Interreg South Baltic Programme 2014-2020
Programme Manual

Approved by the Monitoring Committee
of the Interreg South Baltic Programme 2014-2020 on 2 October 2015
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I GENERAL PROGRAMME INFORMATION

1 Introducing the South Baltic Programme 2014-2020

With the launch of the 2014-2020 period, the second generation of the South Baltic Programme was started. After its first, in many ways testing generation, the Programme is a well recognized financial instrument for cooperation across the southern shores of the Baltic Sea.

In 2014-2020 EU funded programmes have to take a more strategic and focused approach in order to support the Europe 2020 Strategy by contributing to smart, sustainable and inclusive growth, while promoting the harmonious development of the European Union and reducing regional disparities. This means that the South Baltic Programme had to narrow its scope and concentrate on a limited number of key priorities that are most significant to the Programme area and shared by the majority of stakeholders. This is reflected in the new strategic outline of the Programme by supporting the green and blue growth in the South Baltic area.

In the light of the reduction of the administrative burden the South Baltic Programme introduces new tools to better support the project applicants and implementers during the whole project cycle (for example, new support services for project development, an electronic reporting system, use of flat rates, etc.)

In the following pages of the Programme Manual the project applicants and implementers will receive comprehensive guidance on the South Baltic Programme 2014 - 2020 requirements from the development of a project idea through to project closure.

2 Strategic orientation of the South Baltic Programme

The central location of the sea basin, the maritime character of historical trade relations, the joint asset of extensive and relatively undisturbed natural areas, and the shared importance of economy branches utilising the rich natural resources (both land- and sea-related) are illustrative of the essential role of the blue and green economy for the sustainable regional growth in the South Baltic area. The potential of cooperative networks between the areas’ knowledge-intensive services and research-intensive industries, the availability of business organisations investing in and promoting clean and energy efficient technologies, and the untapped resource of tertiary education graduates are exemplary assets shared by the Programme regions that may be better deployed for the prosperity of blue and green economy sectors.

At the same time, the South Baltic Regions show considerable disparities in socio-economic characteristics, exemplified by urban-rural and west-east divides in the economic attainment of the SME sector, innovation capacity, demographic, migration and labour market trends or mobility patterns that need to be addressed by joint actions across borders.

These issues are at the core of the strategic intervention by the South Baltic Programme, driven by the overall objective: “To increase the blue and green growth potential of the South Baltic area through cross-border cooperation”.

“Green growth” is a term to describe a path of economic growth that utilises natural resources in a sustainable manner. It implies fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which the well-being of the current and future generations relies.
In line with policy and research definitions, the South Baltic Programme encompasses the following sectors of the "green economy": (1) renewable energy; (2) green construction; (3) clean transportation; (4) environmental management; (5) agriculture, forestry and land management; (6) food manufacturing and processing; (7) sustainable (green/eco) tourism.

The above sectors cover: manufacturing, production, trading, public services, governmental and regulatory framework, as well as research, design and consulting.

The similar and interchangeable term "green technologies" relates to environmentally friendly (clean) inventions that promote the sustainable management of resources and take into account: energy efficiency, recycling, safety and health concerns, etc. The term relates to methods, approaches, solutions, materials, devices, products and services applied in a wide range of activities. These usually include: production and transmission of renewable energy, water purification, air purification, sewage treatment, environmental remediation, solid waste management, energy conservation and life-cycle solutions, chemistry, food manufacturing and processing, housing, and many more.

"Blue Growth" is part of the Europe 2020 strategy and addresses the economic potential of the oceans, seas and coasts for sustainable growth and jobs. It is to be developed in harmony with the marine environment and through cooperation between public and private partners, including SMEs. In concordance with the European Commission’s Communication on “Blue Growth - Opportunities for Marine and Maritime Sustainable Growth”, the term “blue economy” can be related to the following sectors: blue energy – offshore wind power, tidal and wave power, ocean thermal energy conversion; aquaculture; maritime, coastal and cruise tourism; deep-sea and short-sea shipping; marine mineral resources (seabed mining); marine biotechnology (e.g. resources in the pharmaceutical and cosmetic industries); desalination; coastal protection; maritime security & surveillance and environmental monitoring.

Applied to the sectors most relevant to the South Baltic area, the blue and green growth context is consequently visible in the profile of the chosen thematic objectives and intervention priorities; translated to the programme priority axes and specific objectives.

An overview of relations between the priority axes and specific objectives of the South Baltic Programme (ERDF thematic objectives and investment priorities) and selected strategic reference documents

<table>
<thead>
<tr>
<th>Programme priority axis</th>
<th>ERDF thematic objective</th>
<th>ERDF investment priority</th>
<th>Programme specific objective</th>
<th>Europe 2020 flagship initiatives</th>
<th>EU Strategy for the Baltic Sea Region</th>
<th>Integrated Maritime Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>PA 1:</td>
<td></td>
<td></td>
<td>Increase the presence of blue and green sector SMEs from the South Baltic area on international markets through joint cross-border actions</td>
<td>An industrial policy for the globalisation era</td>
<td>PA Innovation – Exploiting the full potential of the region in research, innovation and SME, utilising the Digital Single Market as a source for attracting talents and investments</td>
<td>Blue growth</td>
</tr>
</tbody>
</table>

*TO 3 – Enhancing the competitiveness of SMEs*
<table>
<thead>
<tr>
<th>Programme priority axis</th>
<th>ERDF thematic objective</th>
<th>ERDF investment priority</th>
<th>Programme specific objective</th>
<th>Europe 2020 flagship initiatives</th>
<th>EU Strategy for the Baltic Sea Region</th>
<th>Integrated Maritime Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 (d) - supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in growth and innovation processes</td>
<td>Programme priority axis</td>
<td>ERDF thematic objective</td>
<td>Innovation Union</td>
<td>PA Innovation – Exploiting the full potential of the region in research, innovation and SME, utilising the Digital Single Market as a source for attracting talents and investments</td>
<td>PA SME – Promote entrepreneurship and strengthen the growth of SMEs</td>
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<tr>
<td>6 (c) – conserving, protecting, promoting and developing natural and cultural heritage</td>
<td>Programme specific objective</td>
<td>Programme specific objective</td>
<td>Resource-efficient Europe</td>
<td>PA Tourism – Reinforcing cohesiveness of the macro-region through tourism</td>
<td>PA Culture - Culture &amp; creative sectors</td>
<td></td>
</tr>
<tr>
<td>6 (f) promoting innovative technologies to improve environmental protection and resource efficiency in the waste sector, water sector and with regard to soil, or to reduce air pollution</td>
<td>Programme specific objective</td>
<td>Programme specific objective</td>
<td>Resource-efficient Europe</td>
<td>PA Bioeconomy - Agriculture, forestry and fisheries</td>
<td>PA Hazards – Reducing the use and impact of hazardous substances</td>
<td></td>
</tr>
<tr>
<td>7 (c) – developing and improving environment-friendly (including low-noise) and low-carbon transport systems, including inland waterways and maritime transport, ports, multimodal links and airport infrastructure, in order to promote sustainable regional and local mobility</td>
<td>Programme specific objective</td>
<td>Programme specific objective</td>
<td>Resource-efficient Europe</td>
<td>PA Energy - BEMIP Action Plan (for competitive, secure and sustainable energy)</td>
<td>PA Transport – Improving internal and external transport links</td>
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<tr>
<td>PA 2: Exploiting the environmental and cultural potential of the South Baltic area for the blue and green growth</td>
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<td>TO 6 – Protecting the environment and promoting resource efficiency</td>
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<td>TO 7 - Promoting sustainable transport and removing bottlenecks in key network infrastructures</td>
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<td>PA 3: Improving cross-border connectivity for a functional blue and green transport area</td>
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<tr>
<td>TO 7 - Promoting sustainable transport and removing bottlenecks in key network infrastructures</td>
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<tr>
<td>Programme priority axis</td>
<td>ERDF thematic objective</td>
<td>ERDF investment priority</td>
<td>Programme specific objective</td>
<td>Europe 2020 flagship initiatives</td>
<td>EU Strategy for the Baltic Sea Region</td>
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<tr>
<td>PA 4:</td>
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<td></td>
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<td></td>
<td>PA Innovation – Exploiting the full potential of the region in research, innovation and SME, utilising the Digital Single Market as a source for attracting talents and investments</td>
<td>PA Innovation – Exploiting the full potential of the region in research, innovation and SME, utilising the Digital Single Market as a source for attracting talents and investments</td>
</tr>
<tr>
<td>Boosting human resource capacities for the area’s blue and green economy</td>
<td>TO 8 – Promoting employment and supporting labour mobility</td>
<td>8 (ETC) – promoting sustainable and quality employment and supporting labour mobility by integrating cross-border labour markets, including cross-border mobility, joint local employment initiatives, information and advisory services and joint training</td>
<td>Increase the share of skilled labour force working in the blue and green economy sectors of the South Baltic area through joint cross-border actions</td>
<td>An agenda for new skills and jobs</td>
<td>Youth on the move</td>
<td>An agenda for new skills and jobs</td>
</tr>
<tr>
<td>PA 5:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>PA Education – Education, research and employability</td>
<td>PA Education – Education, research and employability</td>
</tr>
<tr>
<td>Increasing cooperation capacity of local actors in the South Baltic area for the blue and green growth</td>
<td>TO 11 – Enhancing institutional capacity and an efficient public administration</td>
<td>11 (ETC) - enhancing institutional capacity of public authorities and stakeholders and efficient public administration by promoting legal and administrative cooperation and cooperation between citizens and institutions</td>
<td>Improve the cooperation capacity of local South Baltic area actors through participation in cross-border networks</td>
<td>An agenda for new skills and jobs</td>
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<td>An agenda for new skills and jobs</td>
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<td>HA Capacity – Capacity building and involvement</td>
<td>HA Capacity – Capacity building and involvement</td>
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</tbody>
</table>

### 3 Relationship of the South Baltic Programme to the European Union Strategy for the Baltic Sea Region

In the policy framework, macro-regional strategies are regarded as broad-based integrated instruments covering several Member States and regions that focus on the alignment of policies and funding to increase policy coherence and overall impact of public spending. The European Union Strategy for the Baltic Sea Region (EUSBSR) - the first macro-regional strategy in Europe - aims to reinforce cooperation between 8 EU Member States (Sweden, Denmark, Estonia, Finland, Germany, Latvia, Lithuania and Poland) and the EU neighbouring countries in order to jointly address several common challenges and to coordinate appropriate policies to achieve sustainable development. Detailed information on the EUSBSR can be found online - www.balticsea-region-strategy.eu.

The latest EUSBSR Action Plan from June 2015 distinguishes three objectives (Save the Sea; Connect the Region; Increase the Prosperity) and is more streamlined and focused than before, consisting of 13 policy areas and 4 horizontal actions, in total 17 thematic areas of macro-regional significance. It also includes a new chapter on the role of regional organisations/networks and their added-value within the EUSBSR.

In general, there is a clear thematic connection between the priorities and measures of the South Baltic Programme 2014-2020 and the strategy; the South Baltic Programme seeks to contribute actively to the EUSBSR and its action plan through the implementation of its projects. The existence of the EUSBSR gives new opportunities for projects with a local origin but a strategic potential, especially with regard to visibility, dissemination, capitalisation, political lobbying, follow up activities and the mainstreaming of jointly developed solutions. For these projects, the connection to the EUSBSR is a desirable and clear asset. They are therefore required to use this leverage and synergy potential proactively, supported and guided by the Programme authorities (see Chapter III, Section 7.1 “Relations of the South Baltic projects to the EUSBSR and its Action Plan” for further
However, the South Baltic Programme also supports many regional and local needs, which might not have any direct links to the EUSBSR or only limited benefits from such a connection (e.g. small-scale capacity building projects).

The approach of the South Baltic Programme authorities, therefore, is to guide projects and to encourage them to connect to the EUSBSR, the Strategies’ Action Plan and the relevant Policy Area Coordinators/Horizontal Action Coordinators where appropriate and on a case-by-case basis. In this way, the Programme creates concrete ties between the supported projects and the implementation of the Strategy, ensuring own impetus for partners and with benefits for all parties.

4 South Baltic Programme area

The eligible area of the South Baltic Programme covers the coastal territory of five EU Member States: to the north-west of the programme area, Denmark and Sweden; on the southern rim, Germany and Poland; and on the eastern shore, Lithuania.

The Programme eligible area consists of the following NUTS III units:

| Eligible area: | Denmark: Bornholm, Østsjælland, Vest- og Sydsjælland |
| Sweden: Skåne län, Blekinge län; Kalmar län, Kronobergs län |
| Germany: districts (Landkreise) Nordwestmecklenburg, Rostock, Vorpommern-Rügen, Vorpommern-Greifswald and district-free city (kreisfreie Stadt) of Rostock |
| Poland: Miasto Szczecin, Szczeciński, Stargardzki, Koszaliński, Słupski, Starogardzki, Gdański, Trójmiejski and Elbląski |
| Lithuania: Klaipėdos apskritis, Tauragės apskritis, Telšių apskritis |

In comparison to the period 2007-2013 there are two significant changes to the Programme eligible area. Firstly, there is no division between the core and adjacent territories of the Programme. This means that all included territories are now governed by the same Programme rules. Secondly, due to an administrative reorganisation of districts

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1 Following the NUTS revision of 2013 in Poland (in force since 1 January 2015) the number of sub-regions was further increased. From 1 January 2015 sub-regions in the eligible area of the Programme in Poland are as follows: Miasto Szczecin, Szczeciński, Szczecinecko-pomorski, Koszaliński, Chojnicki, Słupski, Starogardzki, Gdański, Trójmiejski and Elbląski, whereas the eligible area of the Programme has not been changed.
and district free cities introduced in Mecklenburg-Vorpommern (DE) in 2011, the total area covered by the Programme has been enlarged, with the former district (Landkreis) Güstrow now being a part of the district (Landkreis) Rostock for the programming period 2014-2020.

The eligible area of the South Baltic Programme indicates the territorial focus for the period 2014-2020. It is expected that future co-financed projects will bring benefits within the above-defined geographical scope and that the partnerships implementing those projects are established mainly by organisations located in the South Baltic Region. Organisations located outside the eligible area, as well as those outside the EU, may also participate in projects co-financed by the South Baltic Programme, but under specific conditions. In this regard, co-operation with stakeholders from the Kaliningrad region is welcomed. For further information on project partnerships, including specific conditions for the organisations located outside the eligible area please see Chapter III (Section 2 "Partnership principles in the South Baltic 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, what is known as an "own contribution".

The total ERDF funding allocated to the South Baltic Programme for the period 2014-2020 is EUR 82.9 million. The total estimated Programme budget is over EUR 103 million together with the funds put into the Programme by the potential Partners.

The ERDF funding is divided between six Programme priorities:

<table>
<thead>
<tr>
<th>PRIORITY AXES</th>
<th>Allocation</th>
<th>Share of the Programme budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRIORITY AXIS 1 - SME Competitiveness</td>
<td>9 972 000,00</td>
<td>12%</td>
</tr>
<tr>
<td>1.1 Internationally active blue and green SMEs</td>
<td>4 986 000,00</td>
<td>6%</td>
</tr>
<tr>
<td>1.2 Innovative blue and green SMEs</td>
<td>4 986 000,00</td>
<td>6%</td>
</tr>
<tr>
<td>PRIORITY AXIS 2 - Sustainable use of common resources</td>
<td>39 773 703,00</td>
<td>48%</td>
</tr>
<tr>
<td>2.1 Natural and cultural heritage</td>
<td>19 886 852,00</td>
<td>24%</td>
</tr>
<tr>
<td>2.2 Green technologies</td>
<td>19 886 852,00</td>
<td>24%</td>
</tr>
<tr>
<td>PRIORITY AXIS 3 - Sustainable transport</td>
<td>15 789 000,00</td>
<td>19%</td>
</tr>
<tr>
<td>PRIORITY AXIS 4 - Skilled labour forces</td>
<td>8 310 000,00</td>
<td>10%</td>
</tr>
<tr>
<td>PRIORITY AXIS 5 - Improved cooperation capacities</td>
<td>4 155 354,00</td>
<td>5%</td>
</tr>
<tr>
<td>PRIORITY AXIS 6 (Technical Assistance)</td>
<td>4 978 727,00</td>
<td>6%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>82 978 784</td>
<td>100%</td>
</tr>
</tbody>
</table>

The Technical Assistance budget is not available to the projects as it provides funding for the preparation, management, monitoring, evaluation, information, and control activities of the Programme and is used only by organisations responsible for the above-mentioned tasks.
6 Co-financing rates

Depending on the location, the South Baltic Programme provides different ERDF co-financing rates for organisations participating in projects.

