure settled by simplified methods;
- depreciation costs;
- settlements based on an internal debit note;

¹⁸ The SCOs are an approximation of costs (contrary to real costs), defined in advance and based on averages, surveys and other data.

- compensation of amounts due (see the example below).

Example: the project partner has provided services outside the project to a contractor (invoice A) in the amount of 800 EUR (the contractor owes this amount to the partner). As part of the project, the contractor has provided external services and the project partner owes the contractor 1000 EUR. As a result (if it is allowed according to the national regulations), the project partner can pay the contractor only 200 EUR but can still claim 1000 EUR (200 EUR of actual payment and 800 EUR of compensation of amounts due) as reimbursement from the ERDF.

The eligibility of incurred expenditure is assessed in line with the **eligibility rules in force on the date when the expenditure was incurred** with the following exceptions:

- a contract concluded as a result of the proceedings initiated by the partner is assessed according to the rules in force on the date of the start of those proceedings;
- if the Programme eligibility rules change to more favorable to the project partner, while the expenditure is not yet certified by the First Level Controller, the new, more favorable rules apply.

Dates of the expenditure

The date of expenditure should be defined in accordance with national rules. For questions in relation to the date of incurring an expenditure, project partners are strongly advised to contact their First Level Controller.

Description of an accounting document

Accounting documents related to project implementation should be provided in accordance with national rules and must provide a means to attribute the expenditure to the project.

Separate accounting records

Pursuant to subsidy contracts, the project partners have an obligation to maintain a separate accounting system or use a separate accounting code in the existing

accounting IT system to enable identification of all transactions under the project (it does not refer to expenditure settled by the use of the SCOs).

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

Advance payments

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

Double financing

Double financing of expenditure is prohibited, in particular:

- claiming the same expenditure under different projects co-financed from EU funds;
- receiving non-repayable financial assistance from several (national, EU or other) sources for expenditure under a given project or a part of the project in the total amount exceeding 100% of the eligible expenditure of the project or the part of the project;
- purchasing a fixed asset with co-financing from the EU funds and then claiming the depreciation costs of the fixed asset under the same project or under other projects co-financed from EU funds;
- claiming expenditure financed from grants in a given project which have already been covered or are planned to be covered by a received loan or by a commercial loan obtained thanks to the Structural Funds warranty/guarantee in the total amount exceeding 100% of the eligible expenditure of this project;
- claiming real costs for those categories that are exclusively covered by a flat rate or lump sum (e.g., preparation costs).

When using financial instruments under any Cohesion policy programme, the partners will declare that they will avoid double financing, will not use financial instruments to pre-finance grants and will not use grants to reimburse support received from financial instruments in a given project.

Examples of ineligible expenditure in the Programme:

- fines, financial penalties and expenditure on legal disputes and litigation (including expenditure for preparing litigation and for legal services);
- cost of gifts;
- costs related to fluctuations of foreign exchange rates;
- costs/expenditure resulting from statutory obligations of an institution and its current tasks (i.e., tasks which would have to be performed even if the project was not implemented);
- costs of commissions incurred in relation to foreign exchange rate fluctuations;
- interest on debt;
- costs of loans or credits;
- success fee (bonus for the co-author of the Application Form, paid by the project partner after concluding the subsidy contract, apart from the remuneration for preparing the documentation necessary for application submission).

2 PROJECT BUDGET STRUCTURE

The Programme recognises budget Cost Categories identified with certain application rules and specifications.

Thus, project budgets must be structured according to the following cost categories:

- 1 – staff costs;
- 2 – office and administration;
- 3 – travel and accommodation;

4 – external expertise and services;

5 – equipment;

6 – infrastructure and works.

The budget structure also includes a lump sum for project preparation costs.

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

Annex 2 Additional eligibility rules and guidance for Polish partners provides guidance to be followed by Polish Lead Partners and Polish project partners.

3 COST CATEGORIES

3.1 Project preparation costs

The Programme offers a lump sum for project preparation costs (no proof in the form of financial documents is needed), under the condition that the project application has been approved in the call for proposals.

The lump sum is the only way to cover preparation costs; real costs cannot be submitted and claimed for reimbursement.

The amount of the project preparation lump sum is 22,000 EUR (total eligible amount) paid out to the Lead Partner. The granted amount of the lump sum may be distributed by the LP between the project partners based on an internal agreement between the project partners.

The lump sum is granted provided that the project has not received seed money funding from the South Baltic Programme (including the seed money facility implemented under the South Baltic Programme for 2014–2020 and 2021–2027), or any other seed money instrument.

The project preparation lump sum is optional for a project. It encompasses all costs incurred by the partners in the project preparation phase, including, among others, expenditure related to building a partnership such as meetings among future partners, travel and accommodation before the start of the project, staff costs, and external expertise.

These costs will need to be incurred by the closure of a particular call for projects.

3.2 Staff costs

This cost category refers to the costs of staff employed by the Lead Partner or project partner for implementing the project. Staff can either be already employed by the project partner or contracted specifically for the project – for example, project coordinator, financial coordinator. **The project partner should choose between the following options (flat rate or real costs), and the chosen option cannot be changed during a project contracting or implementation:**

- a) calculated as 20% flat rate of direct costs other than the staff costs of the project;**

The flat rate for staff costs is calculated by applying a percentage (20%) to the direct eligible costs (other than the staff costs) of the project partner. The amount of staff costs calculated as a flat rate depends on the expenditures reported and approved in a given progress report and any deductions made within the project (e.g., due to financial corrections).

When using the flat rate for direct staff costs, each project partner is obliged to store original documents confirming the employment of the staff working on the project. The project partner is obliged to submit a statement on the actual involvement of the staff in the project implementation with the first progress report in the CST IT system.

Documents confirming employment will constitute the proof of legitimacy of using a flat rate (the documents will not be used to compare the real salaries with the amount reimbursed using the flat rate but to prove that the project does indeed have the staff working on the project).

Due to the use of the flat rate for staff costs, the LP is obligated to make a statement in the CST2021 project application declaring the factual engagement of its staff in the project implementation.

b) calculated as real costs

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

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

- **full time:** there is no obligation to establish a separate work time registration system;
- **part-time:** with a fixed percentage of time, fixed for each employee, dedicated to the project per month: there is no obligation to establish a separate work time registration system. This means that timesheets or any other equivalent document should not be used, as the fixed percentage already covers the time worked on the project.

In this case, a project partner issues a document for a part-time employee detailing the percentage of time to be worked on the project. The percentage can be set up in the employment contract directly or in an individual document (a specific task assignment document) as an addendum. In any case, the document is expected to include the fixed percentage per month to be worked on the project together with a list of the main tasks to be performed and/or outputs to be delivered (to justify the established fixed percentage). Such document should be prepared before the project starts and should be submitted along with the first progress report in the CST IT system at the latest. **The percentage of time set for a part-time employee dedicated to the project must not be changed during a full reporting period.** However, it may be changed during the project implementation period, provided it is justified due to changes in the tasks and responsibilities of the employee. Consequently, the employer must issue an amendment to the document setting out the fixed percentage of time worked on the project (or amend the

employment contract directly if the percentage is indicated there). The amendment to the document setting out the fixed percentage of time on the project should be issued and submitted before the next reporting period.

Example of real costs calculated by fixed percentage:

- total monthly salary costs (gross salary, incl. employer's social contributions and other compulsory payments): 5,000 EUR
- percentage of time that an employee is assigned to the project (fixed in the task assignment document or in the employment contract directly): 80%

Eligible staff costs of an employee = total monthly salary (gross salary) * fixed percentage staff costs = 5,000 EUR * 80% = 4,000 EUR

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

Eligible costs

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

document and with standard practices in the country and/or project partner organisation; and not recoverable by the employer.

Examples of eligible expenditure:

- gross basic salary;
- advance payments for personal income tax;
- charges on health insurance and social security;
- additional annual salary together with contributions paid by the employer;
- bonuses and rewards, as well as benefits related to salaries (functional, task-based ones), provided that they were granted in accordance with the applicable provisions of the labour law, the salary regulations of the project partner institution and in relation to the project under implementation;
- compensation for unused paid leave pursuant to the provisions of the labour law;
- value of voluntary work (if direct staff costs are calculated as actually incurred costs. If direct staff costs are calculated via a flat rate, voluntary work is covered via the flat rate and no additional voluntary work costs can be requested).

Examples of ineligible expenditure:

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

Voluntary work

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The document meets the accessibility rules.

Unpaid voluntary work can be carried out in regular and small-scale projects. Unpaid work of volunteers as a form of in-kind contribution will be reported in the 'Staff costs' cost category only if direct staff costs are calculated as actual incurred costs.

See Chapter IV, Section 3 Cost Categories (sub-section 3.2. Staff costs) reported as real costs for more details.

If direct staff costs are calculated via a flat rate, voluntary work is covered via the flat rate and no additional voluntary work costs can be requested. The in-kind contribution cannot exceed 10% of the incurred eligible expenditure at the project partner level nor 5% at the project level.

To be deemed eligible:

- it must be planned and approved in the Application Form; the type of work performed by the volunteer must be defined (his/her position in the project);
- it must be essential to the project, strictly limited to project activities and related to the production of project outputs and results;
- it must be based on an agreement that would have to be concluded before the start of a project-specific activity (it is recommended to conclude it even before the signing of the Subsidy Contract, in English and/or in the national language), clearly defining the responsibilities and tasks of the volunteer);
- it must be objectively valued reflecting an average salary rate for a similar kind of work in the project organisations or other similar institutions, or in the region, or calculated according to the rules applicable nationally;
- it must be listed in a relevant progress report and supported by the necessary documentation (an agreement, document setting out a fixed percentage of time worked on the project, etc.);
- the work performed by employees of the project partner may not be considered as voluntary work.

Reporting and documenting unpaid voluntary work

The following methods may be used to objectively value unpaid voluntary work:

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

3.3 Office and administration

The cost category for office and administration covers indirect costs for operating and the administrative expenses of partners who support the delivery of project activities. These costs are indirect costs as they are not and cannot be related to an individual activity.

The Programme uses a flat rate for calculating and reporting indirect costs of office and administrative expenditure.

Costs under the office and administration category are calculated as a flat rate of 15% of eligible staff costs (including unpaid work of volunteers as a form of in-kind contribution reported in the ‘Staff costs’ category).

The amount of indirect costs calculated as a flat rate depends on the expenditures reported and approved in a given progress report and any deductions made within the project (e.g., due to financial corrections).

Direct costs falling under this category are not eligible. An all-inclusive list of cost categories covered by the flat rate is defined below (these cost items cannot be reported under any other cost category).

Expenditure included in the flat rate for office and administration:

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

These cost items cannot be reported under any other cost category.

3.4 Travel and accommodation for project staff

The Programme uses a flat rate for calculating and reporting travel and accommodation expenditure for project staff.

This relates to the costs of (domestic and foreign) travel, necessary to achieve the objective of the project.

Project partners (regardless of their geographical location) will receive a flat rate of **15% of the eligible staff costs.**

The amount of eligible travel and accommodation costs calculated as a flat rate depends on the staff costs reported and approved in a given progress report and any deductions made within the project (e.g., due to financial corrections).

The flat rate only covers travel and accommodation costs of a project partner's own employees and representatives.

For travel and accommodation flat rate, the LP is obligated to make a statement in the CST2021 project application that it is necessary for the project implementation to make business travel and bear accommodation costs.

The project partners do not need to provide any supporting documentation (i.e., no invoices, no proof of payment, etc.). The flat rate will be calculated based on the eligible staff costs.

Travel and accommodation costs covered by the flat rate:

- travel costs (e.g., tickets, car mileage, tolls, parking fees, etc.);
- costs of meals during travels;
- accommodation costs;
- visa costs;
- daily allowances.

The travel and accommodation expenses of staff from organisations acting as associated partners and target groups of the project, external experts and service providers will fall under the cost category 'External expertise and services'.

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

3.5 External expertise and services

Costs of external expertise and services shall be reported as real costs.

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

The types of costs in this category should be provided in the project budget in the Application Form. However, other expenses may be discovered during the implementation of the project (not predicted at the stage of the application) which are justified and necessary for the achievement of the project's objectives and for the implementation of the project. These costs can be considered to be eligible provided that they are implemented in line with the Programme rules (see Chapter VI, Section 4 Changes during project implementation).

The change should be agreed with the JS before the implementation of a new activity.

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

- studies or surveys (e.g., evaluations, strategies, concept notes, design plans, handbooks);
- training;
- translations;
- IT systems and website development, modifications and updates – used solely and directly for project implementation;
- promotion, communication, publicity, promotional items and activities or information linked to an operation or to a programme as such;
- project and financial management;

- services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- participation in events (e.g., registration fees);
- notarial services and legal consultancy related to project activities, technical and financial expertise, other consultancy and accountancy services;
- intellectual property rights;
- costs of project verifications carried out by First Level controllers;
- guarantees issued by banks or other financial institutions where required by EU or national law or by the Programme document;
- travel and accommodation for external experts, speakers, chairpersons of meetings and service providers, guests from organisations acting as associated partners and target groups of the project;
- other specific expertise and services necessary for the implementation of the project.

Procurement of the external expertise and services conducted by the project partners must be in line with relevant procedures and rules determined by the EU, Programme and national (including institutional) rules (see Chapter IV, Section 7 Competition and public procurement).

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

- attendance list signed by participants of the meeting/conference/seminar;
- plan/agenda of the meeting/conference/seminar which was held;
- certificate/attestation of a completed course/training;
- copy of promotional material (e.g., leaflet, poster, brochure, folder, inserts to newspapers or magazines, press advertisement promoting a project) or – for large promotional/information materials – photographs of these materials, of which at least one shows the proper marking of materials;

- website address – where a website is developed as part of the project.

Examples of ineligible expenditure:

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

3.6 Equipment

Costs of equipment shall be reported as real costs.

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

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

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

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

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

Based on these general provisions, the following rules for the costs for the purchase of equipment will be applied:

- **items of low value** – when the unit price of the item does not exceed the thresholds specified in national requirements for the application of depreciation

rules (i.e., one-off depreciation is expected), the respective purchase costs are eligible in whole or in part (proportionately to the usage of an item in the project implementation);

- **equipment for project management use during the project** – depreciation (depreciation for the equipment item should be calculated according to the national regulations) is eligible for co-financing from the Programme in proportion to the period when the equipment is used for project implementation. Depreciation must be calculated according to the national requirements and the depreciation method used will be stored for accounting, control, and audit purposes. For example, the monthly share of depreciation should be calculated. The rate may vary according to the type of fixed asset and among the project partner countries;
- **equipment directly contributing to the achievement of the project's outputs** – if the equipment item directly contributes to the achievement of an output (i.e., the equipment affects the project target group or project area and is intended to remain in use after the project is implemented), the full purchase costs (including operating and servicing costs) of the equipment are eligible. If the equipment is already in the possession of the project partner, only depreciation costs are eligible for co-financing from the Programme in proportion to the period when the equipment is used for project implementation.

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

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

Lease

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

- lessor's margin;
- insurance fees.

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

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

Examples of ineligible expenditure:

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

Cross-border relevance

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

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

3.7 Infrastructure and works

Costs of equipment shall be reported as real costs.

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

- construction of infrastructure;

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

Examples of eligible expenditures:

- charges for construction permits;
- purchase of undeveloped property or real estate, if it is inseparably linked to the implementation of the project (it will not exceed 10% of the total amount of eligible expenditure of the project);
- site preparation works, including surveying works;
- ground works, construction and assembly works, development works, finishing works, fitting out works, deconstruction works;
- supervision of works on behalf of the investor regarding the proper implementation of the investment and heritage conservator supervision;
- costs of employing a contract engineer, site manager and/or site coordinator in relation to the implementation of the project;
- administrative fees directly linked to activities and work carried out as part of the project;
- construction, expansion or restructuring/renovation of premises and technical infrastructure necessary for the implementation of the project (e.g., server rooms).

Examples of ineligible expenditures:

- expenditure not covered by the approved Application Form/not approved by the JS;
- expenditure related to preparing a feasibility study or an environmental impact assessment (expenditure for commissioning such analyses should be included in the 'External expertise and service costs' budget category);

- expenditure relating to construction works, where the contractor has been selected in violation of the public procurement law (partial or total ineligibility, depending on the extent of the given irregularity).

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

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

Cross-border relevance

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

- **have pilot character**, i.e., that they create a transferable practical solution (blueprint) through a case study in one area, which is in the further project jointly evaluated by the Partners and prepared for use and implementation in at least one of the other participating countries. Projects that include such components are expected to show strong transfer/dissemination activities that ensure the application of the developed solution in other countries and contexts; or
- **has the character of filling missing links** at the level of the South Baltic area, i.e., it follows a cross-border physical or functional link (e.g., common tourist offer, joint digital applications with infrastructural elements), its placement has been analysed from a cross-border perspective and it demonstrates a socio-economic or environmental impact across national borders.

Note: Implementation of large-scale infrastructure is not possible!

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

Example 1 (pilot character):

The project develops and tests pilot installations for storm water management in different municipalities of the Programme Area to prevent the efflux of pollutants into the rivers and subsequently to the Baltic Sea. The pilot installations are part of a joint concept that can be replicated in other municipalities of the Programme area. To support the uptake of the developed and tested solution, the project implements dissemination actions related to the pilot installation (e.g., study tours to the installations, dissemination of blueprints to stakeholders).

Example 2 (character of filling missing links):

The project identifies untapped common cultural heritage potential in the Programme Area. To develop the common tourist offer around this cultural heritage, the project installs small-scale tourist infrastructure in cultural or tourism sites. The sites are treated as a network and the newly installed infrastructure (e.g., exhibitions, installment of interpretation panels and boards, tourist attraction signs, audio and visual guide systems, mobile pavilions, and virtual reality showcases) are promoted as a common tourist offer.

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

- elements of local infrastructure that do not have an innovative feature or help to fill a missing cross-border link, such as stand-alone infrastructure;
- infrastructure designed before the start of the project in a local context, and which is not subject to further development in accordance with the international state of art in the framework of the cooperation process;

- innovative technical solutions that are not evaluated after being used in the project and not actively transferred and disseminated to other potential users by and within the project.

Projects should justify the added value of the financed infrastructure as part of a cross-border project within the South Baltic Programme, in particular, where it has the potential of being financed from other EU or domestic, regional or national funds.

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

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

Note: If it is possible to assign one invoice/one contract to two or more cost categories (e.g., one price for Equipment, Infrastructure and works), the larger share of the invoice/contract will determine to which cost category it should be assigned.

3.8 Closure costs

Costs for the project closure are the costs that occur after the end date of the project implementation, until submitting the partner progress report to the FLC, but no more than 120 calendar days from the project end date.

No costs can be reported after the submission of the final project progress report.

Closure costs are eligible if they relate to the Work Package 1 Management and Coordination in the cost categories:

1. Staff costs – costs related to the works of project staff on the preparation of the final partner and project progress report,
2. External expertise and services – costs of the First Level Control or other services related to the final partner progress report preparation and verification (if applicable).
3. Costs: flat rates for the Office and administration costs and Travel and accommodation costs (see Chapter IV, Section 3, sub-section 3.3. Office and administration and sub-section 3.4 Travel and accommodation).

Closure costs relating to the last phase of the project must focus on the administrative actions needed for successful project finalization only.

Note: Activities related to the project implementation phase are not allowed to be implemented in the project closure phase.

However, costs related to activities carried out in the implementation phase paid after the project's end date are eligible, if the accounting documents were issued during the project implementation period and are not considered as closure costs.

4 REIMBURSEMENTS OF SMALL-SCALE PROJECTS

Small-scale projects to be implemented under the simplified cost options scheme only.

Staff costs

For staff costs, project partners can apply only real costs in small-scale projects. More information regarding real costs can be found in Chapter IV, Section 3 Cost Categories (sub-section 3.2 Staff costs).

Any other costs

For the remaining costs of the project implementation, the Programme uses a flat rate of 40% of eligible staff costs. Therefore, the amount of the remaining costs calculated as a flat rate depends on the amount of the eligible staff costs approved in each progress report and any deductions made within the project (e.g., due to financial corrections).

5 VAT

Value Added Tax (the VAT) is eligible for projects implemented in the Programme.¹⁹

Note: The eligibility of the VAT in projects **involving state aid** is defined by the provisions of the GBER and depends on the possibility of its recovery according to national regulations (see Chapter IV, Section 9 State Aid).

More information can be found in the State Aid Manual providing assistance to the project partners that is available on the Programme website.

6 COST SHARING

Cost sharing, which is a pro rata allocation of certain project expenditure incurred by a partner and allocated to various other project partners, is not allowed in the South Baltic Programme 2021–2027.

In principle, the Programme advises cross-border partnerships to share tasks but not costs.

Therefore, a fair and well-planned division of tasks and budget among the partnership is essential when developing the project. This exclusion, however, would not prevent project partners from agreeing on shared cost arrangements outside the Programme framework.

¹⁹ According to REGULATION (EU) 2021/1060, VAT is eligible for projects below 5 M EUR (total eligible amount, including the VAT); for projects with a 5 M EUR budget or above, VAT is eligible where it is non-recoverable under national VAT legislation (please note that projects above 5 M EUR are not eligible in the ISBP 2021–2027).

7 COMPETITION AND PUBLIC PROCUREMENT

7.1 Conducting procurement procedures

When preparing and conducting a public procurement, as well as awarding a contract within the project, it should be carried out in a manner that guarantees compliance with the principle of:

- transparency;
- fair competition;
- equal treatment of contractors, including potential contractors.

In addition, the principle of sound financial management with respect to all contracts awarded within the project should be followed, meaning the principles of:

- economy;
- efficiency;
- effectiveness.

Procurement contracts must be awarded pursuant to EU and national regulations on tendering and awarding contracts. This will ensure that competition and public procurement principles are followed. The list of appropriate legal acts and other documents that are binding in each Member State participating in the Programme is published on the **Programme website**.

Note: Public procurement and competition thresholds are defined at national levels. It is of the utmost importance to get acquainted with them well in advance before carrying out procurement activities in the project.

Annex 3 Specific competition conditions regarding the award of contracts by Polish project partners provides guidance to be followed by Polish partners.

In the case of **a breach of the regulations or principles** on the award of public contracts (or the Programme procurement principles) the declared expenditure will be

deemed, in whole or in part, ineligible. The amount of ineligible expenditure will be calculated according to the regulations or procedures adopted in the given Member State.²⁰ If the Member State has not adopted rules for determining the amount of ineligible expenditure, the European Commission's document on determining financial corrections for non-compliance with the rules on public procurement is applicable. The latest up-to-date version in relation to the expenditure in question is always applicable to the FLCs and auditors.

All public procurement procedures must be well documented!

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

7.2 Conflict of interest and anti-corruption

The Programme is based on the European Commission's principle of **ZERO TOLERANCE FOR FRAUD**²¹

The ERDF co-financing for projects implemented under the Programme is paid from public funds from the taxes of European Union taxpayers. Therefore, it must be ensured that decisions related to the spending of EU funding by the institutions implementing the project in the framework of the Programme are made in a transparent, impartial, and objective manner. Both Programme institutions and project partners who receive ERDF co-financing are obliged to implement not only EU regulations and national law, but also the Programme rules concerning the spending of the EU funding.

²⁰ In Denmark, the Eligibility guidance developed by the Regional Fund, the Social Fund Plus and the Just Transition Fund 2021–2027 (Vejledning om støtteberettigelse, der er udarbejdet af Regionalfonden, Socialfonden Plus og Fonden for Retfærdig Omstilling (2021–2027)) shall apply. In Germany, the Act Against Restraints of Competition (GWB 'Gesetz gegen Wettbewerbsbeschränkung') of February 17, 2015, BGBl I of February 23, 2016 (entered into force on 18 April 2016) shall apply.

In Lithuania, Republic of Lithuania Law on Public Procurement of 13 August 1996 No I-1491 (as last amended on 17 March 2022 No XIV-954) and the Public Procurement Office Director Order of 28 June 2017 No 15-97 (for simplified procurements) shall apply.

In Poland, Article 26(6) of the Act of 28 April 2022 on the principles of implementation of tasks financed from European funds in the financial perspective 2021–2027 shall apply. According to its content, the European Commission may reduce the value of the financial correction, or the value of expenditure incurred incorrectly. The European Commission issued a decision of 14 May 2019 laying down the guidelines for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement No. C(2019) 3452.

²¹ Article 325 of the Treaty on the Functioning of the European Union.

Note: Failure to comply with these rules constitutes irregularity or fraud!

The rules are applied at the stages of application submission, project implementation, including public procurements, and while maintaining project indicators during the durability period.

Irregularity and fraud

Irregularity is any infringement of EU regulations or national law relating to the application of EU regulations resulting from an act or omission by an institution implementing EU funding, which may result in charging the EU funding with unjustified expenditure.

Fraud is when the act or omission to misappropriate or wrongly retain EU funding is intentional. Fraud may consist of:

- the use or presentation of false, inaccurate or incomplete statements or documents;
- the non-disclosure of information in violation of a specific obligation;
- the misappropriation of EU funding for purposes other than those for which they were originally granted;
- the misappropriation of a legally obtained benefit.²²

Fraud often involves the use of deliberate misinformation for personal gain, for delivering benefits to a related person (e.g., a family member) or third party (e.g., a contractor), or exposing someone to loss.

The most frequently identified frauds include, among others: conflict of interest, corruption, forgery, and infringement of public procurement rules.

Conflict of interest

A conflict of interest is a **specific case of fraud**.

²² Council Act of 26 July 1995 drawing up the Convention on the protection of the European Communities' financial interests (95/C 316/03).

A conflict of interest exists where the impartiality or objectivity of a person who takes a decision related to the spending of EU funding is compromised for reasons involving family, emotional, political, economic interest or any other direct or indirect personal interest.²³

There is a serious risk of a conflict of interest, inter alia, when the contracting authority and the contractor (or authorised representatives of the program institution and the beneficiary) are related as family members (parents, children, siblings, spouses, parents, and siblings of the spouse) or they are bound by relations of an economic, political, or business nature.