Partners from Poland, Lithuania and Germany can receive up to 85% ERDF co-financing. Partners from Denmark and Sweden can receive up to 75% ERDF co-financing for eligible costs generated within a project approved by the South Baltic Programme. The remaining part of the costs has to be contributed by the Partners from their own resources, constituting the national co-financing. This also applies to partners located within the Programme Member States, but outside the Programme eligible area (see requirements in Chapter III, Section 2 "Partnership principles in the South Baltic Projects").

For partners located in EU Member States other than the Programme Member States the applicable ERDF co-financing is a maximum of 75%.

It must be emphasised that co-financing rates for particular project partners may be reduced in case activities are subject to the state aid rules. For more information, see Chapter IV, Section 8 "State aid".
## DETAILED DESCRIPTION OF PRIORITY AXES

Analysis and background information on the selection of the Programme priority axes can be found in Section 2 of the Cooperation Programme document (see on www.southbaltic.eu).

### Priority Axis 1
**Strengthening international activeness and innovation capacity of the South Baltic blue & green economy**

The lists of exemplary actions, outputs and result indicators are non-exhaustive and other types of actions and activities can be proposed by the project.

The ERDF co-financing allocated to the priority axis 1 is EUR 9 972 000.00.

<table>
<thead>
<tr>
<th>Specific objective 1.1</th>
<th>Low internationalisation capacity of SMEs from the South Baltic area, in particular representing the Programme regions in Poland and Lithuania as well the rural areas in each region</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main challenges in the programme area</strong></td>
<td>In some Programme regions there is insufficient organisational support by intermediary structures and low availability of international business advisory services and matchmaking actions for expansion of the SMEs to international markets within and beyond the South Baltic area</td>
</tr>
<tr>
<td><strong>Expected programme result</strong></td>
<td>Increased presence of blue and green sector SMEs from the South Baltic area in international markets</td>
</tr>
<tr>
<td><strong>Exemplary project actions</strong></td>
<td>Joint development and pilot implementation of innovative business models for the internationalisation of blue and green sector SMEs</td>
</tr>
<tr>
<td></td>
<td>Market research for blue and green sector SMEs, their clusters and business support institutions in relation to the introduction of new services and products in international markets</td>
</tr>
<tr>
<td></td>
<td>Organisation of activities (e.g. fairs, exhibitions, marketing and joint branding campaigns etc.) promoting products and services of blue and green sector SMEs from the South Baltic area in international markets</td>
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<tr>
<td></td>
<td>Provision of products and services (e.g. cross-border training programmes, counselling, language courses, investment strategies, legal advice, business partner search, business cooperation forums, business missions etc.) to improve the capacity of blue and green sector SMEs from the South Baltic area to operate in international markets</td>
</tr>
<tr>
<td></td>
<td>Development of internet-based tools to provide targeted information (e.g. through databases and information directories) and to facilitate regulatory procedures for the activities of blue and green sector SMEs in international markets (e.g. in public procurement, employment law, social security, taxation and standardisation)</td>
</tr>
<tr>
<td></td>
<td>Awareness raising campaigns and general promotion actions encouraging international trade and business activities of blue and green sector SMEs from the South Baltic area – as an alternative/addition to national operations</td>
</tr>
</tbody>
</table>

| **Types of project activities** | Transfer of knowledge and exchange of good practices |
| | Information and promotion activities |
| | Educational and training activities |
| | Business partner search activities |
### Specific objective 1.1

Increase the presence of blue and green sector SMEs from the South Baltic area in international markets through joint cross-border actions

| Programme output indicators | Number of cross-border support services/programmes delivered to blue and green sector SMEs to foster their internationalisation  
|                           | Number of enterprises receiving support |
| Other exemplary project output indicators (to be decided by the partnership) | Number of conceptual documents prepared by the project (e.g. feasibility studies, thematic expertise reports, local/regional concepts and action plans, business plans, branding and marketing concepts/strategies, good practice brochures/handbooks/examples, educational/training curricula, planning/decision support tools, databases and other ICT tools etc.)  
|                           | Number of project workshops/seminars/conferences/exhibitions |
|                           | Number of participants in events organised by the project, including politicians and decision-makers |
| Exemplary project result indicators (to be decided by the partnership) | Number of cross-border relations between SMEs in the South Baltic area  
|                           | Number of new support services fostering relations between SMEs in the South Baltic area |
|                           | Number of new support structures fostering relations between SMEs in the South Baltic area |
|                           | Number of cross-border co-operation networks based on formal agreements created or extended in the project lifetime |
|                           | Number of SMEs/entrepreneurs taking part in the cross-border networks based on formal agreements |
|                           | Number of intermediary support structures for SME internationalisation created or extended in the project lifetime |
|                           | Number of investment declarations submitted by companies outside the Programme area |
|                           | Number of investment proposals/concepts prepared in the project lifetime |
|                           | Number and value of pilot investments carried out in the project lifetime |
| Exemplary types of partners | Local and regional authorities and their associations  
|                           | Formal associations, clusters and networks of SMEs (having legal personality) |
|                           | Chambers of commerce, business support organisations and development agencies |
|                           | NGOs and R&D organisations providing international promotion and marketing, research and services (e.g. training) |
| Main target groups | SMEs representing blue and green sectors of economy and interested in expanding their business operations to international markets (including other South Baltic Regions, other European countries and third markets, e.g. the Far East) |

### Specific objective 1.2: Improve the transfer of innovation for the benefit of blue and green sector SMEs through joint cross-border actions

| Main challenges in the programme area | Varying SME innovation capacities between the Programme regions as a factor that weakens the competitiveness of the area’s blue and green economy as well as the convergence processes between the regions  
|                                     | Unexploited potential for innovation transfer through cross-border networking and clustering between the more and less innovation capable regions in the South Baltic area  
<p>|                                     | High share of upper-secondary and tertiary education graduates across the South Baltic area as an asset to be better exploited for international triple helix cooperation and innovation transfer for the local SMEs |</p>
<table>
<thead>
<tr>
<th><strong>Expected programme result</strong></th>
<th>Improve the transfer of innovation for the benefit of blue and green sector SMEs through joint cross-border actions</th>
</tr>
</thead>
</table>
| **Exemplary project actions** | Provision and testing of cross-border training and capacity-building services for blue and green sector SMEs in order to improve their innovation capacity (e.g. in innovation management etc)  
Provision of business advisory services (e.g. training, market research, counselling etc.) to blue and green sector SMEs from the South Baltic area on the introduction of new services and products in the South Baltic market through cross-border ventures  
Organisation of cross-border events to enable the exchange of experience and stimulate innovation transfer between blue and green sector SMEs from the South Baltic area  
Development and testing of cross-border smart specialisation strategies and joint branding concepts for new products and services in the blue and green sectors of the South Baltic economy  
Development and testing of cross-border triple-helix cooperation models, platforms and networks with the participation of enterprises, research institutions, universities and public administration, dedicated to the better transfer and absorption of innovation by blue and green sector SMEs from the South Baltic area  
Cross-border development and prototyping/pilot testing of innovative products/services in the blue and green sectors of the South Baltic economy |
| **Types of project activities** | Transfer of knowledge and exchange of good practices  
Information and promotion activities  
Educational and training activities |
| **Programme output indicators** | Number of established or enhanced cross-border clusters, networks and triple-helix models  
Number of cross-border services/programmes delivered to blue and green sector SMEs to foster their innovation capacity  
Number of enterprises cooperating with research institutions |
| **Other exemplary project output indicators (to be decided by the partnership)** | Number of conceptual documents prepared by the project (e.g. feasibility studies, thematic expertise reports, local/regional concepts and action plans, business plans, branding and marketing concepts/strategies, good practice brochures/handbooks/examples, educational/training curricula, planning/decision support tools, databases, GIS systems and ICT tools, etc.).  
Number of project workshops/seminars/conferences/exhibitions  
Number of participants in events organised by the project, including politicians and decision-makers |
| **Exemplary project result indicators (to be decided by the partnership)** | Number of cross-border relations between SMEs in the South Baltic area  
Number of SMEs/entrepreneurs taking part in the cross-border networks based on formal agreements  
Number of R&D institutions taking part in the cross-border networks based on formal agreements  
Number of intermediary support structures for SMEs created or extended in the project lifetime (different than clusters, networks and triple-helix models)  
Number of technical solutions applied in practice in the project lifetime  
Number of investment proposals/concepts prepared in the project lifetime  
Number and value of pilot investments carried out in the project lifetime |
| **Exemplary types of partners** | Formal associations, clusters and networks of SMEs (having legal personality)  
Chambers of commerce, business development agencies, business incubators, technology parks and other business support and finance organisations  
Local and regional authorities  
Higher education and R&D institutions  
NGOs providing promotion and services focused on innovation aspects |
### Detailed description of Priority Axes

#### Priority Axis 2

**Exploiting the environmental and cultural potential of the South Baltic area for blue and green growth**

The ERDF co-financing allocated to the priority axis 2 is EUR 39,773,703.00.

<table>
<thead>
<tr>
<th>Specific objective 2.1: Increased development of the South Baltic area’s natural and cultural heritage assets into sustainable tourism destinations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main challenges in the programme area</strong></td>
</tr>
<tr>
<td>Unbalanced seasonal patterns and tourism intensity in the South Baltic area</td>
</tr>
<tr>
<td>High potential of green areas in the South Baltic territory to provide opportunities for active holiday and leisure activities</td>
</tr>
<tr>
<td>High quality of natural and cultural heritage sites, with unexplored opportunities for cross-border services and products in blue and green tourism</td>
</tr>
<tr>
<td><strong>Expected programme result</strong></td>
</tr>
<tr>
<td>Increased popularity of natural and cultural heritage areas/sites as sustainable tourism destinations</td>
</tr>
<tr>
<td><strong>Exemplary project actions</strong></td>
</tr>
<tr>
<td>Preparation and implementation of small-scale pilot investments that enhance blue and green tourism infrastructure and services (e.g. cross-border thematic routes, underwater nature trails, chains of marinas and small ports, etc)</td>
</tr>
<tr>
<td>Joint events (e.g. events, fairs, marketing campaigns), publications, studies, and creation of cross-border strategies and products promoting the South Baltic area as a blue and green tourism destination</td>
</tr>
<tr>
<td>Inclusion of natural and cultural heritage sites in the networks and chains of blue and green tourism in the South Baltic area (e.g. by including beaches and marinas in international certification systems i.e. International Blue Flag Programme)</td>
</tr>
<tr>
<td>Joint marketing of the South Baltic area as a blue and green tourism destination and the promotion of cultural and natural assets of the South Baltic area, including land and underwater sites under formal protection (e.g. national parks, landscape parks and nature reserves protecting land and underwater habitats, UNESCO World Heritage Sites, World Biosphere Reserves, NATURA 2000 sites, cultural sites etc)</td>
</tr>
<tr>
<td>Capacity-building actions and joint campaigns enhancing the management of natural and cultural heritage sites on a cross-border scale, including the exchange of experiences, transfer of knowledge and the creation of network cooperation among authorities and administrations responsible for the management of natural and cultural heritage sites in the South Baltic area</td>
</tr>
<tr>
<td>Development of joint cross-border ICT tools for blue and green tourism attractions and accommodation facilities in the Programme area</td>
</tr>
<tr>
<td>Exchanging know-how and promotion of Eco-Management and Audit Scheme as well as joint eco-labelling actions for environmentally friendly products</td>
</tr>
<tr>
<td>Actions to protect and reinforce biodiversity and nature</td>
</tr>
<tr>
<td><strong>Main target groups</strong></td>
</tr>
<tr>
<td>SMEs representing blue and green sector and developing/transferring innovative products and services within the South Baltic area</td>
</tr>
</tbody>
</table>

### Types of project activities

- Preparation and implementation of infrastructure investments
- Small-scale investments (e.g. tourist facilities)
- Transfer of knowledge and exchange of good practice
- Information, promotion and marketing activities
- Educational, training and awareness-raising activities
### Specific objective 2.1: Increased development of the South Baltic area’s natural and cultural heritage assets into sustainable tourist destinations

| Programme output indicators | Size of pilot investments co-financed by the Programme in blue and green tourism infrastructure and services  
Number of delivered blue and green tourism services, products and tools  
Increase in expected number of visits to supported sites of cultural and natural heritage and attractions |
|:-----------------------------|-------------------------------------------------------------------------------------------------|
| Other exemplary project output indicators (to be decided by the partnership) | Number of conceptual documents prepared by the project (e.g. feasibility studies, thematic expertise reports, local/regional concepts and action plans, business plans, branding and marketing concepts/strategies, good practice brochures/handbooks/examples, educational/training curricula, planning/decision support tools, databases, GIS systems and ICT tools etc.)  
Number of project communication instruments (information portals, project homepages, brochures and leaflets)  
Number of project workshops/seminars/conferences/exhibitions  
Number of participants in events organised and attended by the project, including politicians and decision-makers |
| Exemplary project result indicators (to be decided by the partnership) | Number of institutions responsible for management of natural and cultural heritage sites in South Baltic Area with improved capacities  
Number of political declarations and long-term co-operation agreements signed within the project lifetime in effect of project activities  
Number of co-operation networks based on formal agreements created or extended in the project lifetime  
Number of business organisations taking part in the cross-border networks based on formal agreements  
Number of non-governmental organisations involved in the cross-border networks based on formal agreements  
Number of durable tourism programmes/courses created in the project lifetime  
Size of the target audience of promotion, marketing and awareness raising actions implemented in the project lifetime  
Number of tourist products created in the project lifetime  
Number of investment proposals/concepts prepared in the project lifetime  
Number and value of pilot investments carried out in the project lifetime |
| Exemplary types of partners | Local and regional authorities and their associations  
Formal associations, clusters and networks of SMEs (having legal personality)  
Chambers of commerce, business development agencies, tourist agencies and other business support and financial organisations  
NGOs providing promotion and marketing services linked directly or indirectly to the tourism and cultural sector  
Institutions of natural, culture and national heritage protection  
Forest management institutions  
R&D and educational institutions |
| Main target groups | Visitors (tourists and inhabitants) to natural and cultural heritage areas/sites in the South Baltic area  
Managers of regional/local tourist agencies  
Managers of natural and cultural heritage sites |
### Detailed description of Priority Axes

#### Specific objective 2.2: Increased use of green technologies in order to decrease the pollution discharges in the South Baltic area