All persons involved in the spending of European funds are required to avoid conflicts of interest.

Measures to prevent irregularities and fraud

All institutions involved in the spending of EU funding should set up rules on fraud prevention, and procedures to deal with identified or suspected fraud, including conflict of interest.

Note: The principles of the developed Programme Anti-Corruption Policy are described in detail in the Anti-Corruption Manual published on the Programme website.

If irregularity or a fraud is identified or suspected on the part of the institutions responsible for the Programme implementation or the implementation of a project, this information should be immediately reported to one of the following institutions:

- Managing Authority,
- National Authority,
- First Level Controllers,
- Joint Secretariat, or

²³Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union and the Guidance on the avoidance and management of conflicts of interest under the Financial Regulation (2021/C 121/01).

- the mailbox: NieprawidlowosciInterreg@mfigr.gov.pl.

In the case of suspicion of a crime, a notification should be immediately sent to:

- the competent investigative authorities – in accordance with national law,
- and
- Managing Authority (for a Polish beneficiary),
 - National Authority (for another beneficiary).

The Guidance on avoiding and managing conflicts of interest under the Financial Regulation issued by European Commission requires every person who takes decisions related to the spending of EU funding to submit a declaration of impartiality to reduce the risks of conflict of interest. This obligation arises from the European Commission's guidelines on the avoidance and management of conflicts of interest.

It means that the declaration of impartiality should be signed and stored in the project documentation by every person involved in the project implementation concerning every contractor in the project. If a conflict of interest occurs or is suspected, the respective person should refrain from taking the decision. During the control activities, the FLC, Joint Secretariat or Audit Authority, based on the accessible registers, may check whether the declaration has been submitted and whether it is reliable.

Irregularities and fraud in public procurement²⁴

All project expenditure must be compatible with the law. Therefore, the process of selecting external experts and service providers should be conducted in a way ensuring transparency of decisions and equal treatment of all economic operators.

Acting as a contracting authority during the procurement procedure, any situation that could lead to a conflict of interest must be avoided.²⁵

The contracting authority should take immediate action to rectify any situation in which a conflict of interest exists. The measures to be taken in such a situation depend on the stage of the procedure.

In the stage of selecting a contractor:

²⁴ Article 24 of Directive 2014/24/EU.

²⁵ Identifying conflicts of interest in public procurement procedures for structural actions.

- a member of the tender committee who states that they are related to a tenderer must recuse themselves from working in the committee and be replaced with another person;
- if the contracting authority states an economic/capital relation with the tenderer, it must not award the contract to this tenderer;
- if a conflict of interest is detected at the end of the selection procedure, the procurement procedure must be cancelled and repeated.

For **Polish beneficiaries**, obligations related to conflicts of interest are defined in the Public Procurement Law and in the Competitiveness Principles (**Annex 3** Specific competition conditions regarding the award of contracts by Polish project partners).

For beneficiaries **from outside Poland**, obligations related to conflicts of interest are defined in the following:

1. For Danish beneficiaries, obligations related to conflicts of interest are defined in the Danish Act for Public Procurement (The Public Procurement Act No 1564 of 15 December 2015) entered into force on 1 January 2016)).
2. For German beneficiaries, obligations related to conflicts of interest are defined in the German Ordinances (on the Award of Public Contracts of 18 April 2016 and on the Award of Subthreshold Contracts of 2 July 2017 (as amended on 12 July 2018)).
3. For Lithuania beneficiaries, obligations related to conflicts of interest are defined in the Lithuanian Law on the Chief Official Ethics Commission (The Law on the Chief Official Ethics Commission No X-1666 from 1 July 2008).
4. For Swedish beneficiaries, obligations related to conflicts of interest are defined in the Swedish Public Procurement Act (The Public Procurement Act No 2016:1145 of 1 December 2016).

On identifying any irregularity or fraud in the award of public procurement contracts, an appropriate financial correction in accordance with the current Commission guidelines²⁶ will be applied. According to the guidelines on conflict of interest, those

²⁶ Commission Decision of 14 May 2019 laying down the guidelines for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement.

with an impact on the outcome of the procurement procedure will result in a correction of 100% of the procurement expenditure incurred. This means that the FLC will consider such expenditure in its entirety ineligible.

8 CONTRACTUAL OBLIGATIONS

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

Annex 1 Most common irregularities in the field of awarding contracts provides information on the most common irregularities in public procurements.

To avoid the most common irregularities, the European Commission published the **handbook** 'Public procurement guidance for practitioners on the avoidance of the most common errors in projects funded by the European Structural and Investment Funds'.

9 STATE AID

9.1 The concept of State Aid

The basis of the free market in the EU is the principle of competition. Member States are obliged to safeguard this principle. Granting state aid is non-compliant with the internal market since it distorts its functioning and gives privilege to certain entities. However, the EU law allows state support (that is, awarding State aid) on certain terms and conditions.

There is no legal definition of State aid. The source of law and basis for defining what State aid is, constitute Articles 107 and 108 of the Treaty on the Functioning of the European Union (TFEU), in particular: 'Save as otherwise provided in the Treaties, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain

undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market'.²⁷

State aid is considered to be the support provided from state resources to an undertaking which meets the following **4 criteria jointly**:

1. **State origin** – support is granted by the state or with the use of state resources (e.g., co-financing from the ERDF, non-repayable grants, subsidies, tax reliefs).
2. **Selectivity** – support is granted to selected undertakings or in selected sectors (e.g., fiscal measures of a general nature are not selective, whereas tax remission for only one group of undertakings is selective, organising training for a specific group of undertakings from the catering sector in a given region is selective).
3. **Economic advantage** – support is granted to an undertaking on more favourable conditions than those offered on the market (e.g., in the form of a subsidy, non-repayable financial support, loan or credit with preferential interest, tax exemption or write-off, etc.).
4. **Competition distortion** – support granted to an undertaking distorts or threatens to distort competition and has an impact on the exchange of trade between Member States (e.g., when support is awarded, it has a favourable influence on the catering entrepreneur's position in the border area, where they are competing at this specific time with a foreign entrepreneur in the border region).

State aid **will not be awarded if at least one** of the above-mentioned criteria **is not met**.

An **undertaking** is each entity who conducts economic activity irrespective of its legal form or financing sources, or the objective of the activity (generating profit is not crucial in this case).

²⁷ Article 107 par. 1 TFEU.

An **economic activity** is any activity consisting in offering goods and services on the market.

- An undertaking can also be, e.g., an association, a foundation or a local government unit, if a partner conducts business activity within the project. The legal form of the entity receiving support makes no difference for the assessment of State aid.
- It is important, whether the activity is performed in conditions of existing or potential competition. In the assessment of the occurrence of State aid, the objective of the activity performed by the specific entity is irrelevant.
- Undertakings not focused on profit can also offer goods and services on the market. Therefore, the fact that a given entity has been established to generate profits is not a prerequisite in deciding on awarding State aid.

9.2 State aid in the Interreg South Baltic Programme

The State aid is granted under an aid scheme (Ordinance of the Minister of Development Funds and Regional Policy of the Republic of Poland²⁸).

The aid scheme indicates the forms of State aid that are awarded to Polish and foreign partners. These forms are regulated in the following EU regulations:

- Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (hereinafter, 'GBER');
- Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid.

The State aid in the Interreg South Baltic Programme is awarded based on the following measures:

- Article 20 GBER up to the amount of EUR 2 million per undertaking, per project²⁹ (direct State aid);

²⁸ The document is available on the Programme website.

²⁹ I.e., 2 million per undertaking (project partner) participating in a project.

- Article 20a GBER up to the amount of EUR 20,000 per undertaking, per project (direct and indirect State aid).

Note: De minimis aid constitutes a special category of aid awarded by the state. It is considered that due to its small value, it does not result in distortion of competition on the EU internal market.

De minimis aid:

- is available in amounts up to EUR 200,000 (EUR 100,000 for the sector of road freight of goods) from one Member State;
- is awarded to the undertaking within the last three fiscal years;
- is limited concerning one undertaking (all entities legally influenced by another one are treated as one undertaking).

Restriction to de minimis aid granted based on regulation 1407/2013:

- cannot be awarded to undertakings active in the sectors of primary production of agricultural products, fishery, and aquaculture;³⁰
- cannot be used for the acquisition of road freight transport vehicles;
- cannot be cumulated with any other State aid given towards the same eligible costs if it means that due to such cumulation, the maximum intensity of aid granted under the GBER is exceeded.

The decision on awarding State aid and de minimis aid in the Interreg South Baltic Programme is taken by signing the Subsidy Contract.

State aid and de minimis aid **can be awarded directly** by the Managing Authority, or **indirectly** by the project partner to the final recipient (an undertaking conducting economic activity in compliance with the definition of State aid³¹). Indirect aid includes, e.g., participation in a training or workshops implemented within a project.

³⁰ Applicable Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the agriculture sector and Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector

³¹ Pursuant to the definition of an enterprise adopted in Appendix I to the Commission Regulation (EU) no. 651/2014 (GBER), an enterprise means an entity conducting business activity irrespective of its legal form. It especially refers to persons conducting activity on their own account and family companies dealing with craft or other activity, as well as companies or associations conducting regular business activity.

In these workshops, a benefit (e.g., specific knowledge, skills or rights, licences) is received not by the project partner but by the final recipient in the project. The so-called final recipient receives economic advantage which would have to be paid for under normal market conditions.

9.3 Intensity level of aid

The intensity level is the maximum amount of all cumulated public funding (e.g., State aid and de minimis aid) that a project is permitted to receive in relation to the project budget (the same eligible expenditures). This amount is expressed as a percentage. Breaching the limit may mean that any State aid given in excess of the permissible amount must be returned.

Cumulation of State aid with the maximum aid intensity and de minimis aid is possible in the project only when those different aid measures concern different identifiable eligible expenditures.³²

Note: The **maximum State aid intensity in the programme can amount to up to 80%** (the same as the level of financing from the ERDF). If the maximum level of State aid is awarded in the project, there is no room for cumulation with other state aid or de minimis awarded in the same country for the same eligible expenditure in the project.

9.4 De minimis aid and its cumulation

Project partners **outside the territory** of Poland:

- can receive de minimis aid from the Managing Authority provided that they have not exceeded the limit of EUR 200,000 in the period of the last 3 fiscal years (within ERDF co-financing). They can also use de minimis aid to cover their own contribution to a project if it is awarded by state institutions from their country of origin;

³² For Polish partners, see also judgement of the Voivodeship Administrative Court in Rzeszow, no: I SA/Rz 558/21, available at: <https://orzeczenia.nsa.gov.pl/doc/69D24A3A42>.

- de minimis aid awarded in Poland and in a partner's own country do not cumulate.

Partners from the **territory of Poland**:

- can receive de minimis aid from the managing authority provided that they have not exceeded the limit of EUR 200,000 in the period of the 3 last fiscal years (within ERDF co-financing). If the partner receives additional assistance from a public body to cover the amount of its national contribution to the project, e.g., in the form of a national grant, under these circumstances: the amount of de minimis aid awarded from the ERDF would have to be decreased by the amount of the national grant, or the partner could not receive the national grant. The national contribution for the project would have to be covered by the partner's own financial means or by taking out a loan on the market.

All partners can obtain de minimis aid awarded by every other state e.g., within other INTERREG projects, the value of such aid does not cumulate with the value awarded by Poland.

9.5 Assessment of state aid in the project

In the Interreg South Baltic Programme, the decision on project co-financing implemented by the Managing Authority must take into consideration the principles of awarding State aid. Therefore, the Managing Authority assesses the occurrence of State aid or de minimis aid (this task is performed by the Joint Secretariat of the Programme through its delegation by the Managing Authority) and signs subsidy contract on project co-financing.

Nevertheless, if project partners award State aid to final recipients (indirect aid), they are responsible for:

- proper awarding of aid (including verification of the conditions for possibility awarding);
- collecting and issuing required documents, in compliance with national regulations (detailed information is available on the programme website www.southbaltic.eu).

Note: Occurrence of State aid in a project **is always assessed before signing the Subsidy Contract** (for each measure in the project and every partner).

In the course of the assessment, it is taken into consideration whether the partner is an undertaking pursuant to EU law and whether all measures specified in Article 107 paragraph 1 TFEU are met (so-called State aid test).

The fulfilment of measures for granting State aid or de minimis aid is verified individually for each project and for every partner at the stage of assessment of the application for co-financing. Until the conclusion of the subsidy contract, partners immediately inform the Joint Secretariat of any changes concerning previously received de minimis aid or State aid.

The institution awarding aid (the Managing Authority or the project partner) assesses the admissibility of the aid on the grounds of information submitted by the project partners applying for State aid. The partners present this information in the form of filled-in forms and copies of certificates or a declaration on the received de minimis aid (detailed information is available on the programme website at www.southbaltic.eu).

9.6 Awarding aid, monitoring, reporting, and informing

The Managing Authority awards State aid or de minimis aid to Polish and foreign partners and applies procedures and provisions concerning reporting this aid in compliance with Polish provisions.

Note: In compliance with the GBER, the reporting requirement concerns granting State aid pursuant to Article 20 GBER.

An exception to this rule comprises granting aid pursuant to Article 20a GBER.

De minimis aid is not subject to reporting to the EC.

9.7 Indirect aid

Note: A partner can grant indirect State aid if this is specified in the subsidy contract, in compliance with **Article 20a GBER**.

The reporting obligation does not exist with reference to aid granted pursuant to Article 20a GBER. The provisions of a given country may, however, require reporting from partners who award aid pursuant to Article 20a. If so, the partner reports the fact of awarding such aid, e.g., in national IT systems (with the use of the relevant, national forms), if they exist in a given country (e.g., in Poland, it is the SHRIMP system).

9.8 Storing documents concerning State aid

The period of storing documents related to the project implemented with State aid amounts to at least 10 years from the day such State aid is awarded within the project (exception: State aid awarded under art. 20a GBER).

9.9 Control of State aid

The tasks of the controller who conducts management verification in the project (administrative and on-the-spot check) include verification of the compliance of the incurred expenditures with the regulations concerning State aid.

Moreover, the controller verifies if any changes occurred at the project's partner that could have an impact on the occurrence of State aid, de minimis aid or the correctness of awarding them in the project.

Subject to verification:

- **For direct aid**, the controller verifies if the value of the actually awarded aid has exceeded the maximum amount of aid specified in the subsidy contract for the given project partner;
- **For indirect aid**, the controller verifies in formal terms in the documents concerning the awarded indirect aid (enumerated in the subsidy contract) if the admissible limit of co-financing has not been exceeded.

V PROJECT PREPARATION, APPLICATION AND SELECTION

1 PROJECT GENERATION PROCESS

How to prepare a cross-border project?

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The document meets the accessibility rules.

Preparation of the cross-border project requires several steps which are necessary to form a project proposal relevant to the Programme.

Please be informed that the Programme has developed a new tool for the submission process – the **WOD2021 Application system, which is part of the Central Monitoring System – CST2021**. The Programme provides the **WOD2021 Applicant Manual with technical specifications on system usage**.

1.1 Preparation and submission of the project proposal

- First step, The identified problem: To what problem will the project contribute a solution? What needs and challenges will be addressed by the project?
- Second step, Target groups and stakeholders: What problems of the target groups will be addressed? Who will benefit from the project?
- Third step, Building cross-border partnership: Make sure the involved partners are eligible in accordance with the Programme rules, and relevant to solve the identified problem.
- Fourth step, Project idea: Identify the project objectives (what do you want to achieve?) and results (what do you want to change?) To which Programme Measure will the project contribute?
- Fifth step, Intervention logic: Define the project output and results indicators through which the achievement of the project objective will be measured within the scope of the indicators predefined by the Programme in the specific Measure.
- Sixth step, Project activities: Which actions, tools and methodologies will be implemented to achieve the results and objectives? Think of the ways to communicate and disseminate the project results to the stakeholders and target groups, as well as the wider public.
- Seventh step, Project timeframe: How much time is needed to carry out all activities and achieve the planned outputs and results? Set the project timeframe with the determined start and end dates.
- Eighth step, Project budget: Form a project budget covering all financial needs to implement the project and achieve the results.

- Ninth step, Preparing the Application Form: Create a profile of the Lead Applicant organisation in the WoD2021 Application system. Collect the necessary documents from the project partners and associated partners.
- Tenth step, Submitting the Application Form: Complete and submit the Application form and all the required attachments via the WoD2021 Application system within the open Call for Proposals.

Applicants are strongly recommended to consult their project ideas first with the Programme Contact Points and then with the Joint Secretariat before submitting the project proposal.

Within the project development process, different steps may overlap and be adjusted accordingly.

Potential additional partners may join at any point in the process, though the core of the partnership should be established at an early stage.

1.2 Programme services

At every stage of the project generation process, the Programme offers support to the potential applicants to submit the proposal. The tools and services include:

- **Programme website** is the main source for information about the Programme including access to all documents, FAQ, announcements on calls for proposals, etc.
- **WOD2021 Application system** is the system developed to facilitate the application process where registered organisations can submit the Application Form and go through the whole assessment process including correspondence with the JS and obtainment of results.
- **Partner Search Tool** (accessible through the Programme website) is an online form where registered members can find relevant organisations to form a future partnership.

- **Knowledge bank tool** (accessible through the Programme website) gives an overview of the various solutions and tools developed and trialled by South Baltic projects from 2008 to date.
- **Contact Points** in participating Member States to provide applicants with comprehensive information on the procedures and rules of the Programme.
- **Training and information meetings.** The JS and the Contact Points organise various thematic events for applicants and potential beneficiaries. These events are useful in clarifying any doubts and finding responses to questions related to the Programme.
- **Consultation services.** The initial project idea can be consulted on with a Contact Point to obtain an initial opinion on its relevance to the Programme. At a later stage of project generation, the project owner can consult the JS, if relevant.

2 CENTRAL INFORMATION AND COMMUNICATION TECHNOLOGY SYSTEM 2021

The electronic and paperless implementation of the Programme, in accordance with the EU provisions, is one of the simplifications continued and developed from previous programming periods. The Central Information and Communication Technology System 2021 (Polish: Centralny System Teleinformatyczny 2021, CST2021) will serve this purpose covering electronic data exchange between applicants, project partners and programme management bodies on different levels. All applicants and project partners, including Lead Partners, are obliged to use CST2021. The responsibility for building, developing, and maintaining the system rests on the Managing Authority.

2.1 CST2021 Definition

CST2021 is a central electronic data exchange system that supports the following processes:

- applying for funds (call for proposals, Application Forms, assessment);
- updating projects from the moment of selection for co-financing (clarifications);

- project monitoring (including financial reporting), verification, control and audit;
- certification of expenditures to the European Commission.

2.2 Application included in CST2021

CST2021 is a complex system containing several applications dedicated for the specific processes.

For applicants, project partners and Programme bodies:

1. **SZT2021** – Single Sign On application: Identity Management System, common login gateway that enables logged-in users to switch between the CST2021 system applications to which they have been granted access.
2. **WOD2021** – applying for funds: an application that facilitates the process of applying for and selecting projects for co-financing including: announcing calls for proposals, preparing and submitting Application Forms, recording the outcomes of project assessments, and transferring data to SL2021.
3. **SL2021** – project management application from the moment of selection for co-financing, covering updates/changes in projects; correspondence between project partners and programme bodies; reporting at the partial and project level; recording data on financial schedules, public procurements and contracts, and project personnel.

For project partners from Poland only, bidders and Programme bodies:

BK2021 – supporting the implementation of the competitiveness principle.

The CST2021 also contains microservices dedicated for Programme bodies only:

1. **Administration** – managing system access, implementing Programme data.
2. **SL2021/Certification section** – supporting expenditure certification to the European Commission for Programme bodies.
3. **e-Control** – supporting auditing and dedicated for authorised institutions to conduct and record the full process of project controls.

4. **Cross-Checks** – dedicated for verifying the possible double-financing of expenditures based on checks within the groups of correlated invoices declared by project partners in the reporting process.
5. **SCANNER** – designed to support the verification of any conflicts of interest and handling irregularities (including financial irregularities) based on data from public registers. It investigates personal and capital links between respective entities concerning the representation of an entity and the current utilisation of EU funds (including procurement information published in the Competitiveness Base).
6. **SR2021**– a statistics application based on data entered in CST2021 to track and monitor the Programme implementation.

2.3 CST2021 Architecture

The figure in the text shows the construction of the CST2021 system. The WoD2021 system as first step servers for applying for funds. It is available from the common login interface named as SZT2021. From here also the SL2021 system is available that is the monitoring tool for projects, reporting and certification. The following systems are connected to SL2021: BK2021 (only for Polish partners), E-Controls, Cross-checks, SCANNER. The whole system is connected to the Administration/SR2021 Statistics tool.

2.4 CST2021 Data assessment

Data stored in CST2021 can be accessed by:

1. Applicants (WoD2021) as regards data on the Application Forms they prepared and submitted;
2. Project partners (SL2021), as regards data on their respective projects, as well as persons authorised by project partners to carry out project reporting on their behalf under applicable subsidy contracts;

- a. Project partners from Poland in BK2021: contracting authorities and bidders/contractors in tenders, as regards data on announcements they add and offers they create;
3. Employees of authorities involved in implementing the programmes (i.e., the Managing Authority, Joint Secretariat, First Level Controllers, Audit Authority, external assessors, and others) to the extent necessary for the performance of their tasks.

2.5 CST2021 Work Guidelines

1. It is obligatory to work in the system. All processes related to applying for co-financing in calls for proposals, project selection as well as the monitoring and reporting of implementation are done entirely in CST2021.
2. The CST2021 guidelines, including all technical, formal, and content-related requirements, are laid out in applicable user manuals available on the Programme website.
3. Furthermore, after signing the respective subsidy contracts, project partners shall be subject to applicable provisions of the contract regarding the CST2021 work rules, in particular designating persons to represent project partners, communication rules as well as CST2021 error and failure reporting.

3 CALLS FOR PROPOSALS

Project proposals presented in Application Forms are collected through a series of Calls for Proposals. Each separate Call for Proposals has a defined timeframe (start and end date and time).

When a Call for Proposals is launched, an announcement with detailed information (including the application package) is published on the **Programme website** and in other media sources in all Programme Member States (e.g., regional websites).

Promotion activities linked to the launch of Calls for Proposals are carried out by the JS in co-operation with Contact Points.

The announcement of any Call for Proposals will include, among other things, the following information, and documents:

- Applicable Programme Measures;
- Partnership requirements;
- Set timeframe (start and end date and time);
- Timescale of the selection procedure (announcement of the results);
- The Programme funding allocated to each respective Call for Proposals;
- Short guidelines on the preparation, eligibility, assessment, selection, and implementation procedures.

4 APPLICATION PACKAGE AND SUBMISSION OF APPLICATIONS

4.1 General Information

Information on each of the Programme's Calls for Proposals is published in a separate section dedicated to the Application Form submission on the **Programme website**.

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

The Application Pack includes:

- Call for Proposals announcement;
- Programme Manual;
- Guidelines on filling in and submitting the Application Form;
- The list of supporting documents to be attached to the Application Form;
- Complaint form template.

Applicants should make themselves familiar with the template of the **Subsidy Contract** as well as with the template (minimum requirements) of the **Partnership Agreement** before submitting the application.

4.2 Submission of the Application

Each Application Form is submitted via the WOD2021 Application system.

The application procedure is described in detail in the Guidelines on filling in and submitting the Application Form.

The features of the WOD2021 Application system:

- A simple procedure for registration;
- Access to the Application Form can be assigned to project partners by the Lead Applicant;
- Results of the Call for Proposals are available in the system.

The Application Form should be filled in and submitted via the WOD2021 Application system and be accompanied by the supporting documents within the timeframe of the respective Call for Proposals (see Table 2 Supporting documents for the open Call for Proposals).

The JS publishes information about the number of submitted applications, as well as the planned meeting of the Monitoring Committee, on the **Programme website** after the Call for Proposals has been closed.

Table 2 Supporting documents for the open Call for Proposals

1. Supplementary Application Form (MS Excel).

2. Additional documents to be filled in, signed, dated, and stamped using the relevant template forms (where available).

- Project Partner Declarations;
- Declaration of compliance with the DNSH principle (if applicable);
- Letters of Commitment for all associated partners (if applicable);
- Letter of Dedication and Support from the EUSBSR PA or HA coordinator (if applicable).

3. Other documents.

Note: The JS reserves the right to request **any partner** to submit additional documents during the assessment process to support their financial, organisational and/or management capabilities and eligibility in accordance with the Programme rules.

Documents related to the State Aid/De minimis aid can be also requested during the assessment process.

5 ASSESSMENT OF APPLICATIONS

Assessment of the received applications follows a standardised procedure based on the principles of transparency and equal treatment.

Submitted and registered applications are subject to a two-stage assessment:

1. Admissibility and eligibility assessment.
2. State aid and quality assessment.

Please be informed that the application can only be subjected to the State aid and quality assessment if it passes the Administrative and eligibility check.

It is strongly recommended to get familiar with the assessment criteria to make sure the submitted application corresponds to all Programme requirements.

Annex 6 Project selection process and criteria provides an explicit description of the assessment criteria and evaluation process.

6 SELECTION OF PROJECTS AND COMPLAINTS PROCEDURE

6.1 Selection

The decision on the selection of project proposals is taken by the Monitoring Committee of the Programme, based on the results of the assessment and selection processes.

The Monitoring Committee usually meets within **14 weeks** from the closure of the respective Call for Proposals. However, this period can be prolonged under some circumstances (e.g., a large volume of applications). The JS publishes a list of the approved projects on the **Programme website** immediately after the Monitoring Committee meeting.

The result of the assessment of each Application Form with full justification of the approval/rejection of the project application is submitted via the WOD2021 Application system.

If the project is approved, but certain conditions are set by the MC, the Lead Applicant will be accordingly notified by the JS via the CST2021 Application system. The Lead Applicant is obliged to forward the information received by the JS to the other project partners (if applicable).