<table>
<thead>
<tr>
<th>Main challenges in the programme area</th>
<th>Expected programme result</th>
<th>Exemplary project actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental pressures resulting from concentration of population and economic activities in urban centres and coastal areas</td>
<td>Increased use of green technologies by South Baltic area stakeholders benefiting from cross-border cooperation</td>
<td>Developing, demonstrating and implementing small-scale green technology investments (pilot projects) in waste management (e.g. re-use, recycling, recovery etc), water management, heating, air protection, production of energy from renewable sources (e.g. wave, wind and solar energy, biomass, geothermal energy, etc.) and renewable energy storage</td>
</tr>
<tr>
<td>Higher eutrophication and biodiversity loss hazards as a consequence of nutrient discharges in the South Baltic catchment areas</td>
<td></td>
<td>Developing and testing of innovative cross-border solutions aimed at improving and coordinating sustainable energy networks (e.g. development and reorganisation of smart grids, virtual power plants, heating supply, integration of storage, maritime transmission grids)</td>
</tr>
<tr>
<td>Noxious air quality problems resulting from factors including the use of fuels of inadequate quality, waste combustion in unsuitable boilers and the use of old high-emission heat sources</td>
<td></td>
<td>Joint cross-border studies, strategies and action plans to mitigate water and air pollution in the South Baltic area through the application of innovative green technologies</td>
</tr>
<tr>
<td>High potential of the South Baltic area to develop green technology sectors based on vast natural resources, incl. renewables</td>
<td></td>
<td>Elaboration and testing of common cross-border standards in waste and water management, heating and air protection by public entities, in cooperation with universities, research centres, companies and cooperatives of farmers and residents</td>
</tr>
</tbody>
</table>

#### Types of project activities

- Preparation and implementation of infrastructure investments
- Small-scale investments (e.g. technical installations or energy saving installations)
- Transfer of knowledge and exchange of good practice
- Information and promotion activities
- Educational, training and awareness raising activities

#### Programme output indicators

- Size of pilot investments co-financed by the Programme in the uptake of green technologies
- Number of delivered green technology services, products, standards and tools
- Number of conceptual documents prepared by the project (e.g. feasibility studies, thematic expertise reports, local/regional concepts and action plans, business plans, branding and marketing concepts/strategies, good practice brochures/handbooks/examples, educational/training curricula, planning/decision support tools, databases, GIS systems and ICT tools etc.)
- Number of project communication instruments (information portals, project homepages, brochures and leaflets)
- Number of project workshops/seminars/conferences/exhibitions
- Number of participants in events organised and attended by the project, including politicians and
### Specific objective 2.2: Increased use of green technologies in order to decrease the pollution discharges in the South Baltic area

<table>
<thead>
<tr>
<th>Exemplary project result indicators (to be decided by the partnership)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of institutions with improved capacities of ready to use green technologies</td>
</tr>
<tr>
<td>Number of improved methods/instruments aimed at decrease of the pollution discharges</td>
</tr>
<tr>
<td>Number of political declarations and long-term co-operation agreements signed within the project lifetime in effect of project activities</td>
</tr>
<tr>
<td>Number of co-operation networks based on formal agreements created or extended in the project lifetime</td>
</tr>
<tr>
<td>Number of business organisations taking part in the cross-border networks based on formal agreements</td>
</tr>
<tr>
<td>Number of non-governmental organisations (e.g. ecological) taking part in the cross-border networks based on formal agreements</td>
</tr>
<tr>
<td>Number of small and diffuse sources with decreased outflows of nutrients</td>
</tr>
<tr>
<td>Number of technical solutions applied in practice in the project lifetime</td>
</tr>
<tr>
<td>Number of investment proposals/concepts prepared in the project lifetime</td>
</tr>
<tr>
<td>Number and value of pilot investments carried out in the project lifetime</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exemplary types of partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local and regional authorities and their associations</td>
</tr>
<tr>
<td>Public or private (having either public or non-profit character) companies dealing with communal and municipal environmental and energy management (such as waste and water, heating, air protection)</td>
</tr>
<tr>
<td>Formal associations, clusters and networks of SMEs (having legal personality)</td>
</tr>
<tr>
<td>Chambers of commerce, business development agencies and other business support and finance organisations</td>
</tr>
<tr>
<td>NGOs active in the environmental protection and management sector</td>
</tr>
<tr>
<td>Schools, higher education and R&amp;D institutions</td>
</tr>
<tr>
<td>Cooperatives of farmers and residents (having legal personality)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Main target groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public institutions and equivalent public entities in the South Baltic area</td>
</tr>
</tbody>
</table>

**Priority Axis 3**

**Improving cross-border connectivity for a functional blue and green transport area**

The ERDF co-financing allocated to the priority axis 3 is EUR 15 789 000.00.

<table>
<thead>
<tr>
<th>Specific objective 3: Improve the quality and environmental sustainability of transport services in the South Baltic area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predominant car-based mobility pattern, with high reliance on cars and trucks in inter-regional travel, due to insufficient intermodal services in freight and passenger transport</td>
</tr>
<tr>
<td>Unsatisfactory direct connectivity of the Programme regions due to drawbacks in maritime, railway and air passenger services</td>
</tr>
<tr>
<td>North-south freight traffic and quickly growing east-west freight flows across the South Baltic area in need of greening measures and service efficiency solutions</td>
</tr>
</tbody>
</table>
### Specific objective 3: Improve the quality and environmental sustainability of transport services in the South Baltic area

<table>
<thead>
<tr>
<th><strong>Expected programme result</strong></th>
<th>Improved and more environmentally sustainable passenger and intermodal cargo services in the South Baltic area</th>
</tr>
</thead>
</table>
| **Exemplary project actions** | Preparation and deployment of cross-border transport greening measures, including small-scale (pilot) investments, to lower the environmental impact (footprint) of transport services and to increase their quality and interoperability  
Joint development of smart mobility concepts decreasing the reliance on cars and trucks and better utilisation of public transport services (e.g. through mobility management schemes for less accessible areas and for areas suffering from negative demographic changes etc.)  
Joint development of solutions aimed at using more environmentally friendly means of transport  
Provision of solutions to improve the sustainability, density and quality of air and sea transport services (ferries) in the South Baltic area, including facilitation of new links between the Programme regions  
Preparation of studies addressing deficiencies in intermodal passenger and cargo services across the borders of the Programme regions |
| **Types of project activities** | Preparation and implementation of infrastructure investments  
Small-scale investments (e.g. hardware and software installations)  
Transfer of knowledge and exchange of good practice  
Information and promotion activities |
| **Programme output indicators** | Size of pilot investments in transport services co-financed by the Programme  
Number of delivered strategies, measures and tools aimed at improving the standard, efficiency, interoperability and/or environmental performance of transport services |
| **Other exemplary project output indicators (to be decided by the partnership)** | Number of conceptual documents prepared by the project (e.g. feasibility studies, thematic expertise reports, local/regional concepts and action plans, business plans, branding and marketing concepts/strategies, good practice brochures/handbooks/examples, educational/training curricula, planning/decision support tools, databases, GIS systems and ICT tools etc.)  
Number of relevant stakeholders involved in the development of strategies, measures and tools aimed at improving the standard, efficiency, interoperability and/or environmental performance of transport services  
Number of project communication instruments (information portals, project homepages, brochures and leaflets)  
Number of project workshops/seminars/conferences/exhibitions  
Number of participants in events organised and attended by the project, including politicians and decision-makers |
| **Exemplary project result indicators (to be decided by the partnership)** | Number of air and sea transport services (ferries) with improved sustainability, density and quality in the South Baltic area  
Number of facilitated new transport links between the Programme regions  
Number of additional passengers travelled at facilitated connections  
Number of additional passengers using more environmentally friendly means of transport  
Number of prepared and agreed solutions focusing on cross-border transport greening measures  
Number of developed and/or implemented solutions aimed at using more environmentally friendly means of transport  
Number of political declarations and long-term co-operation agreements signed within the project lifetime in effect of project activities  
Number of co-operation networks based on formal agreements created or extended in the project lifetime |
Specific objective 3: Improve the quality and environmental sustainability of transport services in the South Baltic area

| Number of business organisations taking part in the cross-border networks based on formal agreements |
| Number of durable transport education and training programmes/courses created in the project lifetime |
| Number of technical solutions applied in practice in the project lifetime |
| Number of investment proposals/concepts prepared in the project lifetime |
| Number and value of pilot investments carried out in the project lifetime |

Exemplary types of partners:
- Local and regional authorities and their associations
- Public transport companies
- Transport infrastructure administration
- Formal associations, clusters and networks of SMEs (having legal personality) working with transport greening solutions
- Chambers of commerce, business development agencies and other business support and finance organisations
- Higher education and R&D institutions

Main target groups:
- Transport infrastructure managers and users
- Public transport users (passengers)

Priority Axis 4
Boosting human resource capacities for the area’s blue and green economy

The ERDF co-financing allocated to the priority axis 4 is EUR 8,310,000.00.

Specific objective 4: Increase the share of skilled labour force working in blue and green economy sectors of the South Baltic area through joint cross-border actions

Main challenges in the programme area:
- Mismatch of education and the needs of employers in knowledge-intensive services and research-intensive industries of the South Baltic area
- Difficulties in attracting qualified labour
- High unemployment in many Programme regions driven by dynamic population trends (e.g. negative net migration balance in some regions, demographic change and disparities in the population density between urban and rural areas, rural decline challenges, increasing long-term unemployment etc.)

Expected programme result:
- Better prepared labour force for workplaces in blue and green sector companies in the South Baltic area

Exemplary project actions:
- Development, modification and testing of joint cross-border services connecting vocational and tertiary education graduates as well as employers in blue and green economy sectors (e.g. cross-border job search platforms, multi-lingual job applications, cross-border employment fairs, employment advice centres, dedicated (post-graduate) study profiles for blue and green sector companies, etc)
- Provision of cross-border training programmes (e.g. in languages of Programme countries or vocational English and cross-cultural skills) and qualification courses for the labour force, including tertiary and vocational education graduates, to suit employment needs in blue and green economy sectors
- Provision of tools or schemes for the harmonisation and international recognition of professional or vocational qualifications in blue and green economy sectors
- Preparation and deployment of cross-border internships, apprenticeships and different forms of
Specific objective 4: Increase the share of skilled labour force working in blue and green economy sectors of the South Baltic area through joint cross-border actions

<table>
<thead>
<tr>
<th>Types of project activities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exchanges for the labour force aimed at acquiring qualifications necessary for blue and green sector professions in the Programme regions</td>
</tr>
<tr>
<td></td>
<td>Joint development of models and solutions supporting self-employment of university and college graduates in blue and green economy sectors</td>
</tr>
<tr>
<td></td>
<td>Transfer of knowledge and exchange of experience to improve efforts of labour market stakeholders in stimulating employment in blue and green economy sectors of the South Baltic area</td>
</tr>
<tr>
<td></td>
<td>Information and advisory services for potential cross-border workers on legal requirements and working conditions in other countries of the South Baltic Region</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Programme output indicators</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of delivered cross-border employment schemes (i.e. services, model solutions, tools and programmes) and joint training supporting employment in the blue and green economy of the South Baltic area</td>
<td></td>
</tr>
<tr>
<td>Number of stakeholders involved in the implementation of cross-border employment schemes and joint training</td>
<td></td>
</tr>
<tr>
<td>Number of participants in joint local employment initiatives and joint training</td>
<td></td>
</tr>
<tr>
<td>Number of participants in joint education and training schemes to support youth employment, educational opportunities and higher and vocational education across borders</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other exemplary project output indicators (to be decided by the partnership)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of conceptual documents prepared by the project (e.g. feasibility studies, thematic expertise reports, local/regional concepts and action plans, business plans, branding and marketing concepts/strategies, good practice brochures/handbooks/examples, educational/training curricula, planning/decision support tools, databases, etc.)</td>
<td></td>
</tr>
<tr>
<td>Number of project workshops/seminars/conferences/exhibitions</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exemplary project result indicators (to be decided by the partnership)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of integrated/common services and offers of labour market institutions tested and/or implemented in the South Baltic area</td>
<td></td>
</tr>
<tr>
<td>Number of new structures established fostering labour force for workplaces in blue and green sector companies in the South Baltic area</td>
<td></td>
</tr>
<tr>
<td>Number of practical solutions improving the accessibility of educational offers across borders and in remote areas</td>
<td></td>
</tr>
<tr>
<td>Number of political declarations and long-term co-operation agreements signed within the project lifetime in effect of project activities</td>
<td></td>
</tr>
<tr>
<td>Number of co-operation networks based on formal agreements created or extended in the project lifetime</td>
<td></td>
</tr>
<tr>
<td>Number of new workplaces established in blue and green economy sectors</td>
<td></td>
</tr>
<tr>
<td>Number of SMEs/business organisations taking part in the cross-border networks based on formal agreements</td>
<td></td>
</tr>
<tr>
<td>Number of educational organisations taking part in the cross-border networks based on formal agreements</td>
<td></td>
</tr>
<tr>
<td>Number of durable education and training programmes/courses created in the project lifetime</td>
<td></td>
</tr>
<tr>
<td>Number of target representatives (e.g. small and medium size entrepreneurs, unemployed persons, parental leave persons, etc.) enrolled in created durable education and training programmes/courses</td>
<td></td>
</tr>
<tr>
<td>Number of technical solutions applied in practice in the project lifetime</td>
<td></td>
</tr>
<tr>
<td>Number of investment proposals/concepts prepared in the project lifetime</td>
<td></td>
</tr>
<tr>
<td>Number and value of pilot investments carried out in the project lifetime</td>
<td></td>
</tr>
</tbody>
</table>
## Specific objective 4: Increase the share of skilled labour force working in blue and green economy sectors of the South Baltic area through joint cross-border actions

### Exemplary types of partners
- Local and regional authorities and their associations
- Labour offices and labour market administration
- Labour unions and employer organisations
- Educational and R&D institutions
- Formal associations, clusters and networks of SMEs (having legal personality)
- Chambers of commerce, business development agencies and other business support organisations
- NGOs involved in the training and qualifications of the labour force

### Main target groups
- Vocational school graduates, university and college graduates entering the South Baltic labour market
- Labour force for workplaces in blue and green economy sectors
- Employers in blue and green economy sectors

## Priority Axis 5
### Increasing cooperation capacity of local actors in the South Baltic area for blue and green growth

The ERDF co-financing allocated to the priority axis 5 is EUR 4 155 354.00.

### Specific objective 5: Improve the cooperation capacity of local South Baltic area actors through participation in cross-border networks

### Main challenges in the programme area
- Extensive network of partners, organisations and institutions in the South Baltic area, but with a limited number of organisations taking part in joint activities and reaping the benefits of cross-border cooperation for local development policies
- Distinct maritime context of development in the South Baltic area determined by the sea basin location and long tradition of trade exchange across the sea – but with low recognition of the common South Baltic identity in the local and regional communities
- A need to increase the capacity and know-how of local organisations in the South Baltic area to make them more active in cross-border cooperation networks

### Expected programme result
- Improved involvement of local community organisations in cross-border cooperation networks

### Exemplary project actions
- Actions aimed at cross-border transfer of knowledge and exchange of experience regarding cooperation between citizens and institutions and local development challenges
- Joint activities of local self-government administration/agencies and other institutions (e.g. NGOs) contributing to influencing regional, national and EU level policies and decisions affecting the local development
- Joint awareness-raising actions among local groups to promote the cooperation culture, heritage and common identity of the South Baltic area
- Preparation and implementation of joint initiatives (cross-border programmes, trainings, workshops etc.), aimed at strengthening the networking and cooperation capacity of local organisations
- Preparation and deployment of measures increasing the involvement of local organisations (e.g. small municipalities, NGOs, schools, cultural institutions etc.) in project development and intercultural dialogue

### Types of project activities
- Transfer of knowledge and exchange of good practice
- Information, promotion and marketing activities
- Educational, training and awareness raising activities
## Specific objective 5: Improve the cooperation capacity of local South Baltic area actors through participation in cross-border networks

### Programme output indicators
- Arrangement of joint events
- Number of local actors involved in cross-border activities
- Number of joint capacity-building activities/events involving local actors

### Other exemplary project output indicators (to be decided by the partnership)
- Number of conceptual documents prepared by the project (e.g. thematic expertise reports, local/regional concepts and action plans, business plans, branding and marketing concepts/strategies, good practice brochures/handbooks/examples, educational/training curricula, planning/decision support tools, databases, etc.)
- Number of project workshops/seminars/conferences/exhibitions
- Number of participants in events organised and attended by the project, including politicians and decision-makers

### Exemplary project result indicators (to be decided by the partnership)
- Number of durable cross-border integration programmes/courses/initiatives created in the project lifetime
- Number of local institutions (e.g. local authorities, NGOs) involved in intensified intercultural dialogue
- Number of people involved in intensified cross-border (intercultural) dialogue
- Number of people from the general public involved in cross-border activities
- Number of political declarations and long-term co-operation agreements signed within the project lifetime in effect of project activities
- Number of co-operation networks based on formal agreements created or extended in the project lifetime

### Exemplary types of partners
- Local and regional authorities and their associations
- NGOs involved in networking activities across national borders
- Chambers of commerce, business development agencies and other business support organisations
- Institutions of natural, culture and national heritage protection

### Main target groups
- Small local and regional organisations – for example local municipalities, NGOs and public service providers (e.g. schools, cultural institutions, hospitals, police forces, fire and rescue service etc.)
III SPECIFIC FEATURES OF THE SOUTH BALTIC PROJECTS

1 Project phases and project types

The project duration, budget and management practices are determined by the complexity of the project. Finding a balance between the project scope, costs and time, and ensuring the quality of the project results and outputs is one of the crucial tasks ahead of the project developers.

Any project in the South Baltic Programme can generally be divided into three main phases: preparation, implementation and closure.

The **preparation phase** covers all activities implemented in order to develop a project and to submit an Application Form to the South Baltic Programme. This phase usually starts about one year before the call for proposals, but it can start even earlier. It always concludes with the end date of the call for proposals to which the Application Form was submitted (see chapter V “Project preparation, application and selection”).

The **implementation phase** covers all activities planned for the project during the preparation phase. All projects must finish within the implementation phase, leading to delivery of all main outputs, and achievement of the project’s specific objectives (see chapter VI “Project implementation”).

The **closure phase** starts the day after the end of the implementation phase (defined in the Subsidy Contract) and lasts until the submission of the final project progress report to the Joint Secretariat (in total, up to 120 days). This time is fully dedicated to administration of the project settlement and concentrates on preparing the final project progress report and submitting it to the JS (for further details please see chapter VII “Project closure and time beyond”).
### Start and end date of the project

The start and end dates of different project phases are connected to eligibility of costs related to those phases.

Whenever this or other Programme documents refer to a **start date or an end date of the project** implementation phase, it means the **start date or the end date of the project implementation phase**. The start date and end date of the project implementation are set in the Application Form, and can be changed during the clarification process.

The earliest start date of the project can be the day after the end date of the call for proposals. However, before approval of the project by the Monitoring Committee, all activities are implemented at the project’s own risk. At the latest, the implementation phase is required to start three months after the decision of the Monitoring Committee. This does not apply to projects on the reserve list (see Chapter V, Section 5 “Selection of projects and complaint procedure”). At some point in the final stage of the Programme implementation all applying projects will have to respect a specific end date for the project implementation to allow time for Programme closure. This date will be announced by the Programme in advance.

The South Baltic Programme recognises two main types of projects: **regular and small scale projects**.

**Regular projects** - this group constitutes the majority of projects implemented under the Programme. In general, the expected impact of regular projects will be greater than those of small scale projects. The same applies to the size of the project and its duration. The total budget recommended for regular projects is between EUR 1 000 000 and EUR 2 000 000 and the duration will be between 24 and 36 months. However, it must be stressed that the budget and duration need to correspond to the planned activities and that they will be assessed against the expected results (**value for money**). Therefore, larger or smaller projects may also be approved by the Monitoring Committee. In particular, projects containing small-scale pilot investments under priority axes 2 and 3 may justify a higher total cost of up to EUR 2 000 000.

**Small scale projects** – are allowed to be implemented under all specific objectives. However, it is expected that, due to the specificity of priority axis 5 (i.e. focus on local organisations), these types of projects will constitute the major share of projects implemented under this priority axis. To facilitate the implementation of small scale projects, simplification measures will be offered by the Programme (for example, smaller partnerships, less work packages, etc.). The detailed Programme requirements will be outlined in the announcement for the respective call for proposals. In order for a project to be designated as a small scale project, the total budget cannot exceed EUR 300 000 (EUR 500 000 for the Priority 5) in total and with a duration of up to 24 months.

Furthermore, a **seed money** scheme is intended, which would allow for potential South Baltic partnerships to develop projects of higher quality and submit them within regular calls for proposals. At the same time, the scheme can serve as an incentive for potential beneficiaries to convince their local decision makers to start developing the project, as the costs of those activities would be covered. However, due to the specificity of these kinds of activities (i.e. different rules to be applicable) a separate “terms of reference” decided by the Monitoring Committee will regulate the implementation of this scheme.

### 2 Partnership principles in South Baltic Projects

The project partnership in the South Baltic Programme consists of partners coming from the eligible area of at least two Programme Member States, with the exception of European Grouping of Territorial Cooperation. If European Grouping of Territorial Cooperation is set up by public authorities or bodies from at least two Programme Member States, it can implement a project individually (as defined in Art. 12(3) of the Regulation (EU) 1299/2013). Bilateral projects eligible in other ETC programmes should be given priority only if they have a high model value and/or if organisations from additional Member States are invited
to participate as, for example, associated partners (see Section 7.2 "Relations of the South Baltic Programme projects to other EU-funded interventions").

Multilateral cooperation is the main focus of the South Baltic Programme and, in order to solve the problems identified, projects are encouraged to group adequate organisations from different sectors. From the very beginning of the project preparation potential partners should aim to identify common interests, needs and motivations. They also need to learn about each other’s capacities (financial, organisational), cultural and structural aspects. The aim is to build a high quality partnership step by step; identifying and accommodating all the skills and competences that are required for successful implementation, and then defining respective roles in the project. The combination of different types of competences (business, culture, educational organisations, public administration and NGOs) adds to the project strengths. Such a cross-sector approach can improve the innovativeness and quality of the results. The maximum recommended amount of project partners in one project is set at 15.

Example for cross-sector approach

A project aims to equip maritime-related businesses with knowledge and competence on LNG (liquefied natural gas) technologies to enable them to be contracted for operating and maintaining the planned LNG terminal investments in Lithuania and Poland. With this competence the companies can specialise and form cross-border supply chains in the South Baltic. Such supply chains formed of highly specialised businesses can also compete in LNG-related tenders on the global market.

The cross-sector approach in this project is applied by involving different institutions in collaboration (as project partners and as target groups). The business support institutions help organise the supply chain, along with the academic institutions which are responsible for collecting and transferring the know-how through training. It is also carried out with the support and active involvement of the public authorities which own the terminal investments. A target group actively involved in this process consists of maritime-related businesses, which participate in training and receive the know-how.

In the South Baltic Programme the project partnership can consist of three types of partners:

- lead partner (LP);
- project partner (PP);
- associated partner (AP).

While all types of partners are expected to commit themselves to the delivery of the project, only the first two types of partners mentioned above directly benefit from ERDF funding and have to provide their own contribution as a counterpart to the Programme co-financing.

2.1 Lead partner

Each project is required to follow the lead partner principle. This means that one of the project partners is appointed as a lead partner and takes overall responsibility for project coordination in terms of content, administration and financial flows.

Definitions of the lead partner

In order to act as a lead partner in the South Baltic Programme project an organisation must have a legal personality and fall into one of the categories:

- national, regional and local authorities;
  - 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
  - having legal personality, and
  - 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;

Regardless of the category, an organisation has to make the results of the project available to the general public.

Bodies governed by public law and established under private law fulfilling the conditions listed above can act as lead partner only if their financial and organisational capacities allow that. These may be assessed on a case by case basis during the formal assessment of applications. Therefore, such organisations, especially NGOs, should be able, on short notice, to present and provide the JS with three year’s balance sheets and employment records in order to prove their ability to cover for potential irregularities during project implementation.

In principle, to become a lead partner, an organisation has to be located (what is decisive is the legal address of the organisation) in the South Baltic Programme eligible area. In exceptional cases, where explicitly justified by the project’s character, organisations of national or regional level that are located outside the eligible area, but have a branch office in the eligible area (e.g. Marshal Office of Warmia-Mazury), may also become lead partners. In such cases it is strongly recommended that the JS is contacted in advance to confirm eligibility.

In practice, the lead partner principle imposes some **obligations on the lead partner** in each of the project phases.

In the **project preparation phase** (see Chapter V “Project preparation, application and selection”) the LP is usually responsible for coordinating the efforts of organisations involved in the project development and the process of preparing the Application Form. During the project preparation the LP ensures that all project partners, associated partners, as well as the lead partner prepare Project Partner Declarations/Letters of Commitment in line with the formal requirements.

An authorised representative of the LP signs the Application Form, confirming that the information included in it is accurate and true to his/her best knowledge. The LP organisation is responsible for submitting the Application Form together with all required documents to the JS within the deadline for a given call for proposals. After the submission of the Application Form the LP becomes the only institution representing the project to contact the Programme authorities throughout the project lifetime (except for direct contacts between project partners and First Level controllers). The LP, on behalf of the project, organises the clarification of any formal errors found by the JS in the application documents.

If the project is subsequently approved by the Monitoring Committee, it enters the **implementation phase** (see Chapter VI “Project implementation”). The LP corresponds with the JS on behalf of the whole project, in order to meet all requirements set during the project selection:

- an authorised representative of the LP signs the Subsidy Contract for the project with the Managing Authority;
- the LP signs the Partnership Agreements with the project partners agreeing on the division of tasks, responsibilities and financial obligations and liabilities, and ensures that these signed agreements are enclosed with the first progress report.

One of the key tasks for the LP is to set up an efficient management and coordination system. For further information on management and coordination systems please see Chapter III, Section 8 “Project management and coordination”. The LP coordinates all activities, including forwarding the information received from the JS to the partners on the Programme rules (including rules for promotion and for visibility of EU co-financing), responding to issues reported by project partners, and facilitating the reporting and monitoring process:

- the LP has to ensure that all project partner expenditure corresponds to the activities and tasks as agreed in the Application Form, and that all expenditure has been certified by respective First Level controllers;
the LP also compiles the project progress reports based on inputs from partners, and ensures the communication during the clarifications;

the LP receives ERDF reimbursement from the Programme and transfers funds to the other project partners in compliance with the procedures stipulated in the Partnership Agreements;

the LP recovers funds directly from the project partner where an irregularity is detected.

Throughout the project implementation the LP liaises with the Programme authorities. In this respect the role of the LP is to inform the JS of any changes in the project set-up. Immediate information is expected, in particular if the legal status of any of the project partners has changed.

In the implementation phase, and also after the project closure, the LP has to ensure that all project partners fulfil their obligations related to storage and availability of documents for audit trail purposes and for the ownership and maintenance of project results. For further information on the obligations of project partners after project closure, please see Chapter VII “Project closure and the time beyond”.

2.2 Project partners

The project partners are eligible to receive ERDF funding in the South Baltic Programme projects.

Definitions of the project partners

In order to act as a project partner in a South Baltic project an institution must have a legal personality and fall into one of the following categories:

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

The following entities may not be financed by the Programme:

- profit-oriented companies of strictly industrial or commercial character, not operating for the purpose of meeting needs in general interest.

Regardless of the category the entity falls under, it has to make the results of the project available to the general public.

The involvement of an organisation as a project partner will not be used as a means to avoid public procurement. Furthermore, sub-contracting among the project partners is not allowed.

In principle, to become a project partner, an organisation has to be located (what is decisive is the legal address of the organisation) in the eligible area of the South Baltic Programme. As a rule, organisations located outside the Programme’s eligible area are recommended to be involved in the projects as associated partners.

Only in exceptional cases can they act as regular project partners (geographical eligibility of project partners is limited to the EU) and directly benefit from ERDF funding. Their participation will be explicitly justified by the project’s character and the relevant Programme Member State (Programme region) will take over the financial responsibilities in accordance with Art. 27 (3) of the Regulation (EU) 1299/2013.

Applicants located within EU Member States other than the Programme Member States are entitled to receive a maximum of 75% of ERDF co-financing. Such applicants may become partners only under special conditions. Potential applicants from other EU Member States are encouraged to contact the JS before applying in order to get more information on the formal and legal requirements.

Before applying to the Calls for Proposals in the South Baltic Programme such applicants must agree with respective authority (-ies) in their EU
Although the lead partner bears overall responsibility for ensuring the implementation of the whole project, there are also specific obligations of project partners, which they will need to fulfil during all project phases.

In the project preparation phase (see chapter V “Project preparation, application and selection”) the partners should actively collaborate in the joint development of the project, defining their contribution to the delivery of the objectives, and the respective resources needed for this. Each project partner prepares the Project Partner Declaration to be sent together with the Application Form to the JS.

Normally, at the beginning of the implementation phase, (see Chapter VI “Project implementation”) all project partners sign Partnership Agreements (or a single Partnership Agreement) with the lead partner. Upon signing it, they commit to active contribution to delivery of the approved activities and outputs and to fulfilling their financial responsibilities (see Chapter VI, Section 1.3 “Partnership agreements” for more details). Throughout the implementation phase all partners are responsible for implementing the project as defined in the Application Form and the Partnership Agreement, as well as reporting on the project implementation in accordance with the rules of the Programme and in agreement with the lead partner.

Each project partner is responsible for reporting the expenditure, obtaining certification in due time in accordance with the Programme rules and providing information in case of clarifications. After receipt of ERDF reimbursement, all project partners will inform the lead partner. In case irregularities are detected during or after the implementation phase of the project, the respective project partner is responsible to pay back the amount of the irregularity, including penalty interest, to the LP in line with the provisions of the Partnership Agreement.

During the implementation phase, and also after the project closure, relevant partners are responsible for ensuring durability and maintenance of the project results in line with both the Partnership Agreement and Application Form. It is the responsibility of each partner to store and retain documents in a safe and proper manner in line with the requirements set by the Programme. For further information on the obligations of project partners after project closure, please see Chapter VII “Project closure and the time beyond”.

2.3 Associated partners

Organisations that are not able to comply with the requirements needed for project partners (or are not willing to become financially involved in the project for other reasons) can take part in the projects on the basis of associated partners.

Most commonly, associated partners represent important stakeholders/key target groups/end users of the project results. The most welcome associated partners in the South Baltic Programme are SMEs and entities from Kaliningrad. However, organisations from other regions and countries outside the EU can also become associated partners, if it beneficial for the project and the South Baltic area (e.g. a tourism association in China that helps to
Specific features of the South Baltic projects

promote the South Baltic area to Chinese tourists). The associated partners are obliged to describe their role and tasks in the project in the Letters of Commitment. The LP sends these letters together with the Application Form to the JS.

Associated partners dedicate their own resources to the project (e.g. working time, costs related to organising and hosting conferences, dissemination activities, delegating volunteers, providing venues or equipment for project work etc.). However, associated partners cannot directly claim ERDF co-financing for their activities.

However, any of the project partners receiving ERDF co-financing can cover travel and accommodation expenditure relating to the associated partner involvement from their ERDF budget, on condition that it is essential to the achievement of the project’s objectives and does not infringe the state aid rules. These costs have to be included in the Application Form.

Associated partners 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) out of the project implementation and its outcomes.

The associated partners cannot be subcontracted by the project partners to carry out parts of their activities in a project due to the potential risks relating to the conflict of interest and infringement of the fair competition rules.