The clarification process will take place in the CST2021 Application system.

The project will be finally approved only after the conditions have been fulfilled and all clarifications have been delivered and accepted by the JS.

6.2 Reserve list of projects

The Monitoring Committee can create a reserve list of applications to use the available funding at later stages of implementation.

If the Monitoring Committee takes this decision, projects from the reserve list will receive ERDF co-financing in the event of:

- The availability of funds from savings made from previously approved projects;
- Voluntary withdrawal of an approved project;
- Approved project failing to finalise the clarification process within the set deadline.

6.3 Complaints

If the partnership does not agree with the project assessment and selection process and assumes the process of assessment and selection was not conducted in line with the assessment and selection procedures, it is entitled to submit a complaint.

The Lead Applicant should collect the relevant information and bring forward the complaint on behalf of all project partners. The complaint must be completed through the **template** provided by the Programme and sent via email:

southbaltic@southbaltic.eu.

Annex 5 Complaint procedure and template provides a detailed description of the complaint procedure and the form to be filled in. Please make sure to carefully read the terms of the procedure before applying.

VI PROJECT IMPLEMENTATION

1 FORMALISING THE ESTABLISHMENT OF THE PROJECT

1.1 Clarification process and contracting a project

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

The clarification process should be completed within a period of 2 months from the date on which provisional approval of the project was granted by the Monitoring Committee. The clarification process is carried out via email while changes to the Application Form resulting from clarifications shall be introduced in the WOD2021 system by the Lead Partner. All the partners and the JS/MA shall put every effort into meeting the clarification deadlines. Should the Lead Partner fail to meet the deadlines and/or not submit all documents necessary to sign the contract in due date, the MA may refrain from signing the Subsidy Contract.

1.2 Subsidy Contract

The Subsidy Contract confirms the final amount of the ERDF co-financing available to the project and serves as a legal and financial framework for implementation of the project.

In particular, the Subsidy Contract sets out the rights and obligations of the contracting parties regarding the terms of reimbursement of eligible expenditure, monitoring and reporting, recovery of funds, control and audit system, and the information and publicity requirements of the project.

The Subsidy Contract is signed off between the Polish Minister responsible for Regional Development (acting as the Managing Authority for the Programme) and the Lead Partner of the approved project. A standard template of the Subsidy Contract is available on the **Programme website**.

The Joint Secretariat prepares an electronic version of the draft subsidy contract for the project in English using the template available on the **Programme website**. It is recommended that applicants become familiar with the content of the Subsidy Contract before applying in the call for proposals.

The draft of the subsidy contract is signed electronically by the MA, and then passed through the JS for electronic signature by the Lead Partner. Both signatures are included in one pdf document proving that electronic signatures were done correctly.

In exceptional cases, it is possible to conclude the Subsidy Contract in the traditional written form, however this must be arranged beforehand by the JS.

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

Conclusion of the Subsidy Contract is recorded in the CST2021 IT system by the JS.

For Subsidy Contracts with state aid, it is necessary to inform the MA immediately about the date of signing of the Subsidy Contract by the Lead Partner which enables the MA to notify the Polish Office of Competition and Consumer Protection of the granted State aid/de minimis via the SHRIMP2 electronic system. This notification must be made within 7 days from the date of granting the aid, i.e., from the signing of the Subsidy Contract by both parties.

On the day of signing the contract by the Lead Partner, a scan of the agreement shall be sent to the JS, and the JS immediately forwards a copy to the MA. Based on the scan of the signed Subsidy Contract, the MA enters the relevant information into the SHRIMP2 electronic system³³ and, for de minimis aid, issues a certificate of the granted de minimis aid in 2 counterparts.

³³ The bodies granting state aid in accordance with the Polish regulation of 30 April 2004 on procedural issues concerning state aid (Journal of Laws of 2016, item 1808, as amended.) are obliged to submit to the President of the Polish Office of Competition and Consumer Protection reports on the granted state aid or information about not granted state aid. According to paragraph 2 point 1 of the Council of Ministers regulation of 23 December 2009 on the submission of reports on the granted state aid and information about not granting such aid (Journal of Laws of 2014, item 59), those reports or information shall be submitted via the SHRIMP2 application.

One copy of the certificate issued on the granted de minimis aid is passed to the relevant Partner and the other remains in the project file at the MA. If the amount of de minimis aid is reduced or the amount of the actually used de minimis aid is lower than that originally granted in the Subsidy Contract, the MA will issue a corrected certificate on the granted de minimis aid. If the amount of de minimis aid is increased, the MA will issue a new certificate for the amount of the increase within 7 days from the date of granting the de minimis aid. Please note that increasing the de minimis aid requires signing an annex to the Subsidy Contract beforehand; the de minimis aid cannot be increased by the partners themselves.

In some cases, changes to the project may require the Subsidy Contract to be amended. The detailed information on changes to the project is described in Chapter VI, Section 4 Changes during the project implementation.

1.3 Partnership Agreement

The Partnership Agreement sets out the liabilities and rights of the Lead Partner and the project partners with regard to project implementation, allowing the Lead Partner to extend the arrangements of the Subsidy Contract to the partner level. A template of the Partnership Agreement that includes mandatory clauses is available on the **Programme website**.

Depending on the project, the overall structure and content of the Partnership Agreement can be altered by the project with the exception of the mandatory clauses. It is recommended to have one Partnership Agreement signed off by all project partners.

To avoid any potential delays in the project start, it is recommended that the preparation and signing off the Partnership Agreement is undertaken in parallel to signing off the Subsidy Contract. It must be attached to the first partner progress report (see Chapter VI, Section 5, Sub-section 5.1. General Principles).

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

- activities of each partner during project implementation;
- obligations of each partner during project implementation;

- partner budget (including budget per work package and cost categories);
- financial management provisions (accounting, reporting, financial control, ERDF payments, handling of bank fees related to the ERDF reimbursement from the Lead Partner to project partners);
- provisions for the recovery of funds (for amounts incorrectly reported or received), in particular, provisions for handling financial corrections, if imposed;
- obligation to store project-related data and documents in a safe and proper manner during the period set forth in the subsidy contract;
- information and publicity requirements and responsibilities.

Note:

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

2 USE OF THE EURO

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

The expenditure incurred in another currency must be converted into Euro by each partner coming from countries that have not adopted the Euro as their currency using the monthly accounting exchange rate of the Commission in the month during which the expenditure was submitted for verification to the First Level controller.³⁴

Official monthly exchange rate can be found at the website of the European Commission.

³⁴ by way of derogation from point (c) of Article 76(1) of Regulation (EU) 2021/1060.

To avoid rounding differences, expenditure in the progress reports must be presented with two decimal places. Partners are obliged to insert the data into the CST2021 system in Euro.

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

3 COMMUNICATION AND MANAGEMENT OF OUTPUTS AND RESULTS

Communication is necessary for the effective implementation of a project. With this, project partners can reach various groups with information about the project. The projects can, for example:

- encourage participation in the project, e.g., in a training course organised within the project,
- acquire potential partners for the implementation of future projects,
- inform and encourage the local community to benefit from the project's results,
- get the media interested in the results of the project and thus build a positive image of oneself and of the EU, which co-financed the project,
- inspire local decision-makers to take further steps to continue the idea of the project, without any support from the EU.

It is important to plan communication activities at the project preparation stage and include them in the communication plan, which is an integral part of the funding application.

Internal communication within the project is also very important, as it contributes to mutual understanding and trust among partners. This, in turn, affects the effective implementation of the project.

3.1 Communication obligations for project partners

Obligations under regulations

Communication obligations for each project partner are stated in the Common Provisions Regulation and in the Interreg Regulation. They include:

- a) using the Programme logotype during the implementation of activities related to visibility, transparency and communication;³⁵
- b) publishing a short description of the project on each partner's respective website or social media (if the partners have one), including:
 - project goals;
 - project results;
 - information about receiving financial support from the Interreg;
- c) visibly displaying information about the support from the Interreg in documents and information materials related to the implementation of the project, intended for the general public and participants;
- d) placing permanent information boards or commemorative plaques with the Programme logo in public places. This should take place immediately after the commencement of the project implementation which includes material investments or the purchase of equipment, or after the installation of the purchased equipment. It applies to projects with a value of more than EUR 100,000;
- e) for projects that do not fall within the scope of point d), placing at least one poster in public with a minimum size of A3 or a similar size electronic display with information about the project and the support received from the Interreg;
- f) for projects of strategic importance (see Chapter II, Section 1 Project phases and project types), the organisation of an information event and the involvement of the European Commission and the Managing Authority.³⁶

Partners are also required to make communication and visibility materials available at the request of EU institutions, bodies, and organisational units, such as the European Commission. The EU should be granted a free, non-exclusive, and irrevocable

³⁵ On the basis of article 36 paragraph 4 of the Interreg Regulation

³⁶ Points b) to f) on the basis of the article 36 (4) of the Interreg Regulation

license to use the materials and any pre-existing rights that derive from such license. The license will grant the EU the following rights:

- the right to reproduce and copy the above-mentioned materials and make them available to the EU institutions and offices and the institutions of the Member States and their staff (for internal use);
- reproduction by any means and in any form, in whole or in part;
- making available to the public using any means of communication;
- publicly distributing materials or copies in any form;
- storage and archiving;
- sub-licensing the rights to these materials to third parties.

Note: This obligation will not entail additional costs or administrative burdens for the partners.³⁷

Funding reduction in the event of failure to comply with obligations under the regulations

If the project partner does not comply with the obligations listed under items a)–f) of this section and does not take any remedial actions, the Managing Authority shall reduce the funding awarded to a given partner by a maximum of 2%.

Below is a table showing the percentage of funding reduction for non-compliance with communication obligations.

Table 3 Percentage of the funding reduction for non-compliance with communication obligations

- **Partner obligation 1:** Post a short description of the project, information about its goals and results, financial support from Interreg on its website or its own social media pages (if any).
Maximum percentage of funding reduction for failure to fulfil a given obligation during project implementation (% of the funding awarded to a given project partner): 0,4%.

³⁷ Article 49 (6) and Annex IX (2) of the Common Provisions Regulation

- **Partner obligation 2:** Present information about the support from Interreg in documents and information materials related to the project, intended for the general public or participants.

Maximum percentage of funding reduction for failure to fulfil a given obligation during project implementation (% of the funding awarded to a given project partner): 0,4%.

- **Partner obligation 3:** Place permanent information boards or commemorative plaques in public which contain the Programme logo – in projects involving material investments or the purchase of equipment, with a value above EUR 100,000. Or place in public at least one poster with a minimum size of A3 or a similar size electronic display, with information about the project and support from the Interreg – in other projects not listed in point 3a.

Maximum percentage of funding reduction for failure to fulfil a given obligation during project implementation (% of the funding awarded to a given project partner): 0,4%.

- **Partner obligation 4:** For projects of strategic importance – organise an information event involving the Managing Authority and the European Commission.

Maximum percentage of funding reduction for failure to fulfil a given obligation during project implementation (% of the funding awarded to a given project partner): 0,4%.

- **Partner obligation 5:** Other communication activities (except those listed in points 1 to 4): when implementing the visibility, transparency, and communication activities, use the Programme logo, with the EU emblem.

Maximum percentage of funding reduction for failure to fulfil a given obligation during project implementation (% of the funding awarded to a given project partner): 0,1% per unit default, maximum 0,4%.

Additional duties

The partners are required to submit to the Joint Secretariat:

1. Photographic and audiovisual documentation of the project implementation (including photos, films, webcasts, radio and TV broadcasts or scans of press articles). The technical and qualitative parameters of the selected materials are defined in the **Beneficiary Communication Guide**.

Partners are required to consent to the use of this documentation by the Managing Authority or JS in their information and promotion activities. The transfer of the rights to the documentation will take place based on separate, free license agreements.

2. Information on planned and ongoing activities concerning visibility, transparency, and communication in the project (e.g., organisation of conferences) and completed significant stages of the project, including outputs and results (e.g., publication). This also applies to products developed by external contractors on behalf of partners (e.g., preparation of a study report).

Note: More additional duties (i.a., delivery of a project success story) are provided in the **Beneficiary Communication Guide**.

This information should be sent to the Joint Secretariat via e-mail at least 14 days before the planned activity and with no delay after the completion of important stages of the project, including the achievement of the result or delivery of the product.

Note: Additional communication obligations for Polish beneficiaries of subsidies from the state budget and state earmarked funds are stipulated in Annex 2.

3.2 Preparation of the Communication Plan

The partners jointly plan communication activities in a project and complete the project communication plan, which is an attachment to the Application Form. The Communication Plan should indicate:

- **Communication goals**, minimum 2 – at the beginning and the end of the project implementation. If the specificity of the project requires it, the

communication plan may include additional goals for important stages of the project.

- **Target groups** that are directly related to the communication goals.
- **Communication activities** (minimum those resulting from the communication obligations set out in this chapter). We also recommend specifying additional activities that will help achieve the intended goal and reach the target group.
- **Communication tools** tailored to each activity and target numerical value (items or persons).
- **A partner** who will be responsible for the implementation of the communication activity.