Summary of requirements for different types of partners in South Baltic Programme

<table>
<thead>
<tr>
<th>Location</th>
<th>Lead partner</th>
<th>Project partner</th>
<th>Associated partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Programme area</td>
<td>Programme area</td>
<td>Anywhere</td>
</tr>
<tr>
<td>Geographical location</td>
<td>In exceptional cases - in the area of the Programme Member State</td>
<td>In exceptional cases - outside the Programme area, but within the EU</td>
<td></td>
</tr>
<tr>
<td>Formal status requirements</td>
<td>Legal personality</td>
<td>Legal personality</td>
<td>No limitations to legal personality</td>
</tr>
<tr>
<td>Legal personality</td>
<td>National/regional/local authorities or bodies governed by public law or associations of any of those bodies</td>
<td>National/regional /local authorities or bodies governed by public law or associations of any of those bodies</td>
<td></td>
</tr>
<tr>
<td>SME associations and clusters or chambers of commerce, trade unions and NGOs or 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</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.4 Geographical location of the project activities

As a general rule, activities within the South Baltic Programme should be implemented in the Programme eligible area. In exceptional cases, if for the benefit of the Programme eligible area and the Programme’s objectives, some activities may be implemented outside the Programme eligible area or even in the territories of other EU Member States.

For those exceptional cases the EU created a possibility and legal framework under Art. 20 item 2(b) of regulation No. 1299/2013. This rule, known as the 20% eligibility rule, allows accepting that some project activities are being implemented outside the Programme eligible area.

The 20% eligibility rule is monitored at the Programme level. Projects are allowed to use funds that are subject to the rule only if the limit of 20% of total ERDF allocation at Programme level is not reached. Therefore, they are asked to define a budget for these activities in the Application Form and to report these costs separately in their progress reports. Information on the remaining budget in the Programme for costs that are subject
Specific features of the South Baltic projects

To the 20% eligibility rule will be published at the opening of each call for proposals. Individual projects can be allowed to have a higher share of these costs in the project budget as long as the overall limit at the Programme level is not reached.

The attribution to the 20% eligibility rule depends on the location of the activities. However, when it comes to the administration and staff costs, the location of the partner’s institution will be taken into consideration:

<table>
<thead>
<tr>
<th>Partners located in the Programme eligible area</th>
<th>Partners located outside the Programme eligible area</th>
</tr>
</thead>
<tbody>
<tr>
<td>When implementing activities outside the Programme eligible area, costs should be reported according to the 20% rule (e.g. seminar, conference located outside the Programme area)</td>
<td>When implementing activities in the Programme eligible area, related costs should be reported as as regular costs (not subject to 20% rule)</td>
</tr>
<tr>
<td>Project running costs (i.e. administration and staff costs) for the organisations located outside the Programme eligible area should be reported under the 20% rule</td>
<td></td>
</tr>
</tbody>
</table>

Specific rules apply also to the travel and accommodation costs. With respect to the 20% eligibility rule, costs related to travel outside the Programme eligible area should follow the rules:

<table>
<thead>
<tr>
<th>Expenditure subject to 20% Eligibility rule</th>
<th>Expenditure not subject to 20% Eligibility rule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily allowances, tickets (plane, train, ferry etc.) and accommodation (hotel outside the Programme area) paid by the Partner institution from outside the Programme area</td>
<td>Daily allowances, tickets (plane, train, ferry etc.), accommodation paid by the Partner institution located in the Programme area, regardless of the destination (outside the Programme area)</td>
</tr>
<tr>
<td>Costs of accommodation (if not part of daily allowances) for the hotel in the eligible area, borne by the Partner from outside the eligible area</td>
<td></td>
</tr>
</tbody>
</table>

3 Contribution to the objectives of the South Baltic Programme

The South Baltic Programme requires that the projects contribute to the objectives of the South Baltic Programme. The progress of the implementation and the project achievements are measured through a system of indicators.

The intervention logic of the Programme consists of five priority axes which are divided into seven specific objectives. For each specific objective the main expected results are defined, which reflect changes that the Programme seeks to achieve for the entire Programme area through the implementation of projects. The priority axes, their specific objectives, expected results and output indicators are described in the Chapter II “Detailed description of priority axes”.

Results and related changes are measured through the Programme result indicators linked to each specific objective.

Project main outputs are direct outcomes of the supported projects (and are measured by the Programme output indicators), which, in turn, contribute to the Programme results.

Project intervention logic

Projects have to strictly apply a result-oriented approach, clearly defining the results (i.e. changes) the project is striving for and linking them with the territorial challenges and needs. The coherence of the project intervention logic (i.e. the project specific objectives, activities, outputs and expected results) with the targeted specific objective of the Programme is a pre-condition for a project to be funded.
Programme indicators

Each project has to comply with the selected specific objective of the Programme and has to contribute to its achievement. This achievement will be measured by the Programme authorities by monitoring the project’s contribution to Programme output indicators (defined for each specific objective).

During the project development phase each project has to select the relevant Programme output indicator(s) and to define the target value(s) to be achieved. Each project must contribute to at least one Programme output indicator.

Achievement of the Programme output indicator(s) is reported with the final project progress report. During the mid-term project review the project will inform the JS on the achievement of the Programme output indicators, especially about potential risks which may influence the project performance, if applicable.

Project specific indicators

Projects are required to define specific indicators to describe what will be produced during the project lifetime and how the target groups will be influenced by the achieved results, thus showing the value for money for the ERDF co-financing to be used. The approach towards defining project indicators has been changed in the Programme compared to the 2007-2013 period.

Projects are required to define the following sets of indicators:

- main outputs;
- key deliverables.

Main outputs

Main outputs measure the achievement of project objectives and are directly linked to the Programme output indicators. Similarly, they can be defined as product/service oriented and target-group oriented outputs. They represent the main achievement of the project activities: main product and main effect of the product.

Main outputs by their character are:
Specific features of the South Baltic projects

- **product/service main outputs** – illustrate the direct, material effect of the project activities, measured, directly connected to incurred costs (for example, developed IT system), attributed to concrete work package;

- **target-group main outputs** – illustrate direct effects of the implemented activities and launched products, are measured by their usage by end users (for example, participants in a training scheme; enterprises involved in the network), provide information about the changes resulting from the project implementation, should occur immediately after activity completion.

Main outputs, irrespective of their character, have to be quantified and contribute to the chosen Programme output indicator(s). They should have the same units, in order to be easily transferred into the chosen Programme output(s).

**Projects, as a general rule, will choose no more than 4 main outputs. At least one of them must be a target-group main output.** Main outputs must be easily attributable to concrete work packages.

Each output will contribute to the intended change only if it can be used properly by the relevant target groups of the project. Following the principle of demand orientation, **defining a main output thus also means defining its future usability and coherence with the project objective** (reaching the envisaged quantity of the planned outputs alone is not sufficient). It means that each output has to be achieved in terms of usability too - it should be possible to use implemented investments, strategies developed taking into account actual circumstances, developed standards promoted or adapted to the relevant target groups, etc.

In the light of the strategic Programme objective to achieve durable results and tangible impacts on the ground, all projects should ensure ongoing contacts and exchanges with their target group(s) and **are required to describe the impact of the developed product(s)/service(s) on their target group(s)**. In order to receive structured feedback from the target group(s) involved in the project activities, the Programme thus recommends each partnership carries out a self-evaluation (or any comparable survey methodology) towards the end of the project’s lifetime. The results of the performed impact assessment will be described in the final progress report of the project (see Chapter VI, Section 7 “Monitoring and reporting”), thus giving the Programme the opportunity to assess the achieved changes and the impact at Programme level.

Main outputs are reported and monitored with each project progress report. Significant underachievement in this category of indicators might lead to financial consequences - see Chapter VI, Section 6.8 “Consequences of not meeting output, result indicator and spending targets”.

**Key deliverables**

Key deliverables are defined as the key products and/or key steps of the project, set in the work plan to deliver the main outputs and thus achieve the project objective. They are important for the proper implementation of the project, serve as a means to structure the logic behind the achievement of main outputs and project’s objective, and illustrate the timeframe.

Projects, as a general rule, will define not more than 10 key deliverables. Key deliverables must be reported with each project progress report and are monitored by the Programme authorities. Generally, the Programme allows projects to be flexible in relation to the achievement of the target values of key deliverables. However, if the project intends to alter the way of achieving the activities and deliverables and it has an influence on the main outputs or their cross-border character, changes are required within the project according to the rules described in Chapter VI, Sections 6.2 and 6.3.
Defining project objective and indicators:

- set the project’s objective that contributes to the relevant specific objective of the Programme and its result;
- describe in what way the project’s result will contribute to the Programme result indicator;
- select and quantify the Programme output indicators (at least one) related to the selected specific objective;
- specify main outputs according to the selected Programme output indicator - max. 4 main outputs, at least one main output should be a target-group main output;
- define and describe up to 10 key deliverables, in what way the project will achieve its main outputs.

### 4 Durability and impact

The South Baltic Programme 2014-2020 seeks to develop and maintain a strong culture of result-orientation. Project partnerships will strive for durable outputs whose short and long-term exploitation will result in tangible impacts for the benefit of individuals, businesses, communities and the environment. Consequently, the structures, outputs and results achieved by each partnership will be sustained and exploited beyond the lifetime of the funded implementation periods.

In this context, **every output and result must clearly reveal its cross-border context**, e.g. the transfer of good practices across borders, joint cross-border expertise resulting in tangible impacts in individual regions, locally tested innovative solutions which can be applied or mainstreamed across the borders, jointly implemented pilots leading to spin-offs and/or follow-up investments in the participating regions, common cross-border identity and community building, cross-border industrial synergies or cross-border destination building; see Chapter III, Section 6 “Cooperation in South Baltic: Cross-border approach, innovativeness and additional character of projects”.

All outputs developed within the lifetime of a South Baltic project will serve the public interest.
Specific features of the South Baltic projects

The nature of a particular project will define its catalogue of tangible and durable outputs and results; a few examples are listed below:

<table>
<thead>
<tr>
<th>Tangible and durable services/products</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketable product</td>
<td>A multimodal cross-border ticket</td>
</tr>
<tr>
<td>Market scheme</td>
<td>Public service obligations</td>
</tr>
<tr>
<td>Governance scheme</td>
<td>Legislation changes, local traffic reorganisation</td>
</tr>
<tr>
<td>Institutionalisation</td>
<td>Sustainable Mobility Coordinator post in the cities</td>
</tr>
<tr>
<td>Decision support systems</td>
<td>Cross-border freight transport planning</td>
</tr>
<tr>
<td>New business model</td>
<td>Public transport supply diversification</td>
</tr>
<tr>
<td>Investments</td>
<td>Photovoltaic park as a result of a cross-border feasibility study</td>
</tr>
<tr>
<td>New university curricula</td>
<td>Alignment of education and demands of the maritime industry</td>
</tr>
</tbody>
</table>

In the light of the Programme’s durability and impact requirements, partnerships are strongly advised to start developing their project concepts by defining the outputs and results which they aim to achieve through cross-border cooperation. As the next step, each project will describe the means by which it will ensure that project outputs and results will have a lasting effect beyond the project’s duration. Concrete measures (including institutional structures, financial resources for mainstreaming activities etc.) taken during and after project implementation to ensure and/or strengthen the durability of the project outputs and results must be described in the Application Form. If relevant, responsibilities and/or ownership of results and outputs should be addressed.

During the implementation phase of the project, each partner will pay particular attention to monitoring tangible impacts and tracking ripple effects (e.g. by means of statistics, individual success stories, testimonials of end users or endorsements by reputable figures); see Chapter VI, Section 5 “Communication and management of outputs and results”. Impact investigation and reporting is a duty of every project partner.

At the same time, taking into account that the long-term effects of the funded cross-border activities on the envisaged target groups may only occur after the administrative closure of the project, post-closure monitoring activities will be conducted by the Programme bodies; see Chapter VII, Section 5 “Durability of the project”.

5 Project activities and work packages

The South Baltic Programme defines the term “activity” as a group of tasks performed by project partners, which lead to the achievement of the key deliverables and main outputs and are necessary for the proper implementation of the project and the achievement of the project objectives. It is necessary to list and describe the activities in a way that the responsibilities and working steps of each Partner are clear and transparent. The Programme, however, does not request provision of further detail at specific task level.
Specific features of the South Baltic projects

Example

A project includes the activity "regular publication of an e-newsletter". It is listed in the "activity and financial timetable" of the application. It requires tasks such as "providing contents", "providing contacts to mailing list", "preparing layout", etc. However, the latter do not have to be given in the application.

Activities that will be carried out within a project must be logically organised into the work packages, and hence build a project structure. In other words, work packages are tools for structuring the project’s content. They allow 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 the South Baltic Programme project, up to six work packages can be planned.

Two work packages are compulsory:

- Work Package 1 "Management and coordination". Activities related to the internal communication and coordination between project partners should be included in Work Package 1;

- Work Package 2 "Communication and dissemination".

At least one, but a maximum of four work packages must be content-related. The scope and names of work packages 3 to 6 can 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, projects that wish to claim a lump sum for the project preparation are obliged to provide required information in work package 0 “Preparation” (see also Chapter V, Section 6 “Costs incurred during the project preparation, application and selection). The Programme will provide guidelines on filling in and submitting the Application Form (including Work Packages) with each call for proposals.

6 Cooperation in South Baltic: Cross-border approach, innovativeness and additional character of projects

All the project features described in this section are subject to the quality assessment under the cooperation character criterion. For further information on quality assessment please see Chapter V, Section 4 "Assessment of applications".

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.

This starts with joint development, where partners from different Member States together shape an initial project idea into a project proposal. Such an approach allows for consideration of the concrete circumstances and differing conditions in the participating regions. It also helps to accommodate the expertise, needs and motivations of partners to the project’s methodology. Furthermore, it increases commitment to and ownership of project results, as the whole partnership is involved in shaping the objectives and outcomes, budget, timing and responsibilities. Bilateral and multilateral project preparation meetings and workshops play an important role in the project preparation phase.
The cross-border approach must also be ensured through joint implementation of the project, achieved through active collaboration between the different participating organisations in the delivery of the project outputs. Although each of the partners is responsible for different tasks to realise the project objectives, the implementation of activities should build on experience and exchange with the others. Accordingly, it is expected that several partners contribute to each activity, thus allowing for the development of a truly cross-border solution.

All partners are expected to contribute their staff (joint staffing) to fulfil their roles and tasks in the project and in close cooperation, to allow exchange of expertise and to avoid duplication of efforts. This means that the project has only one project manager, who acts on behalf of all partners. Responsibilities for particular work-packages or activities are also shared among the partners, usually by appointing work package or activity leaders who supervise the implementation of particular activities on behalf of the entire project partnership.

The project partners are also expected to contribute financially to the project budget (joint financing), with the exception of associated partners. The budgets of particular partners should reflect their responsibilities and involvement in the project.

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. The main question to be answered here is why implementation of the project in a cross-border setting is better than a stand-alone project:

- Does the nature of the challenge, problem or opportunity ahead of the project really require cross-border cooperation? Can the results be achieved without applying a joint international approach? If yes, how will the joint implementation and exchange of experience contribute to the quality of results?
- What benefits will the outputs and results of project implementation offer to the partners and target groups if the activities are implemented by cooperation across borders? What positive impacts can be expected in the whole project or Programme area?
- Does joint implementation aim at further integration of the South Baltic area? Does it allow for the building of further cross-border initiatives in the area/field?

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.

Cross-border approach in the projects

**Example 1:** A project aims at inducing intermodal passenger traffic across borders. It should be possible for passengers to arrive by public transport at the ferry, to take the ferry for crossing the sea to another country, and continue the journey with public transport on the other side.

The solution to the problem makes it necessary for the interfaces between different transport modes to be improved on both sides of the borders (for example timetables of the ferry operator and public transport providers are harmonised). This requires coordinated actions on both sides of the border. If only one side would be improved, there would be a risk of passengers not being able to continue their journey smoothly.

The aim of establishing a cross-border passenger traffic link could hardly be achieved. The project, therefore, addresses a genuine cross-border problem that cannot be solved without cross-border actions.

**Example 2:** A project aims at inventing innovative waste water treatment procedures. They can enhance the performance of existing municipal facilities in different countries, and in this way improve the water quality of the Baltic Sea in the long term.