Note: Details on the project's communication plan and practical examples can be found in the **Beneficiary Communication Guide**.

3.3 Programme logotype

The logotype of the Interreg South Baltic Programme was created based on the Interreg logotype, which consists of the term Interreg, the symbol of the European Union and information on the co-financing. The name of the Programme is placed below the word Interreg.

The Programme logo is obligatory to be used on all informational and promotional materials. More information on its use can be found in the Beneficiary Communication Guide.

Name and logotype of a project

Name of a project

It is recommended to use short, catchy project names – they are easier to remember and promote. It is also recommended to use short names of projects due to the technical requirements of combining names with the Programme logo.

Logotype of a project

Partners can create logos for their projects. Project logos should be attached to the Programme logotype according to the guidelines in the **Beneficiary Communication Guide**.

Whenever a project name or project logotype is used, the Programme logo should also be used.

No other visual elements should be added to the Programme logo and project/name area.

The image in the document shows the graphic sign for the design logotype.

The project logos from previous editions of the Programme (2014–2020, 2007–2013) can still be used under the rules set out in the Beneficiary Communication Guide.

Colours and icons for EU support areas

To graphically present the areas of EU support, specially prepared icons in different colours can be used.

Note: More detailed information on the usage of the logo and colours can be found in the **Beneficiary Communication Guide**.

4 CHANGES DURING PROJECT IMPLEMENTATION

As a predominant rule, each project should be planned thoroughly and implemented in line with the approved Application Form and the Subsidy Contract. However, during the implementation, projects might meet challenges that require changes to the project set-up.

The changes can be divided into the following types, which require different procedures to be followed.

Table 4 Types of changes in projects

Deviations:

- Nature of the change: Has no impact on the project outputs and results

- Change to be approved by: Lead Partner (no prior approval from Programme bodies)
- How to inform about the change? To be reported in the project progress report once it is applied
- Project documentation to be changed: Changes to the Application Form may be required, SL2021 authorisation document, if relevant.

Project changes:

- Nature of the change: May affect project outputs and results
- Change to be approved by: Joint Secretariat
- How to inform about the change? Submission of a Request for change (and budget reallocation tool, if relevant) through the SL2021 system).
Additional documents may be requested by the JS, depending on the type of change (e.g., de minimis-related documents, partner declarations)
A complete and correct documentation necessary to proceed with the request for change must be submitted to the Joint Secretariat at least two months before the project completion date, as specified in the Subsidy Contract. Requests submitted at a later date may be rejected without being taken into consideration.
- Project documentation to be changed: Changes to the Application Form Annex to the Subsidy Contract for any project prolongation.
Where changes require an annex to the project Subsidy Contract, the annex must be signed during the project implementation period defined in the Subsidy Contract.
All the changes to the Subsidy Contract provisions (Annexes) and/or Application Form are registered by the Joint Secretariat.

Major project changes:

- Nature of the change: May significantly affect project outputs and results
- Change to be approved by: Monitoring Committee
- How to inform about the change? Submission of a Request for change (and budget reallocation tool, if relevant) through the SL2021 system).
Additional documents may be requested by the JS, depending on the type of

change (e.g., de minimis-related documents, partner declarations)

A complete and correct documentation necessary to proceed with the request for change must be submitted to the Joint Secretariat at least two months before the project completion date, as specified in the Subsidy Contract. Requests submitted at a later date may be rejected without being taken into consideration.

- Project documentation to be changed: Changes to the Application Form. Annex to the Subsidy Contract* required in certain cases.

Where changes require an annex to the project Subsidy Contract, the annex must be signed during the project implementation period defined in the Subsidy Contract.

All the changes to the Subsidy Contract provisions (Annexes) and/or Application Form are registered by the Joint Secretariat.

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

4.1 Budget changes

Deviations:

- Cumulative budget reallocation between work packages and cost categories (WPs and CCs calculated separately) not exceeding 10% of the valid total eligible budget.
- Cumulative budget reallocation between project partners not exceeding 10% of the valid total eligible budget of the project.

Please note that for changes within cost categories that are the basis for a flat rate calculation, the percentage of the flat rates cannot be changed. The deviation budget change can only be implemented with respect to the activities and related expenditures planned in the Application Form (this rule does not apply to spending project savings for additional activities).

Please note that the total amount of state aid/de minimis aid granted cannot be exceeded.

Project change:

- Cumulative budget reallocation between work packages and cost categories (calculated separately) exceeding 10% of the valid total eligible budget of the project.
- Cumulative budget reallocation between project partners exceeding 10% of the valid total eligible budget of the project.
- Any budget change that results in an increase in the amount of state aid granted to project partners.

The budget reallocations can be carried out only in well justified cases and are recommended only once during the project lifetime. For changes within cost categories that are the basis for a flat rate calculation, the percentage of the flat rates cannot be changed.

Major project change:

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

Budget changes that may have an influence on the state aid/de minimis aid granted to the project partner or concern state aid/de minimis aid-related activities/work packages should be consulted in advance with the Joint Secretariat regardless of the percentage of the change.

Changes having an impact on the granted state aid/de minimis aid to a partner require signing an annex to the Subsidy Contract.

4.2 Changes to the project activities

Deviations:

- Change to the project activities that does not impact the achievement of the deliverables and project output indicators and ensures the cross-border character of the activity;
- Difference between the time of the actual implementation of the activity and project work plan not affecting the project completion date.

Project change:

- Change to the project activities that impacts the achievement of deliverables and project output indicators or the cross-border character of those activities;
- Adding new activities that ensure the achievement of deliverables/project output indicators;
- Change to the planned number of equipment items (except items of low value) defined in the Subsidy Contract in force.

4.3 Changes to project outputs and deliverables

Deviations:

- Change that does not exceed 30% of the target value of a deliverable;

- Change that does not exceed 20% of the target value of a project output and result.

Project change:

- Change of more than 30% to the target value of deliverables; introducing new deliverables or deleting existing ones;
- Change of more than 20% to the target value of a project output and result.

Major project change:

- Adding a new or deleting an existing project output and result indicators.

Note: Should any project output indicator(s) be deleted, the project budget will be reduced accordingly.

As a general rule, the target values of the result indicators shall not be modified during the project implementation period. Such a change is possible only if it occurs due to changes to the connected output indicator and if the change is strongly justified.

4.4 Prolongation of the project implementation time

A prolongation is defined as an extension of the project implementation period specified in the Subsidy Contract.

As a general rule, each project shall be implemented within the approved duration period. **Project prolongation may be requested only in well justified cases (i.e., cases affected by unforeseeable external factors, force majeure, etc.).**

Only in exceptional cases, the project duration can be prolonged up to 24 months (cumulatively). If prolongation is required, the Lead Partner shall justify the need to extend the project duration by describing in detail which project activities and partners require the prolongation.

In exceptional cases (e.g., risk of decommitment for the Programme), prolongation may be refused by the Managing Authority or the Monitoring Committee.

Project change:

- Prolonging the project implementation period (up to 1 year, cumulatively).

Major project change:

- Prolonging the project implementation period for more than 1 year (cumulatively, only in well justified cases).

4.5 Partnership

Deviations:

- Change in the contact data of the Lead Partner and partners, as well as key project management staff (contact person of the Lead Partner, project manager), changing the person authorised to work in the SL2021 system.

Changes of the person allowed to introduce the data, on behalf of the partner, into the SL2021 system should be communicated to the JS immediately. A new person must obtain the rights to use the system and to process personal data in the scope required by the SL2021. The change should be notified immediately, to ensure the timely submission of all the data to the FLC and JS. The change of a person is to be communicated using the template available on the Programme website.

- Change in bank account number of the Lead Partner.

Such changes should be notified to the JS immediately within the SL2021 system.

Project change:

- Change in legal status of the partner(s).

Any change of the legal status of a project partner must be immediately communicated to the Joint Secretariat. Depending on the change, the Subsidy Contract and/or Application Form may need to be revised; the change may also result in the withdrawal of the Partner from the project.

- Change in the partnership related to the withdrawal or inclusion of the already associated partners, after signing an amendment to the Subsidy Contract;
- Withdrawal of project partners (remaining project partners take over the tasks and the budget of the withdrawing partner).

If the withdrawal from the project of one partner in the partnership cannot be avoided, the ideal solution is to find a suitable replacement for the withdrawing partner,

preferably from the same region/Member State. The Lead Partner should always verify if this option is feasible.

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

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

Major project change:

- Change of the Lead Partner of the project;
- Including new partners to the project.

4.6 Other changes

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

4.7 Consequences of not meeting output indicators and spending targets

Indicators

Indicators are monitored in the following ways:

- the progress in achieving the project output indicators is monitored with each project progress report;
- the achievement and quality of the project output indicator(s) is monitored in the final project progress report;
- the achievement of the deliverables is monitored with each project progress report.

Close cooperation between the supported partnerships and the Joint Secretariat is crucial for the successful implementation of each funded project. The Joint Secretariat will ensure not only the monitoring of each project's progress, but also within the scope of their duties, the Joint Secretariat will provide guidance on how to deal with implementation challenges and unforeseen situations. Nevertheless, it is important to remember that the Programme is implemented through the Lead Partner principle – the Lead Partner bears overall responsibility for the project to the partnership and the Programme. Part of the overall responsibility is the delivery of the project outputs and results; therefore, each Lead Partner is strongly advised to contact the Joint Secretariat on the first indications of the risk of underachievement of the project's outputs, indicators and results.

In the light of the Programme's responsibility to efficiently and effectively implement the ERDF, projects should strive to achieve the target values and quality of the project output indicators and deliverables, in accordance with the Application Form. The Programme anticipates certain flexibility in terms of achieving the project output indicators and deliverables, in line with the requirements described in Chapter V, Section 4.3 Changes to project output indicators and deliverables.

Spending targets

When preparing the project application form, the Lead Partner and project partners should plan the budget carefully and set realistic spending targets. The spending forecast provided in the application form will be monitored by the Programme bodies to ensure financial discipline in the projects. It is recommended that the project partners inform the JS about savings that occur during project implementation. If the project partners agree to release the ERDF funding that will not be used for the project activities, an annex of the Subsidy Contract decreasing the value of the project co-financing should be signed as soon as possible.

4.8 Complaints related to the implementation of the Subsidy Contract

A complaint against the decision of the MA regarding the implementation of the Subsidy Contract is lodged pursuant to the provisions of the Subsidy Contract. Only the Lead Partner of the project is entitled to file objections on the findings of the MA

regarding the implementation of the Subsidy Contract. Complaints against the decision of the MA are examined by the MA.

5 MONITORING AND REPORTING

5.1 General principles

It is the responsibility of the Lead Partner to ensure the quality of the implementation of the project by monitoring and reporting the progress of the project. This includes a follow-up and assessment of the quality of the Partner's achievements, and a full overview of the overall progress of the project.

The project progress report is the main instrument for project monitoring. The JS monitors the implementation of projects based on this report. At the same time, the project progress report is a tool for the Lead Partners to follow up on the activities and costs incurred among the project partners.

Project monitoring encompasses such issues as:

- effectiveness and efficiency of project implementation: compliance with the workplan in the Application Form (considering flexibility limits), financial reporting, progress towards achieving the planned deliverables, outputs and results, potential problems and risks;
- quality of the management and communication.

For small-scale and seed money projects, separate Terms of Reference are introduced that regulate certain parts of the monitoring and reporting process. For procedures not regulated by the Terms of Reference, the rules of the Programme Manual apply.

Reporting and electronic exchange of documents and data

Reporting within the project and the exchange of project implementation data and documents between the project partners and the Programme institutions will be carried out in the SL2021 system. The MA will ensure the functioning of the SL2021 system, and the project and Lead Partners are obliged to use the system (see Chapter V, Section 2 Central information and communication technology system 2021).

Use of the SL2021 application will allow project partners to complete and submit partner progress reports, correspond with the FLC, and send data on financial implementation, public procurements, contracts and information on the working time of people involved in project implementation.

As part of the Lead Partner principle, additional tasks in the SL2021 application will be required from the Lead Partners:

- submission of the project progress report to the JS;
- requesting project changes;
- maintaining correspondence with the JS and, at the request of the JS, providing any required information.

The SL2021 application will be available via a web interface through the Mozilla Firefox, Internet Explorer and Google Chrome Internet browsers. Detailed information on the system, including a description of its functionality and technical details, will be included in the Subsidy Contract, Partnership Agreement and in the separate document 'SL2021 Beneficiary Manual'.

Note: The Lead Partner and project partners are obliged to use the English version of SL2021!

As the SL2021 system is not used exclusively for the management of the Interreg South Baltic Programme, the terminology used in the Programme documents and the SL2021 system may vary. Specific terms used in the SL2021 system and their equivalents in this Programme Manual can be found in the 'SL2021 Beneficiary Manual'.

Designation of authorised persons

On signing of the Subsidy Contract, project and Lead Partners must authorise at least one person per partner to use the SL2021 application on their behalf. It should be highlighted that all actions of authorised persons in the SL2021 application will be legally binding. If the partner decides to change the authorised person, the appropriate procedure should be followed. Procedures related to the authorisation and the change of appointed persons will be available on the Programme's website. It

is important to stress that, to ensure the smooth functioning of the system, project and Lead Partners must inform the JS immediately if any person authorised to use the SL2021 has changed. Otherwise, access to the SL2021 will be denied.