The point of departure is a technological device that has been successfully invented in a municipal facility in one of the countries, and which raised the interest of other municipalities across borders. In the first step, experts from all participating countries jointly review the device and its use. Then the partners adjust the technology to the differing technological standards of each of the countries incorporating the recommendations of the
In the next step, the adjusted and advanced technology is introduced and tested in one pilot facility in each of the participating countries. The test runs are conjointly evaluated. Based on this, recommendations are given for transferring the device to further waste water treatment facilities in the South Baltic area. A handbook, transfer workshops and on-the-spot consultations introduce the project's results and the developed devices to other interested municipalities.

The project, therefore, improves local actions by making the most of exchange and transfer of successful practices across borders. The targeted dissemination ensures impact and relevance for the whole South Baltic area.

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 do not concentrate on delivering the statutory tasks of the participating organisations. The cross-border cooperation projects should be used to explore new areas of activity, gather new ideas and inspiration, exchange know-how and best practices and learn from one another. Therefore, the tasks of the participating organisations performed on a regular basis, will not be financed. A cross-border project may, however, lead to improvement of the statutory areas of operation, or processes within the municipality.

The **innovative character** of a project does not necessarily mean an innovative theme or final output of the project. It may be represented by approaching a challenge, problem or opportunity in a non-schematic and original way that offers significant advantages compared with the usual problem-solving strategies employed in the South Baltic area. 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. The impact of the innovation should be as widespread as possible by envisaging efficient dissemination. A means to ensure innovativeness from this perspective is to carefully check and compare not only other projects within the South Baltic Programme, but also other international projects that have been implemented in the South Baltic area.

The main questions in this context are:

- Were or are there other projects in the specific thematic area implemented in the South Baltic area?
- How can their outcomes, results or experience be used in the planned project?
- In comparison to the other project, how is the planned project innovative, and how will it represent a "next step"?

Applicants are encouraged to consult the JS to find out more about other projects that were or are currently being implemented in their area of interest. In this respect, the Smart Alliance tool and the knowledge bank of the projects implemented in the 2007-2013 programming period can also be valuable sources of information.

**Additionality and innovation in the project**

A project deals with waste management. For the participating local municipalities, it is not possible to co-finance the costs of waste disposal performed on a regular basis. The activities they can co-finance through the project must have additional character: it can for example be the preparation and pilot implementation of a municipal strategy for involving citizens in the process of pre-sorting waste, building on the experiences of cross-border partners. Elements of such a strategy, which constitute a common practice in Sweden and are applied and pilot-tested in other countries during the project, are examples of innovation through knowledge/methodology transfer (bringing a successful methodology to new user groups in other countries).
7 Description of potential connection of the projects to the EUSBSR and its Action Plan and complementarities to other EU-funded interventions

7.1 Relations of the South Baltic projects to the EUSBSR and its Action Plan

The general connection between the Programme priorities and the EUSBSR Policy Areas (PA) and Horizontal Actions (HA) is presented in the table of Chapter I, Section 2 “Strategic orientation of the South Baltic Programme”.

Projects with direct connections to the EUSBSR

Projects are encouraged to create connections to the European Union Strategy for the Baltic Sea Region (EUSBSR) and its Action Plan where possible. In particular, potential links to the Strategy's Policy Areas and Horizontal Actions that include Actions and Flagships should be carefully looked at and considered. The South Baltic Programme welcomes proposals that are regarded as Flagships or constitute parts of Flagships of the EUSBSR Action Plan. The Action Plan, relevant contact details as well as further information and materials on the EUSBSR, can be accessed via the Strategy’s official website: http://www.balticsea-region-strategy.eu.

The connection to the EUSBSR can be especially beneficial to projects that have a local or regional origin but also strategic potential in a cross-border perspective. The link to the EUSBSR can create new opportunities with regard to, for example, visibility dissemination, capitalisation, political lobbying, follow up activities and the mainstreaming of jointly developed solutions.

If a project identifies potential for connections to the EUSBSR process, a dialogue with the competent Policy Area Coordinator/Horizontal Action Coordinator will be established to jointly discuss the relevance of the project for the Policy Area/Horizontal Action as well as possible synergies with other projects promoted hereunder. In the case that such links and synergies are identified, projects should include respective activities in the work plan, herewith giving evidence for active liaison with the implementation process of the EUSBSR and concrete benefits to the project.

A Flagship or part of a Flagship of the EUSBSR Action Plan should consult the Policy Area Coordinator/Horizontal Action Coordinator already in the initial phase of the project development. Agreed liaisons with the EUSBSR process have to be backed up by the Letter of Support from the EUSBSR Policy Area Coordinator/Horizontal Action Coordinator, and signed by the coordinator of the relevant Policy Area/Horizontal Action. Whereas this document is obligatory for Flagship or part of Flagship, Policy Area Coordinators/Horizontal Action Coordinator may also decide to express their commitment to other projects with high relevance to the Policy Area/Horizontal Action by providing such a letter (see Guidelines for filling in the Application Form available at www.southbaltic.eu for further details).

Example for a project that pro-actively connects with the EUSBSR:

A project invents a new approach for coastal municipalities that reduces nutrient inflows to the Baltic Sea from diffuse sources, and thus combats eutrophication. It has the potential to be used in 80% of the coastal areas of the South Baltic area, including the shores of all five Member States. Within the project, conceptual pre-work and pilot investments are implemented in a number of model municipalities. Based on these, action plans are drafted for a full-scale implementation of the concept in the model municipalities. Furthermore, the results of the pilot activities are used to outline recommendations which allow other coastal municipalities in the participating countries to apply the same concept. However, such transfer and a full coverage of the coastal areas require public investments with a value of several hundred millions of EUR, which cannot be funded by the South Baltic Programme.

During its preparation, the project discovered a connection to the Policy Area “Nutri” of the EUSBSR Action Plan. As a result, working contacts with the Policy Area Coordinator were established and the work plan of the project was extended by a number of feedback meetings with the Policy Area Coordinator and relevant Flagship leaders. During the final stage of project implementation, the Policy Area Coordinators or the Flagship leader assisted the project with contacting relevant national bodies. On this basis, the incorporation of the developed approach for the reduction of nutrient inflows to the Baltic Sea from diffuse sources into national funding schemes should be facilitated, allowing coastal municipalities in all 5
countries to acquire funds for follow-up activities and the mainstreaming of the South Baltic-funded pilot solutions through further public investments.

Projects with no direct link to the EUSBSR

The South Baltic Programme also supports projects that might have no direct links to the EUSBSR or only limited benefits from such a connection to it (e.g. small-scale capacity building projects). A pro-active connection to the Strategy does not have to be demonstrated in such cases. In particular, should the project clearly contribute to the objectives, priorities and measures of the South Baltic Programme, the general compliance with the thematic and horizontal priorities of the EUSBSR can also be confirmed. The project can thus still be regarded as being in line with the EUSBSR, although specific references may not have been provided in the Application Form and/or a direct connection to a flagship and/or policy area is not clearly seen.

The JS provides support and guidance to the partners on the possibilities and requirements for projects to connect with the EUSBSR, the Strategy’s Action Plan and the liaison with relevant Policy Area Coordinators/Horizontal Action Coordinators. The most appropriate opportunities/platforms for this are individual project consultations with the JS. These should take place during a later phase of the project development when the proposal is fully developed, in order to allow for the most useful advice.

7.2 Relations of the South Baltic Programme projects to other EU-funded interventions

In order to achieve good visibility, the South Baltic Programme seeks to ensure coherence, complementarity and synergies with other EU-funded programmes operating in the same geographical space. This includes a large number of the INTERREG programmes, programmes under the ENPI, national funding instruments as well as relevant sectoral initiatives.

Map presenting South Baltic areas covered by other cross-border programmes

In the funding period 2014-2020, the South Baltic Programme geographically overlaps with the transnational Baltic Sea Region Programme (BSR Programme). It also shares parts of the Programme area with five cross-border programmes on internal EU borders, namely:
Specific features of the South Baltic projects

- Öresund – Kattegat – Skagerrak,
- Germany-Denmark,
- Mecklenburg-Vorpommern/Brandenburg – Zachodniopomorskie,
- Lithuania – Poland,
- Latvia – Lithuania.

Project applicants might look into different synergies with projects supported under other EU-funded interventions, for example, projects funded under the Baltic Sea Region Programme may provide inputs for the South Baltic Programme project by setting a transnational framework for cross-border actions and by rendering solutions developed within the transnational framework for testing on the local ground. Similarly, synergies between projects under the cross border cooperation programmes can be sought.

Bilateral projects eligible in other ETC programmes should be given priority under the South Baltic Programme only if they have a high model value and/or if institutions from additional Member States are invited to participate in the capacity of, for example, associated partners.

The projects can also look for synergies beyond the South Baltic Programme area – complementary projects might contribute to the genuine cross-border issues of a broader scale. For instance, to implement common actions within co-operation networks at sub-national level that exceed the geographical limits of one of the programmes (e.g. the Union of Baltic Cities network) or to achieve an increased impact of successful projects through the “transfer” and implementation of innovative methodologies with a new partnership in the other programme area. For example, in the Baltic Sea area synergies with projects from the Central Baltic Programme can be sought as a wider maritime cooperation character of both programmes has already led to complementary priorities and profiles.

The South Baltic Programme corresponds directly with programmes of Investment in Growth and Jobs. On the one hand, being oriented at cooperation activities it can contribute to the preparation of investments responding to specific development needs of the South Baltic area. For example, infrastructure investments decided and prepared by projects in the South Baltic Programme may be forwarded for funding from national and/or regional programmes or taken over by a public-private consortium. On the other hand, South Baltic projects may serve as testing fields for new innovative approaches (on a small scale) and upon achieving success might become part of wider regional policies. Projects of which the work plan will include such interlinks are highly appreciated and would be most welcomed by the Programme.

Further information about possible relations to European Structural and Investment Funds can be found in the “Guidance for Beneficiaries of European Structural and Investment Funds and related EU Instruments”, available online.

8 Project management and coordination

Each project co-financed by the Programme is required to establish a proper management and coordination system in order to ensure efficient implementation. Such a system has to 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 (small projects), 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 main outputs. This role should establish the
set of rules for project implementation and guide all partners throughout the project. In particular, a project manager is responsible for communication between the project and the Programme institutions (mainly the JS); monitoring project progress against plans; managing changes and rescheduling the implementation plan if necessary; managing risks, problems and other issues reported by partners and ensuring good information flows within the partnership. It is also usually the responsibility of the project manager to compile activity reports based on inputs provided by the project partners. The person in this role is also expected to act as a driving force and mobilise the partnership in order to deliver the outputs and to achieve the objectives presented in the Application Form. Ideally the person in this position should 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 has to ensure that these aspects of the project are in line with the Programme and national rules. The usual responsibilities of the finance manager cover the cooperation with the project manager in the financial aspects of project implementation; advising partners in terms of cost eligibility on Programme level, monitoring if the project spends in line with the declared activities, the spending plan, budget, and flexibility limits; compiling the financial part of the progress reports; and managing the budgetary changes and any other financial issues in the project. This role may also require liaison with First and Second Level controllers if needed. In order to ensure that these functions are carried out correctly, the financial manager should be familiar with accounting rules, EU and national legislation for the management of the ERDF, public procurement and financial control.

In order to comply with the EU requirements on information and promotion the project should also appoint an information manager. The main responsibilities of this role are to coordinate the planning and implementation of the project’s communication activities, particularly the ones related to communication with target groups, end users and other external stakeholders of the project; to liaise with pan-Baltic or Europe-wide organisations relevant to the project theme and with the JS in the area of project promotion; and to monitor if the project’s written communication is branded in accordance with EU and Programme requirements. For further information on cooperation with the JS on project promotion please see Chapter VI, Section 5 “Communication and management of outputs and results”.

Since English is the official and working language of the South Baltic Programme, it is necessary that the above mentioned post holders possess very good knowledge in English (both spoken and written).

Apart from the aspects listed under each management role, the coordination system could consider such issues as decision-making processes, resolving disputes among partners, reporting problems and issues. To support the management and coordination, the projects often use tools such as:

- project management structures: Steering 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.
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:

- **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 1303/2013 where Articles 6 and 65 to 71 give specific provisions on applicable law as well as on eligibility of expenditure;
- Regulation (EU) No 1301/2013 where article 3 gives specific provisions on the eligibility of activities under the ERDF;
- Regulation (EU) No 1299/2013 where Articles 18 to 20 give specific provisions on eligibility of expenditure applicable to programmes of the European Territorial Cooperation goal;

- **Programme rules.** Additional rules on eligibility of expenditure for the Programme as a whole, as described in the Programme Manual.

- **National (including institutional) eligibility rules.** Apply to matters not covered by eligibility rules laid down in the abovementioned EU and the 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 assessment of payment claims and project controls.

**Eligible expenditure is the 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 law and national law;
- it has been actually incurred within the period specified in the subsidy contract (with an exception for preparation and closure costs - see respective sections in the Programme Manual (see Chapter V, Section 6 "Costs incurred during the project preparation, application and selection" and Chapter VIII, Section "Eligibility of costs in the project closure phase");
- it has been incurred in relation to the project implementation and it is necessary for 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. Please see details in Chapter VI, Section 5.2 "Publicity duties";
General rules on eligibility of costs and budget structure

- it has been appropriately documented;
- it has been appropriately entered in the accounting system;
- it has been specified in the payment claim.

Expenditure eligible for co-financing is the expenditure actually incurred by the project partner. A paid invoice or other accounting document of equal probative value (e.g. payroll, settlement of business trips along with annexes) together with the attached proof of payment constitutes the proof of payment.

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 Section 3.1 “Staff costs” for details);
- expenditure settled using lump sums for project preparation costs (see Chapter V, Section 6 “Costs incurred during the project preparation, application and selection”) and flat rates for staff costs (see Section 3.1 “Staff costs”) and office and administration costs (see Section 3.2 “Office and administration”);
- depreciation costs;
- settlements based on an internal debit note;
- compensation of amounts due. For example, the project partner has provided services outside the project to the contractor (invoice A) in amount of 800 EUR (contractor owes the 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 laws) 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) for reimbursement from ERDF.

The eligibility of incurred expenditure is assessed in line with the eligibility rules in force on the date when the expenditure was incurred, however the following have to be taken into account:

- eligibility of expenditure resulting from 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 are made more favourable to the project partner and the expenditure is not certified by the First Level controller – the new more favourable rule applies.

Dates of the expenditure

The date of expenditure should be defined in accordance with national rules. In case of questions in relation to the date of the expenditure, project partners are strongly advised to contact their First Level controller.

Description of an accounting document

Accounting documents relating to project implementation should be provided in accordance with national rules and must allow attributing 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 concern expenditure settled using simplified methods).

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 had been 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 the EU funds and/or grants from national public 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 eligible expenditure of the project or a part of the project;
- purchasing a fixed asset with co-financing from the EU funds and/or grants from national public funds and then claiming the depreciation costs of the fixed asset under the same project or under other projects co-financed from the EU funds.

Example of non-eligible expenditure in the Programme:

- fines, financial penalties and expenditure on legal disputes and litigation (including expenditure connected with preparing litigation and legal services);
- costs of gifts, except those not exceeding EUR 50 per gift where related to promotion, communication, publicity or information;
- cost of awards, except those not exceeding EUR 50 per award;
- costs related to fluctuation of foreign exchange rate;
- 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 exchange operations;
- 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

Project budgets must be structured according to the following budget lines:

- 1 - staff costs;
- 2 - office and administration;
- 3 - travel and accommodation;
45 | General rules on eligibility of costs and budget structure

- 4 - external expertise and services;
- 5 - equipment;
- 6 - infrastructure and works.

In section below, specific rules on the eligibility of expenditure under individual budget categories are detailed. In addition, examples of eligible and non-eligible expenditure 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.

3 Budget lines

3.1 Staff costs

This budget line 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 must choose from two options of direct staff costs calculation and the chosen option cannot be changed during project contracting or implementation:

- simplified method – a flat rate of 20% of the 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 costs (other than the staff costs) of the project partner.

- actual incurred costs.

An employment contract/appointment decision/civil law contract and the job description (or the 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.

Staff salaries are eligible, provided that their amount corresponds to the salary levels applied by the project partner on a regular basis, beyond projects co-financed from the structural funds and the Cohesion Fund, towards analogous positions or positions requiring analogous qualifications. This rule relates also to other components of staff remuneration, including rewards and bonuses. In order to claim actually incurred staff costs as eligible, staff data and the regulations of staff involvement in the project implementation must be recorded in the SL2014 IT system.

Eligible costs

The following costs can be reported as eligible:

- 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;
  - in accordance with the legislation referred to in the employment document and with standard practices in the country and/or project partner
Examples of eligible expenditure:

- gross basic salary;
- advance payments for personal income tax;
- charges on health insurance and social security;
- additional yearly 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 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;
- overtime, provided that its relation with the project has been documented and it is not possible to make up for the overtime without detriment to the project;
- value of voluntary work.

Examples of non-eligible 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.

**Full time and part time work**

The personnel 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 dedicated to the project per month**
  
  there is no obligation to establish a separate work time registration system;
  
  In this case, the project partner issues a document for the employee that details the percentage of time to be worked on the project (e.g. employment contract/job description).

- **part time: with a flexible number of hours worked on the project per month** – will be based on the working time registration system covering 100% of working time of a given staff member.

**Flexible number of working hours a month**

Eligible staff costs are calculated on an hourly rate basis determined by:

- dividing the monthly gross employment cost by the monthly working time fixed in the employment document expressed in hours;

or

- dividing the latest documented annual gross employment cost by 1,720 hours - in case of employees being employed full-time by the project partner’s organisation.
The hourly rate is then multiplied by the number of hours actually worked by the staff member on the project.

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

**Voluntary work**

Unpaid work of volunteers as a form of in-kind contribution will be reported in "Staff costs" budget line. It cannot exceed 10% of eligible expenditure at project partner level nor 5% at the project level. It cannot be applied if the flat rate is used. To be deemed as eligible:

- it must be planned in the approved Application Form;
- the type of work performed by a volunteer must be defined (his/her position in the project);
- be essential to the project, strictly limited to project activities and related to the production of project outputs;
- be proven by properly filled timesheets;
- be based on an agreement that would have to be concluded before the start of project specific activity (it is recommended to conclude it even before signing the Subsidy Contract by the lead partner), which clearly defines the rules for the volunteer (to be concluded either in English or in national language);
- 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;
- be listed in each progress report and supported by necessary documentation (timesheets or other forms of recording working time etc.);
- 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 for objectively valuing 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, 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 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 in case 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 qualification 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 in case no pre-work and basis for 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.
General rules on eligibility of costs and budget structure

Additional eligibility rules and guidance for Polish partners

The Polish lead partners and project partners are obliged to follow additional eligibility rules for staff costs (including rules for voluntary work), described in Annex 3 "Additional eligibility rules and guidance for Polish partners".

3.2 Office and administration

The budget line for office and administration covers indirect costs for operating and the administrative expenses of partners who support delivery of project activities. These costs are indirect costs as they are not or cannot be connected directly to an individual activity. In accordance with Article 68(1; b) of the regulation (EU) No 1303/2013, The Programme uses a flat rate for calculating and reporting indirect costs of office and administrative expenditure. Costs under the office and administration budget line are calculated as a flat rate of 15% of eligible staff costs.

The calculation is done automatically in the Application Form and also during reporting. Partners do not need to provide documents with the progress reports that the expenditure on office and administration costs has been incurred and paid, or that the flat rate corresponds to the actual costs.

Direct costs falling under this budget line 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 budget line) in accordance with Article 4 of the EU Regulation 481/2014:

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).

These cost items cannot be reported under any other budget line!

3.3 Travel and accommodation

Costs of (domestic and foreign) travel, necessary to reach the objective of the project and made by persons directly involved in the project implementation, are eligible.

Travel and accommodation costs will be limited to the following elements:

- travel costs (e.g. tickets, car mileage);
- costs of meals;
- accommodation costs;
- visa costs;
- daily allowances.

Any cost item listed in first four bullet points and covered by a daily allowance will not be reimbursed in addition to the daily allowance.
Moreover, in cases where the hotel or the organiser of a meeting/seminar/conference etc. covers a part of the costs of stay (e.g. by providing meals, transportation or hotel accommodation) the daily allowances, to which an employee is entitled, will be appropriately reduced in accordance with national law.

Travel costs of the project partner employees not financed under the project can be eligible, if the travel is necessary to successfully implement the project and if justification of the travel is documented. The travel and accommodation expenses of guests from organisations acting as associated partners and target groups of the project, external experts and service providers will fall under the category “External expertise and services”.

As a rule, the most economic 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, have to be followed.

**Travel outside the area of participating Member States**

Travel outside the area of the Programme Member States is eligible, provided that it was planned in an approved Application Form or with the consent of the Joint Secretariat. The eligibility of the travel outside the area of participating Member States will be considered in principle, based on whether it is necessary for proper project implementation and whether it provides an advantage to the Programme eligible area.

**Travel that has not happened**

Expenditure related to the organisation of business trips that has not happened, covered by the project partner, may be regarded as eligible, under the following conditions:

- it was not the project partner’s fault that the business trip has not taken place (e.g. the conference in which the project partner’s employee should have taken part, had been cancelled, an employee became ill)

and simultaneously

- the project partner proves that the recovery of the costs incurred is impossible (e.g. costs of an airplane flight, because the deadline for cancellation/returning the ticket has expired before the official cancellation of the conference etc.).

The project partners will keep the documentation to support the expenditure, for example:

- agenda or similar (report) of the meeting/seminar/conference;
- paid invoices (e.g. hotel bills, travel tickets);
- daily allowance claims;
- proof of payment.

**Examples of non-eligible expenditure:**

- airplane and train tickets in first class or business class with no justification;
- daily allowances in full amount in cases when the hotel or organiser of a meeting/seminar/conference provided the participants with full board or half board (when the hotel/organiser provided half board, the relevant part of daily allowances will be due);
- fixed allowance/bill for accommodation in the case when the organiser of a meeting/seminar/conference provided the participants with hotel accommodation;
- periodic business car inspections and service checks of the project partner business cars;
- travelling by taxi with no justification.
Additional eligibility rules and guidance for Polish partners

The Polish lead partners and project partners are obliged to follow additional eligibility rules for travel and accommodation costs, described in Annex 3 "Additional eligibility rules and guidance for Polish partners".

3.4 External expertise and services

Costs under this budget line 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 sub-contracted 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 services costs are paid on the basis of contracts or written agreements and against invoices or requests for reimbursement.

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 or information linked to the project concerned;
- 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 a 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.

Eligibility of costs for external expertise and services is subject to the full respect of EU, Programme and national (including institutional) public procurement rules (please refer to Section 7 “Competition and public procurement” of this Chapter).

Partners are obliged to ensure the keeping of financial and bookkeeping documents in accordance with national requirements, as well as ensure the keeping of 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 – in case of 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 non-eligible expenditure:

- expert opinion, consultancy in the area of the project partner appeal 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 in order 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 project main outputs or key deliverables);
- expenditure for film making, 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 a copyright law, artistic image or participation of a known person).

3.5 Equipment

Costs under this budget line refer to equipment purchased, rented or leased by the project partner which is essential for the implementation of the project, as well as costs of infrastructure and works required for project implementation. The costs of depreciation/lease/rental/tenancy of the equipment that is used for project management purposes should also be reported under this budget line. 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.
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 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), full purchase costs (including operating and servicing costs) of equipment are eligible.

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 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 in order 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 Programme guidelines;
General rules on eligibility of costs and budget structure

- description of the depreciation method applied for equipment reported under the project.

Examples of non-eligible expenditure:

- purchases of equipment not covered or in quantities exceeding those specified in the approved Application Form/not approved by 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 (blue-print) 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 pilot investments 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. transport corridor, 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.

Additional eligibility rules and guidance for Polish partners

The Polish lead partners and project partners are obliged to follow additional eligibility rules for equipment purchases described in Annex 3 "Additional eligibility rules and guidance for Polish partners".

3.6 Infrastructure and works

Costs under this budget line refer to the infrastructure and works required for 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 “investment projects”, i.e. projects in which the main or only objective is to finance one or more investment 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 be used also after the project is implemented). Costs relating 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 infrastructure (e.g. supervision of construction works).

Examples of eligible expenditures:
General rules on eligibility of costs and budget structure

- 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 non-eligible expenditures:

- expenditure not covered by the approved Application Form;
- 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 a given irregularity).

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

- acceptance protocols;
- invoices for 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 infrastructure objects;
- photographs of equipment evidencing publicity markings in accordance with the Programme guidelines;

Cross-border relevance

Infrastructure/works 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 (blue-print) 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 pilot investments 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. transport corridor, 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.

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

**Example 1 (pilot character):** A project aims at testing and promoting the use of innovative green technology for waste water treatment in several Member States of the South Baltic area. As part of the project, innovative technical infrastructure will be tested that could improve the performance
of existing facilities. The testing process will involve designing the infrastructure for the green technology. However, before defining the specification and concrete technology that will be tested, an international exchange process including best practices survey and expert workshops reveals the potentially most relevant solution for those South Baltic area Member States involved. As a result, necessary requirements for pilot infrastructure and works are defined and implemented at the facilities that have been chosen as pilots.

Afterwards, testing starts. The results are jointly reviewed by all Partners to understand whether the tested green technology delivers the envisaged improvements of the waste water quality in the South Baltic area. Based on the results, recommendations are given for transferring the technology to other waste water treatment facilities in the South Baltic area. A handbook, transfer workshops and on-the-spot consultations introduce the project results and the developed pilot infrastructure to other interested municipalities. Agreements with the associations of local authorities in the participating countries ensure that the model solution is further promoted after project termination.

**Example 2 (character of filling missing links):** A project aims at enabling intermodal passenger traffic across borders. It should be possible for foot passengers to arrive by public transport to the ferry, to take the ferry for crossing the sea to another country, and continuing the journey with public transport on the other side. In order to close and improve the transport chain, a shuttle bus from the terminal to the train station has to be established in one of the port cities, as no collective public transport is otherwise available. This includes construction work (creation of shelters at the bus stops, signposting, etc.). These investments are considered as cross-border investments “filling missing links” and thus eligible.

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

- investments in local infrastructure that do not have an innovative feature or help to fill a missing cross-border link;
- investments, which were 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 an international exchange 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 have to explain and justify the added value of the implemented investments as part of a cross-border project within the South Baltic Programme, in particular where such an investment has the potential of being financed from other EU or domestic, regional or national funds.

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

In case the project plans substantial investments, where additional documents such as feasibility studies, environmental impact assessments and building permits are required by national law, it is advised to start timely preparation of these documents to allow implementation of the project 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 the investments.

Note: If it is not possible to assign one invoice/one contract to two or more budget lines (e.g. one price for Equipment, Infrastructure and Works), the larger share of the invoice/contract will determine to which budget line it should be assigned.

**4 VAT**

The partners will declare only non-recoverable VAT in the partner budget, as recoverable VAT is not eligible for ERDF reimbursement.

VAT is actually incurred when it is paid in full (in the price of acquired goods or services). If the partner has the possibility to fully recover VAT paid in relation to the project costs by whatever means (e.g. by reclaim from national tax authorities), the VAT cannot be reported as an eligible cost in the Programme.
The partners should be aware of their VAT status in relation to the planned project activities. The partners will be obliged to confirm their VAT status during the preparation of the project by confirming it in the Project Partner Declaration; it will also be confirmed by the lead partner in the Application Form submitted to the Programme.

If the VAT status of the partner changes during the course of the project implementation, the project is obliged to inform the JS and relevant First Level controller.

Where costs that are subject to recoverable VAT have been reported and reimbursed from the Programme ERDF, the lead partner is obliged to pay back the amount in question in accordance with the terms specified in the Subsidy Contract.

**Additional eligibility rules and guidance for Polish partners**

The Polish lead partners and project partners are obliged to follow additional eligibility rules for VAT, described in Annex 3 “Additional eligibility rules and guidance for Polish partners”.

### 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 2014 - 2020. As this is a significant difference compared to the previous Programme period, project partners should pay special attention to the new rule and make their project and budget planning accordingly.

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.

### Competition and public procurement

Preparing and conducting public procurement, as well as awarding a contract within the project, should be carried out in a manner that guarantees compliance with the principle of transparency, fair competition and equal treatment of contractors, including potential contractors.

In addition, with respect to all contracts awarded within the project, regardless of their value, the manner of selecting a contractor and awarding authority, it is required that the principle of sound financial management is complied with. Thus, this must be in accordance with the principles of economy, efficiency and effectiveness and the reasonability of spending public funds as well as with other conditions for the eligibility of expenditures as specified in the Programme.

In order to implement competition and public procurement principles referred to above, contracts within the project have to be awarded pursuant to EU and national regulations on tendering and awarding contracts if the regulations are applicable in awarding the given contract. The list of appropriate legal acts and other documents that are binding in each Member State which are participating in the Programme is published on the Programme website ([www.southbaltic.eu](http://www.southbaltic.eu)).

The Programme has set out specific conditions for Polish project partners regarding the award of contracts - detailed rules are described in Annex 4 of the Programme Manual.

In case of breach of the regulations or principles on the award of public contracts (this applies to all project partners) or the Programme procurement principles (this additionally applies to Polish project partners, described in Annex 4), the relevant 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. If the Member State has not adopted the 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 (according to the up-to-date version in relation to the expenditure in question) is applicable.

7 Contractual obligations

The nature of the project activities might require the project partners to contract an external provider in order 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 a risk of having irregularities if not properly executed. Please see the most common irregularities of awarding contracts in Annex 1 of the Programme Manual.

8 State aid

State aid is a European Commission term which refers to forms of assistance from a public body or publicly-funded body, given to undertakings engaged in economic commercial activity on a selective basis, with the potential to distort competition and affect trade between Member States of the European Union.

The state aid rules generally only apply where the recipient of aid is an “undertaking”. An undertaking is defined as an entity engaged in an economic activity, regardless of its legal status and the way in which it is financed, i.e. offering goods or services on a market. Therefore, it is not important for the state aid whether the project partner is a private or a public sector entity or whether it has been established to generate profit. It does not have to be profit-making as long as the activity carried out is one which, in principle, has commercial competitors. The undertaking may thus also be for example a non-profit organisation, a trade association, a local government unit, etc. What is important is that the project partner is engaged in economic activity within the project. The classification of an entity as an undertaking is always relative to a specific activity.

Economic activity means any activity consisting of offering goods or services on a given market.

Typical examples of “non-economic” activities are: police, armed forces, air and maritime traffic control, organisation of public education and compulsory social security contributions. “Non-economic” activities also could be public roads or bridges that are available for public use without any charge and are not for commercial exploitation. This could further be extended to facilities such as cycle paths, nature trails, promenades, piers, etc. that are available for public use without any charge (condition of not distorting the market applies to all examples mentioned).

The state aid definition translates into five criteria:

- aid is granted by a member state or through state resources;
- aid gives the recipient an economic advantage which would not have been obtained under normal market conditions;
- it favours certain commercial undertakings or the production of certain goods (i.e. it must be selective in its nature);
- it distorts or has the potential to distort competition;
the activity is tradable between Member States and the aid has the potential to affect trade.

All five of above-mention criteria must be met for state aid to be present. If any of the above criteria is not met, the support granted is not considered to be state aid.