To authenticate actions performed in the SL2021 application, project partners must follow certain rules, which depend on their Member State of origin.

Persons authorised by Polish project partners use the ePUAP trusted profile or secure electronic signature verified with a valid eligible certificate under the SL2021 system. If, for technical reasons, the ePUAP trusted profile cannot be used, authentication will take place using the login and password generated by the SL2021 system, where the PESEL number of a given authorised person is used as the login.

Persons authorised by Danish, Lithuanian, German and Swedish partners or partners from outside the Programme countries will use the e-mail address and password provided in the application for authorisation. The authorised persons must follow the regulations concerning security of the information processed in the SL2021 application and must work in the SL2021 system in line with the principles defined in the SL2021 Beneficiary Manual (this will be available on the Programme's website).

Handling of errors and notifications

To ensure the smooth functioning of the SL2021 application, partners must immediately notify the Joint Secretariat of any failure of the SL2021 application, in particular if it impacts the submission of progress reports to the First Level controller or the JS. In cases where partners detect unauthorised access to their data in the SL2021, they should notify the JS immediately. The project and the Lead Partners will be informed by the JS about the reported and resolved issues of the SL2021 application. Also, for any unauthorised access to partners' data in the system, respective partners will be notified.

5.2 Mid-term project review

The Programme will require each project to go through a mid-term review. The review serves as a tool to monitor and assist the partnerships in the implementation of their project. Carried out by the Programme, the mid-term review will be organised in the form of a meeting between the project and the JS. The review meeting must be organised by the project in close cooperation with the responsible Project Officer at

the JS. Consequently, the date and practical arrangements should be agreed beforehand between the project and the JS. The JS will notify the national/regional Contact Point where the Lead Partner of the project is located about the mid-term review meeting. The Contact Point may also take part in the meeting.

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

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

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

5.3 Accounting of project expenditure, documents, and their storage

One of the Lead Partner's responsibilities is to ensure that expenditures presented by project partners for reimbursement have been verified by the First Level controllers. At the same time, all project partners must ensure proper accounting of their project expenditure (if spent as direct costs, not costs reimbursed by the use of simplified methods of cost reimbursement), keep their project documentation and ensure that the necessary documents are available at the partner premises for audit purposes (the verification of expenditures by the FLC before the submission of the report to the JS, audit(s) of SLC and audits/controls performed by other bodies).

The partners must ensure that the following information is available in their accounting system (if presented for reimbursement as direct costs):

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

The partners should also store documents serving as a proof of staff-related costs, such as employment contracts and agreements with project volunteers, as well as documents that serve as proof of project results.

It is the responsibility of the Lead Partner and of all project partners to store project documents in a safe and proper manner during the period set forth in the subsidy contract.

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

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

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

- approved Application Form;
- Subsidy Contract, all Annexes and Registers of changes;
- Partnership Agreements;
- partner and project progress reports;
- all correspondence concerning the above-mentioned items;
- financial documents supporting the direct costs reported;
- documents confirming implementing activities linked directly to simplified cost options applied in the projects' budgets (i.e., lump sums);
- documents relating to state aid/de minimis aid;
- proofs of delivery of results/outputs;

- documents concerning information and publicity;
- partner controllers' approbations and a track of costs verifications (correspondence with the FLC);
- bank account statements proving the transfer of the EU funds to the Lead Partner's account and bank statements proving the transfer of funds to the project partners' accounts.

Financial documents supporting the direct costs reported in the partner (project) progress reports that must also be retained include, among others:

- list of declared expenditures by partners;
- invoices/bills/other equivalent documents;
- bank account statements/proofs of payments for each invoice;
- employment contracts and agreements with project volunteers, documents setting up a fixed percentage of time for part-time employees, etc.;
- documentation concerning external expertise and service providers, purchase of equipment, infrastructure and works, if applicable (lists of subcontractors, contracts, etc.);
- calculation of in-kind contributions;
- documents concerning travel and accommodation of external experts only, such as boarding passes, travel reports, invoices;
- documentation related to public procurement rules such as terms of reference, offers, order forms, contracts, etc.;
- proofs of delivery of services and goods (brochures, minutes of meetings, etc.);
- record of purchased assets with back-up documentation.

5.4 Reporting process

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

Cycle 1:

- from 1 January to 30 June;

- from 1 July to 31 December.

Cycle 2:

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

Reporting cycles will be applied in rolling order (1st Call – Cycle 2; 2nd Call – Cycle 1; 3rd Call – Cycle 2; etc.).

There may be some exceptions from the rule mentioned above:

- project may submit a so-called 0-report containing only preparation costs in accordance with the lump sum indicated in the approved Application Form. The reporting may be done starting from the date following the date of signing of the Subsidy Contract, within 3 months;
- in justified cases, especially if the Programme faces the risk of de-commitment, the Joint Secretariat may request the Lead Partner to submit an additional project progress report, covering a reporting period that is different from the standard reporting period. In this case, the Lead Partner shall submit a project progress report under the conditions set by the JS;
- in justified cases related to the most efficient implementation of the project, the Lead Partner may ask the JS for the opportunity to submit a project progress report covering a period that is different from the standard reporting period.

Reporting of the project progress

The partner progress report must be produced separately by each project partner (including the Lead Partner). The report needs to be submitted via SL2021 together, if required, with the financial documents (scans) to the partner First Level controllers for verification. Afterwards, the Lead Partner prepares a project progress report for the purpose of summarising activities and expenditures at the project level (see Chapter VI, Section 5.1 General principles). To apply for reimbursement, the Lead Partner will deliver the project progress report to the JS via SL2021, supported by the necessary documentation.

Here there is a figure in the document that indicates the different responsible organisations in the reporting process. Project partners (including the LP) submit their partner reports to their respective First Level Controllers (FLC). The partner progress reports verified by the FLCs are uploaded to the project progress report by the LP and submitted to the JS/MA.

Reporting at the partner level (partner progress report)

Project partners should provide a partner progress report and all necessary documents to the First Level controller within 15 calendar days after the end of the reporting period, leaving enough time for the First Level controller to carry out verification. In the decentralised FLC systems, the Lead Partner may allow project partners to agree individually with their FLCs on the time of delivery of documents for control, on the condition that it does not delay the delivery of the project progress report nor the time for the Lead Partner to prepare the project progress report. In accordance with EU regulations, the First Level controllers have 90 calendar days to complete the verification of the expenditure. However, to allow the timely provision of the project progress report to the JS, the First Level controller is recommended to complete the verification of expenditure in 60 calendar days (if possible) to facilitate a smooth reimbursement process. Taking into account that, during verification, the First Level controller might request the project partner to provide supporting documents, project partners are advised to have all supporting documents at their disposal for possible clarification requests. The Lead Partner and project partners should cooperate closely with their First Level controller during the reporting process. The deadlines for providing the partner progress report, documents and answers to the clarifications/questions of the First Level controller by project partners may be set out in the Partnership Agreements.

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

Reporting at the project level (project progress report)

The Lead Partner is obliged to provide the project progress report to the JS for each reporting period. If the Lead Partner is not able to provide the project progress report by the above-mentioned deadline, it should inform the JS via SL2014, stating the reasons for the delay and indicating an alternative delivery date. It is recommended that the project progress reports are provided within 15 calendar days after all project partners have been certified by respective First Level controllers.

The final project progress report serves as the request for the final payment to the project. It consists of the project progress report and additional attachments. The information required in the attachments refers, in particular, to project results and objectives. The Lead Partner must provide the report and the attachments in the SL2021 system within 120 calendar days from the end of the project implementation period (end date set in the Subsidy Contract).

The timeline of submitting partner and project progress reports is presented in the figure in the document. The partner progress reports have to be submitted to the FLC 15 days after the end of the reporting period. Then the FLC has 90 days (60 days recommended) to verify the partner progress report. Once the partner progress reports are verified by the FLCs, the LP has 15 days to prepare the project progress report and submit it to the JS. The whole process lasts till 120 days. After the project progress report is submitted to the JS, it starts the verification as soon as possible. The verification lasts up to 21 days.

5.5 Reimbursement of project costs

The reimbursement of the project costs is made after the submission, verification and approval of the project progress reports by the JS.

The reimbursement is made by the Polish Ministry responsible for Development Funds and Regional Policy to the Lead Partner's bank account. Details of the bank account need to be provided by the Lead Partner and included in the Subsidy Contract (see Chapter VI, Section 2 Use of the Euro).

For audit purposes, and for all payments to the project to be easily identified and thereby transparent, it is strongly recommended that the Lead partner opens a separate bank account. It is also recommended that the bank account is opened in EUR because the Lead Partner is responsible for transferring the correct

reimbursement amount of the ERDF to the partners in EUR. This will help the Lead Partner avoid extra costs related to exchange rate fluctuations, for which full responsibility must be borne by the project partners.

6 AUDIT AND CONTROL

6.1 First Level Control

Each Programme Member State has set up what is known as a 'First Level Control' system according to Article 46 (3) of the Regulation 2021/1059 (Interreg Regulation) and Article 74 of the Regulation 2021/1060 (Common Provisions Regulation).

The First Level Control tasks are carried out by national controllers at the partner level, i.e., for the expenditures of each partner separately.

The First Level controllers:

- must be independent from the project, project activities and without private prejudice to the partner controlled.
- carry out management verifications, which include: administrative verifications of expenditures declared in reports by project partners and on-the-spot checks at the premises of the project partners.

The aim of the management verification is to confirm the eligibility of the expenditures declared, their compliance with programme rules, European Union and national legislation, information and promotion compliance, achievement of the indicators, and the audit trail.

The FLC systems vary among the Member States that participate in the South Baltic Programme. There are **two kinds** of FLC systems in place:

- Centralised system (Poland and Sweden);
- Decentralised system (Denmark, Germany, and Lithuania).

Recommendations for partners who subcontract the First Level Controller:

- take into account the harmonised requirements with regard to the FLC standards described in the General principles on the First Level Control (the document defines the minimum quality standards of the First Level Control set

by the Managing Authority and gives practical guidance on carrying out the First Level Control);

- plan costs for the First Level Controller in the Application Form and for an appropriate amount;
- subcontract the FLC well in advance of the first partner progress report, as the process of selecting and approving the FLC can take some time;
- follow the national procurement rules, if required, to choose the FLC;
- develop terms of reference for the audit companies/auditors based of the information provided in the General principles on First Level Control;
- take into account the relevant national regulations, which further specify the qualifications and procedures of the FLC;
- include in the contract the obligation for the FLC to carry out both administrative and on-the-spot checks. Work in CST2021 (to fill it in with the data and control documents as necessary). Respond to complaints issued by beneficiaries. Report on irregularities and provide relevant information on the request of the MA/JS with regard to control/audit issues. Follow the FLC standards described in the General principles on First Level Control.
- submit the filled-in Checklist with criteria for the approbation of the FLC to the Approbation Body one month before the end of the first reporting period at the latest.

Table 5 First Level Control systems in the countries participating in the South Baltic Programme

Denmark:

- **Type of system:** decentralised First Level Control.
- **Designation of the controller:** the partners have to propose an independent external controller, due to national legislation, to the bodies responsible for setting up the First Level Control system: Region Zealand or Regional Municipality of Bornholm. These two authorities will verify whether the controller is sufficiently independent from the project activities and

finances and qualified to carry out the control of a project under the South Baltic Programme. The controller must be officially authorised by the relevant authorities before the first expenditure can be reported and confirmed.

Contact information and a link to national guidance is available on the Programme website.

- **Costs of the First Level Control:** can be reported as eligible external expertise costs in compliance with the relevant EU regulations and Programme rules.

Germany

- **Type of system:** decentralised First Level Control system.
- **Designation of the controller:** project partners will choose a First Level Controller for the project specifically in compliance with national public procurement rules, who must be approved by the National Approval Body in compliance with the Programme provisions.

The Ministry of Economics, Construction and Tourism Mecklenburg-Vorpommern designates the state-authorized public accountants in Germany as responsible for controlling the expenditure that will be declared by the project partners from Mecklenburg-Vorpommern. Project partners can use the public index of the German Chamber of Public Accountants www.wpk.de www.wpk.de/wpvbp-verzeichnis/ to find state-authorized public accountants in their region.

Contact information and a link to national guidance is available on the Programme website.

- **Costs of the First Level Control:** can be reported as eligible external expertise costs in compliance with the relevant EU regulations and Programme rules.

Lithuania

- **Type of system:** decentralised First Level Control system.
- **Designation of the controller:** the partners will choose a First Level controller in compliance with national public procurement rules and the

national requirements for First Level Control, provided that the controller is certified.

All partners and First Level controllers are obliged to follow the national requirements for First Level Control and public procurement rules in Lithuania, including the Programme rules. Before signing the service contracts for the first level control, the Ministry of the Interior will check if the controllers meet the set requirements.

Contact information and a link to national guidance is available on the Programme website.

- **Costs of the First Level Control:** can be reported as eligible external expertise costs in compliance with the relevant EU regulations, national requirements and Programme rules.

Poland

- **Type of system:** centralised First Level Control system.
- **Designation of the controller:** the First Level Control is carried out by the Voivode Offices ('urzędy wojewódzkie'). Zachodniopomorskie Voivodship (Szczecin), Pomorskie Voivodship (Gdańsk) and Warmińsko-Mazurskie Voivodship (Olsztyn) – partners will approach the geographically appropriate institution.

Contact information and a link to national guidance is available on the Programme website.

- **Costs of the First Level Control:** not relevant for the centralised First Level Control system.

Sweden:

- **Type of system:** centralised First Level Control system.
- **Designation of the controller:** The Swedish government has appointed/designated a national level authority 'Tillväxtverket' – the Swedish Agency for Economic and Regional Growth.

Contact information and a link to national guidance is available on the Programme website.

- **Costs of the First Level Control:** not relevant for the centralised First Level Control system.

The First Level controller verifies:

- if the Lead Partner has ensured that ERDF co-financing is transferred to the project partners according to the approved progress reports;
- if the products and services co-financed have been delivered;
- if expenditures declared by the partner are in line with the approved Application Form, the Subsidy Contract and the Partnership Agreement;
- if the expenditures are declared within the given flexibility limits;
- if the partner progress report provides accurate information on the activity and financial progress of the project;
- if the conditions for payments have been fulfilled for simplified cost options;
- if supporting documents for the partner progress report are available, complete and correct (if there are documents proving the expenditure invoices or other documents with equivalent value of proof, bank account statements, delivery notes, copies of contracts with service contractors);
- if the invoices and other financial documents with equivalent value of proof are correctly described and whether they correspond with the expenditures paid out;
- if the expenditures are in line with the eligibility rules for the Programme (in particular, whether the expenditures have been incurred within the eligibility period in relation to the activities described in the Application Form, whether the national and community rules on eligibility of expenditures have been respected, and double financing did not occur);
- if the expenditures are essential for the project implementation and in compliance with the national and community rules (in particular, with public procurement and competitiveness, environment protection, state aid, equal

opportunity and non-discrimination, and the publicity and information requirements described in the Programme Manual);

- if the amounts of the expenditures are in line with sound financial management in particular with the principles of economy, efficiency and effectiveness;
- if a separate accounting system or adequate accounting code for all transactions relating to the project is maintained by the partner without prejudice to national accounting rules;
- if an adequate audit trail exists.

Obligations of the project partners:

- contact the competent FLC body well in advance of the first Progress Report to clarify the schedule and concrete demands of the verification process;
- provide the requested documents and explanations within the deadlines defined by the controller;
- submit the report and the exchange of information with the FLC in CST2021;
- inform the FLC of any results of verifications carried out by other control bodies that concern the project implementation and that may affect the work of the FLC, including the control results with regard to public procurement (see Chapter IV, Section 7 Competition and public procurement);
- implement the recommendations issued by the controllers as a result of on-the-spot checks.

Complaints against the decision of the First Level Control

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

- The Danish project partner may file objections regarding the results of verifications conducted by the First Level controller pursuant to the provisions set in the service contract signed with the First Level controller.

- The German project partners may file objections regarding the results of verifications conducted by the First Level controller pursuant to the provisions set in the service contract signed with the First Level controller.
- The Lithuanian project partner may file objections regarding the results of verifications conducted by the First Level controller pursuant to the provisions set in the service contract signed with the First Level controller.
- The Polish project partner may file objections regarding the results of verifications conducted by the First Level controller pursuant to Article 27 of the Act on the rules for the implementation of tasks financed from European funds in the financial perspective 2021–2027.
- The Swedish project partner may file objections regarding the results of verifications conducted by the First Level controller and ask for reassessment pursuant to Förvaltningslagen – The Administrative Procedure Act (2017:900), 36 – 38 §§.

<p>Note: The Managing Authority does not examine objections regarding the results of the First Level Control.</p>

6.2 Second Level Control

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

The functions of the Audit Authority are described in article 48 of the Interreg Regulation.

The Audit Authority carries out audits based on a sample of projects selected by the EC according to article 49 of Interreg Regulation.

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

It is the duty of the Lead Partner and partners involved to provide any requested documentation and access to locations and premises during audits.

On the completion of the audit, each partner will receive a report/minutes from the auditors. Each audited partner has the right not to approve the above document (as part of the contradictory procedure). The results of the audit performed are issued by the respective national auditor in the final version of audit report/minutes.

Note: Audit in Poland

First Level Controllers are covered by the audit, while the audit activities are carried out both at the Voivode's office as well as at the premises of project partners and at the project implementation site. After conducting audit activities, the auditor prepares:

- a protocol (in accordance with Article 172 of the Act of 29 August 1997 Tax Ordinance), which the project partner receives for signature. The content of the protocol shows who, when, where and what activities were performed, who and in what capacity was present at them, what was established and how as a result of these activities, and what comments were made by the present persons. The protocol does not contain information on the identified non-eligible expenditure. The project partner has the option to refuse to sign the above-mentioned protocol.
- The summary of the findings for the FLC. The document contains information on irregularities identified in the project and the amount of any ineligible costs. The FLC may raise objections to the above-mentioned findings (as part of the contradictory procedure).

The Audit Authority gathers all the results from the audits carried out by the GoA members and issues the annual audit report including all irregularities detected in projects from the sample.

If the recovery of funds is necessary, the respective procedure is applied. The Managing Authority informs the Lead Partner in writing on the launch of the recovery process.

Each project may be audited during or after the project lifetime. The Audit Authority may carry out additional audit work at the demand of the EC to further evaluate the error rate (if one occurs) and assess the required corrective measures (article 49 of the Interreg Regulation).

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

6.3 Irregularities

Detection of irregular expenditure may take place, inter alia:

- during the monitoring of the project implementation;
- during the financial verification of the project's expenditure;
- within the durability period.

Irregular expenditure may be detected, in particular, by the FLC, AA, MA, European Commission, Court of Auditors.

If irregular expenditure is detected, corrective measures will be undertaken by the Programme authorities. In accordance with Article 103 (1) of the Regulation (EU) No 2021/1060 (Common Provisions Regulation), the financial correction will consist of cancelling all or part of the public contribution to the project.

With regard to the project in which there is a need to correct expenditure before the project progress report is certified to the EC, the project partner may declare another eligible expenditure in place of the corrected expenditure.

With regard to the project in which there is a need to correct expenditure after a request for payment is certified to the EC, the project partner may not declare another eligible expenditure in place of the corrected expenditure.

The Managing Authority will conduct the recovery of irregular expenditure based on the Subsidy Contract. A notice to return the funds (a call for payment) will contain all the necessary technical information regarding the recovery. It will be issued either in paper format or electronically. The addressee will be asked to confirm the receipt of the call for payment.

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

VII PERSONAL DATA PROTECTION

1 Processing of personal data

The implementation of the project involves, among others, the necessity to collect and make available personal data. Personal data are necessary to ensure the ongoing contact between applicants/Partners (including Lead Partners) and institutions at each stage of the project lifecycle, that is, among others, during the submission of the application, conclusion of the co-financing contract, as well as verification of the eligibility of expenditures incurred under the project.

In connection with the project management, personal data will be processed, among others, as follows:

- data of persons representing (or employees of) applicants, beneficiaries and partners, who apply for funds and implement projects;
- data of persons representing (or employees of) entities related to applicants, beneficiaries and partners (in terms of capital, personal relations, supervisory institutions, etc.);
- data of persons representing tenderers, contractors and subcontractors executing public procurement contracts or providing services on the basis of civil law contracts;
- data of employees of tenderers, contractors and subcontractors involved in preparing the tender or in performing the agreement;

- data of owners (or their representatives) from whom real estate for the purpose of implementing projects is purchased, or who are connected to (or who use) the infrastructure created as a result of implementing projects.

2 Data controllers

Partners (including the Lead Partner) participating in the project implementation and collecting personal data *inter alia* for the purpose of project preparation, implementation and settlement **are the data controllers within the meaning of the GDPR.**³⁸

In the course of the project implementation, various types of documents and information containing personal data are being exchanged and transferred. Recipients of personal data from the Partners (Lead Partner) are mainly the Joint Secretariat (the Center of European Projects in Warsaw), the relevant First Level Controller and the Managing Authority (Minister of Development Funds and Regional Policy in Poland). This transfer of personal data constitutes a **making available of data** within the meaning of the GDPR. As a result of the making available of data, the institutions indicated above become independent data controllers of the personal data made available to them, separate from the Partners and the Lead Partner.

All data controllers (Partners, Lead Partner, Joint Secretariat, First Level Controllers, Managing Authority) are responsible for the processing of personal data and their protection in accordance with the applicable provisions of law on personal data and privacy, including, in particular, the GDPR and the provisions of law of the Member State competent for the seat of the data controller.

3 Information obligation

Data controllers shall fulfil an information obligation towards the persons whose data they obtain. For Partners and the Lead Partner, this obligation exists, for example, towards their employees, counterparties and contractors of various orders and agreements connected with the project. To provide these persons with comprehensive and clear information on the principles of processing their personal data and their rights, we hereby share a model information clause to use. It should be

³⁸ Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (Official Journal of the European Union L 119 of 4/5/2016 page 1–88).

used by the Partners and the Lead Partner when these data are obtained. The Partners and Lead Partner should exercise the information obligation on behalf of themselves as well as on behalf of the other data controllers, that is, the Joint Secretariat, the First Level Controller and the Managing Authority. The information obligation may also be performed on the basis of another form of the information clause used by the Partner/Lead Partner as long as it contains all the elements and information included in the submitted form.

Detailed provisions on the processing of personal data in connection with project implementation are included in the Subsidy Contract and in the Partnership Agreement.

VIII PROJECT DURABILITY

1 Project durability

Durability of project outputs and results refers to the long-lasting effect of a project’s achievements beyond the project duration.

Project partnerships should strive for durable outputs and results whose short- and long-term exploitation will result in tangible impacts for the benefit of individuals, businesses, communities, and the environment.

Those outputs and results achieved by each partnership will be sustained and exploited beyond the lifetime of the funded implementation periods. Therefore, all project partners have an obligation to ensure the durability of the project outputs and results they achieved.

A catalogue of tangible and durable outputs and results is presented in the table:

Marketable product, e.g. A multimodal cross-border ticket.
Market scheme, e.g. Public service obligations.
Governance scheme, e.g. Legislation changes, local traffic reorganisation
Institutionalisation, e.g. Sustainable Mobility Coordinator post in the cities; BIO/ECO business support contact points network
Decision support systems, e.g. Cross-border freight transport planning

New business model, e.g. Public transport supply diversification

Investments, e.g. Photovoltaic Park as a result of a cross-border feasibility study

New university curricula, e.g. Alignment of education and demands of the maritime industry

Obligations of project partners:

- to pay attention to the information declared in the Application Form – how will the provided project outputs and results be maintained after project closure? All equipment and devices (incl. digital tools) that serve to support the project outputs should be maintained during the durability period which is counted as 5 years from the final payment to the LP.
- to monitor the tangible impacts and track the ripple effects (e.g., by means of statistics, individual success stories, testimonials of end users or endorsements by reputable figures) after the project closure;
- to be aware of the special requirements on ownership and durability laid down in Article 65 of the Regulation (EU) No 2021/1060 (Common Provisions Regulation) if delivering investments with investment in infrastructure or productive investments as the project's main outputs;
- to save the documents proving the durability of the project outputs and results up to 5 years from 31 December of the year in which the final payment to the project is made to the Lead Partner;
- to provide the JS or other authorised control institutions with the necessary documents to prove the durability of the project outputs and results.

The JS will monitor the compliance of the projects with the durability requirements from the project completion. This will require contacts with project partners selected for durability checks. The JS will carry out the monitoring up to 5 years from the final payment transferred to the Lead Partner.

In case of a durability breach, ineligible expenditure will be recovered by the MA in proportion to the period for which the durability requirements have not been fulfilled.

The exception to the durability principle is when the project partner undergoes cessation of a productive activity due to **a non-fraudulent bankruptcy**.

IX ANNEXES

ANNEX 1 MOST COMMON IRREGULARITIES IN THE FIELD OF AWARDING CONTRACTS

ANNEX 2 ADDITIONAL ELIGIBILITY RULES AND GUIDANCE FOR POLISH PARTNERS

1 General rules of real costs eligibility assessment

2 Staff costs of eligibility assessment if calculated as real costs

3 Travel and accommodation relating to external services part of the budget

4 Equipment Lease

5 VAT

6 Contractual penalties

7 Additional communication obligations for Polish beneficiaries of subsidies from the state budget and state earmarked funds

ANNEX 3 SPECIFIC RULES OF AWARDING CONTRACTS UNDER THE PROJECT – SPECIFIC RULES FOR POLISH BENEFICIARIES

ANNEX 4 INFORMATION CLAUSE ON DATA PROTECTION

ANNEX 5 COMPLAINT PROCEDURE AND TEMPLATE

ANNEX 6 PROJECT SELECTION PROCESS AND CRITERIA

ANNEX 7 INDICATOR FACTSHEET