Therefore, if the project involves state aid, the co-financing will be provided in line with the EU law. The main EU regulations for the 2014-2020 perspective with regard to de minimis aid and other types of state aid include the 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 and the 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 (General Block Exemption Regulation – GBER).

De minimis aid is aid which, due to its low amount, does not affect trade between Member States and/or does not distort competition. Pursuant to Regulation No 1407/2013, aid totalling € 200 000 (€ 100 000 for undertaking in the road freight transport sector) per single undertaking applies for aid granted in a concrete Member State and will not exceed this amount over three fiscal year period.

The Programme may use other state aid instruments, such as a General Block Exemption Regulation. A GBER sets out categories of aid that have already been declared compatible by the Commission. So long as all the terms of the particular regulation are met, there is no requirement to notify the Commission in advance and request approval before awarding aid. The criteria of the GBER determine, in particular, eligible recipients, maximum aid level (i.e. the maximum proportion of the eligible costs of a project that can benefit from state aid) and eligible expenditure. Therefore, in cases where a GBER is used, separate, lower, co-financing rates could be applied.

The provisions on how the MA ensures granting the state aid in the South Baltic Programme are regulated by the Ordinance of the Minister of Infrastructure and Development of the Republic of Poland on granting state aid under the programmes of the European Territorial Cooperation 2014–2020.

The Managing Authority cannot grant prohibited state aid, i.e. aid granted in breach of these EU regulations. If such a situation occurs and the European Commission considers that it effectively constitutes prohibited state aid, the recipient will have to repay the aid together with interest.

How to identify state aid in a project?

The graph below shows the procedure that is used to determine if state aid is present in a project. It must be noted that state aid refers to activities and not a project partner as a whole and the state aid assessment refers to particular activities. A project can consist of activities, part of which can either fall under state aid or to which state aid would not apply.

Due to the complex character of most undertakings that can be supported through the South Baltic Programme, the presence of state aid has to be assessed on a case by case basis (see Chapter V, 4.2. “Quality assessment”, Section “Assessment of state aid”) and where in doubt, it is recommended that national or regional authorities relevant to state aid issues are consulted.

For more information about rules and restrictions concerning state aid, visit the website of the Directorate-General for Competition http://ec.europa.eu/competition/index_en.html.
Detecting state aid in the project

1. Project partner can be considered as an undertaking
   - Yes
   - No
     - No state aid

2. Project activity is an economic activity
   - Yes
   - No
     - No state aid

3. State is granted by a member state or through state resources
   - State gives the recipient an economic advantage
     - Yes
     - No
       - No state aid
   - State is selective (offered to selected recipients)
     - Yes
     - No
       - No state aid
   - Aid distorts or has the potential to distort competition
     - Yes
     - No
       - No state aid
   - Aid affects trade between Member States
     - Yes
     - No
       - No state aid

4. If state aid is found, it is indicated as state aid.
V PROJECT PREPARATION, APPLICATION AND SELECTION

1 Project generation process

How to prepare a project?

- Have an idea that clearly fits with the thematic scope and objectives of the South Baltic Programme. Explain how your idea can contribute to the relevant specific objective of the Programme. See details in Chapter II “Detailed Description of priority axes”;
- Start developing your project concept by defining the results and impact you want to achieve and check if cross-border cooperation can help you to achieve your objectives;
- Build up an appropriate cross-border partnership. Ensure that all partners share the same understanding about the planned activities, outputs and results as well as their individual roles and responsibilities within the project. Potential partners may already have some experience in international cooperation and through their networks they can recommend other appropriate institutions to join the project. However, projects are encouraged to include institutions that have no record of international cooperation, especially considering the Programme's priority axis 5 “Increasing cooperation capacity of local actors in the South Baltic area for blue and green growth”. See details in Chapter III, Section 1 “Project phases and project types” and Section 2 “Partnership principles in the South Baltic Projects”;
- Define project activities reflecting the project’s contribution to the South Baltic Programme, the project’s impact on the stakeholders and target groups, durability as well as the roles and division of tasks of each partner. For details, see Chapter III, Sections 3 – 8; Chapter IV, Section 8 “State aid” and information in this Chapter V;
- Set a start and end date for the project. See details in Chapter III, Section 1 “Project phases and project types”;
- Shape the budget. It is recommended that the project budget is prepared “bottom up”. That means that the process should start with a precise estimation of the costs for individual tasks and activities of the partners with reference to the budget lines pre-defined by the Programme. Therefore, summary budget figures required in the Application Form can be generated in the next step. The project partnership should take into consideration that an international working process is generally more time consuming than a local or regional one. The time required to implement the activities is an important factor and shapes the project’s duration and overall costs. Partners from countries with decentralised First Level Control systems (Denmark, Germany and Lithuania) have to budget costs for subcontracting external controllers, which have to carry out both desk and on-the-spot controls. See details in Chapter IV; Chapter V, Section 6 “Costs incurred during the project preparation, application and selection”; Chapter VI, Sections 2 – 4, 7; Chapter VII, Section 2 “Eligibility of costs in the project closure phase”;
- Set realistic spending targets. It is common practice for the projects and partners to add “safety margins” to the estimated costs. In this respect the projects ought to be very careful, as experience shows that, on average, projects spend about 90% of their originally planned budgets. Especially, the spending targets for the first individual reporting periods should not be overambitious, because if not met, there is a danger that part of the unspent funds will no longer be available for the
project due to the N+3 rule. For further information, please see Chapter VI, Section 6.8 “Consequences of not meeting output, result indicator and spending targets”;

- Think about how to disseminate and communicate the project results to the stakeholders and project target groups, as well as the wider public; see Chapter VI, Section 5 “Communication and management of outputs and results”;

- Prepare the Application Form, use the Programme’s support services and familiarise yourself with the relevant documents and requirements. It is recommended that the start of drafting the Application Form is undertaken relatively early when preparing the project and to use it as a reference point when agreeing on the project shape. See details in the following Sections of the Chapter.

Project preparation

It is strongly recommended that all partners gather for a minimum of one preparation meeting to discuss all of the above details. The preparation works are often considered to be the first team-building efforts for partners, allowing them to better understand and fully commit to the project.

Programme services

At every stage of the project generation process, the South Baltic Programme offers support to the project idea owners up until their application. The tools and services include:

- Programme website www.southbaltic.eu. This is the basic source for obtaining up-to-date information on the South Baltic Programme including access to all Programme documents, frequently asked questions, announcements on calls for proposals, descriptions and recommendations from approved projects dating back to the Programming perspective 2007-2013 and more.

- SMART Alliance tool which is accessible through the Programme website is an online exchange platform that is designed to bring together people and ideas. Registered members can use this network to find partners, set up project consortia, join existing project ideas, access a user’s tailor-made library to screen project examples from the past and gain inspiration when developing an own project. It also can be used to share views, ideas, news or events with like-minded members of the South Baltic SMART Alliance having the same interests and establish cross-project partnerships, share and mutually endorse project results.
Project preparation, application and selection

- **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. These are grouped into thematic areas of interest, e.g. business internationalisation, sustainable mobility, sailing and water tourism.

- **Contact Points** in each of the Programme Member States participate in the project generation process (promoting the programme, providing information to potential project partners (including information on procedures and rules concerning control of expenditures)) and may also assist the JS in the assessment of submitted applications.

- **Training and information meetings.** With every call for proposals the JS and the Contact Points will provide these in all Programme Member States. While the Programme Manual should be used as the main source of information for the applicants, these sessions will be useful in clarifying any doubts related to it.

- **Consultation services.** The initial project idea should be consulted on with a local Contact Point to obtain the first opinion on its fit with the Programme objectives. The Contact Point will also give first recommendations to the project scope, logic of intervention, partnership, budget composition, potential synergies with other projects, etc. At a later stage of project generation, when the idea is more mature, the project owner should consult the Joint Secretariat.

- **Partner Search services.** The Contact Points can use their networks to recommend reliable partners in all South Baltic Regions. The partner search events facilities will be planned during South Baltic events. Potential partners can also be searched via the Programme’s SMART Alliance tool.

- **Other services** and tools to support the project generation process (e.g. Priority theme workshops, sessions on identified problematic issues) may be created during the Programme operation based on the needs reported by applicants.

2 Calls for proposals

Project proposals presented in Application Forms are collected through Calls for Proposals. The aim of the Programme is to launch, on average, two Calls for Proposals per year, with about a six month break between Calls. In principle Calls for Proposals have a closed character, which means that they have a defined opening date and a closing deadline (day and hour), in between which the applicants are allowed to submit applications. However, the Programme reserves the right to open ongoing calls for proposals, for example for seed money projects (see Chapter III, Section 1 “Project phases and types”). Similarly, the Calls for Proposals in the South Baltic Programme are usually open for projects applying to all specific objectives, but it is possible that in later stages of the Programme implementation the Monitoring Committee would decide to announce calls only for a selected specific objective.

Each time a call for proposals is launched, an announcement with detailed information (including the application package) will be published on the Programme website www.southbaltic.eu, in the Programme newsletter 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, which play an active role in spreading the information.

The announcement of call for proposals will include, among other things, the following information:

- priorities concerned;
- the requirements concerning the partnership;
the deadline (day and time) as well as the way of submission of project proposal;
expected time of Monitoring Committee decision on approval/rejection of projects;
link to documents (application package) with detailed guidelines on preparation,
eligibility, assessment, selection and implementation procedures.

3 Application Package and submission of applications

The documents necessary for an application can be found in the Application Package which may be updated in respect of each call for proposals and will be published on the Programme website - www.southbaltic.eu. Programme documents will not be altered during the call for proposals and project assessment.

The Application Package consists of:
- call for proposals announcement, including possible MC/MA/JS guidance notes to applicants,
- Programme Manual,
- Application Form with all required attachments,
- Guidelines for submitting and filling in the Application Form.

Applications should make themselves familiar with the template of the Subsidy Contract as well as with the template of the Partnership Agreement before submitting the application (see Chapter VI, Sections 1.2 "Subsidy Contract" and 1.3 "Partnership Agreement").

Importance of the Partnership Agreement

It is strongly recommended that all the partnership principles, obligations and the scope and content of the Partnership Agreement are agreed upon and set before the submission of the project proposal. Such an approach will ensure that all partners have a common understanding of their responsibilities and liabilities associated with their participation in the project.

Applications have to be completed in English as this is the official and working language of the Programme. Applications submitted in another language will be formally rejected.

The application should be submitted in:
- an electronic version: Application Form sent in the required format, readable scans of Project Partner Declarations and Letters of Commitment for all project partners and associated partners, signed and stamped (where applicable); Letter of Dedication and Support from EUSBSR PA or HA coordinator (if applicable); scans of other attachments (if applicable)
- a paper version: one paper original of lead partner confirmation page (part of the Application Form) duly signed and stamped (if applicable)

Please note that scans of the Project Partner Declarations and Letters of Commitment are accepted at the application stage. In the case of approval, the originals will have to be submitted to the JS later on during the contracting process. It is therefore recommended that the LP collects all original documents during the preparation of the application stage.

Application Forms delivered in person or sent to the JS by recorded delivery or courier should not arrive later than the date determined in the announcement. An electronic version will be recognised as submitted in time if submitted (e-mailed) before the deadline set in the call for proposals. A paper version will be recognised as submitted in time if the date of postage (date of post stamp or courier delivery note) is no later than the date determined in the announcement.
The JS gives every submitted project a reference number and marks the date of submission in the registration system. It is then obliged to forward written information about the reference number and the date of the submission of a project to each applicant.

The JS publishes information about the number of submitted applications, as well as the planned meeting of the Monitoring Committee, on the Programme website www.southbaltic.eu after the call for proposals has been closed.

4 Assessment of applications

The assessment of received applications follows a standardised procedure safeguarding the principles of transparency and equal treatment as described below.

4.1 Administrative and eligibility assessment criteria

Each submitted and registered application is subject to a formal and eligibility assessment. It is recommended that the applicants familiarise themselves with the criteria before completion and submission of the applications.

Administrative criteria

- The Application Form delivered to the correct location by the set deadline;
- All obligatory annexes are submitted (Project Partner Declarations, Letters of Commitments);
- The Application Form and Project Partner Declarations are signed by the authorised signatories;
- The Application Form is delivered in the correct format;
- The Application Form and all annexes are compiled in English;
- The Application Form is correctly filled in (no error messages are displayed; no missing information);
- Administrative and formal data in the Application Form and annexes is consistent.

Eligibility criteria

- The project fulfils the minimum requirements for partnership (at least 2 eligible partners from 2 Programme Member States);
- The lead partner is an eligible organisation;
- All project partners are eligible organisations;
- Envisaged project start date is within three months from the planned Monitoring Committee decision;
- Project is assigned to programme priority, its specific objective and contributes to at least one Programme output indicator;
- Co-financing is secured, in line with the Programme thresholds and project Application Form.

The administrative and eligibility assessment is carried out by the JS in co-operation with the Programme Member States, which contribute to the eligibility check of the partners from their Member States.

In the case that minor inconsistencies (which do not affect the approvability of the project, e.g. parts of contact information of a partner are missing in the application) are detected in the Application Form during the assessment stage, the project in question will be forwarded without further corrections to quality assessment. In case of approval of the project, the applicant will be required to complete the gaps during the clarification process, which is carried out after approval by the Monitoring Committee and before signing off the Subsidy Contract.
In the case that major inconsistencies (significant shortcomings, however improvements are possible, e.g. Project Partner Declarations indicate wrong amounts, legal status/eligibility of a Partner is unclear) are detected the lead partner will be required to provide further information and to correct the documents before quality assessment is carried out. In this case, the JS will send an official request to provide additional information and correction to the lead partner.

The request sent by the JS to the lead applicant contains a list of necessary corrections/clarifications, a clear explanation regarding the method of correction, as well as the deadline for submitting the information in question. The applicant can change and correct only those Application elements which are specified in the JS request. Other changes, especially to the content of the original Application, are not allowed and will result in project rejection. Each applicant can correct and supplement its application only once. The applicant is obliged to follow the JS instructions and submit the corrected application within 10 working days. The exact deadline is calculated by the JS and communicated in the request for corrections. The JS may prolong the deadline in exceptional cases only. If the lead partner fails to meet the demands of the JS within the given deadlines, the corrections/additional information will not be considered and the result can be a formal rejection of the project. Corrections/additional information will be recognised as submitted in time if posted by mail and by e-mail before the deadline given by the JS in the request for corrections. The date of postage is determined by the date on the stamp or courier delivery order as well as the proven time of sending the e-mail to the JS.

In case inconsistencies of the excluding nature are detected (for example, ineligibility of a number of key partners, submission of the application after the deadline) or inconsistencies not corrected in the given period, projects will not be forwarded to quality assessment and will be recommended for rejection. The formal decision on rejection is made by the Monitoring Committee via written procedure and the lead partners of those projects will be informed immediately after the decision on the rejection.

Only those applications that meet all criteria set by the Programme and for which no inconsistencies have been identified/inconsistencies have been corrected, will be forwarded to the quality assessment stage.

### 4.2 Quality assessment

Quality assessment refers both to the strategic and operational features of a project. It is carried out against set criteria by the JS, in collaboration with external experts if necessary. Quality assessment criteria are divided into two categories:

- **strategic assessment criteria** - the main aim is to determine the extent of the project’s contribution to the achievement of the Programme objectives (contribution to the Programme results), by addressing joint or common target group needs;

- **operational assessment criteria** - the main aim is to assess the viability and the feasibility of the proposed project, its value for money in terms of resources used against results delivered.

Projects will be assessed separately with reference to state aid - if the project’s activities fall under the state aid rules and state aid can be granted.

The text below describes all criteria used in the assessment and provides information on the guiding questions that are answered and the aspects that are considered under each criterion. The project can still be positively assessed if not referencing all guiding questions.
at one time. For example, even though the project may not be highly innovative and develops new solutions, it can be still positively assessed under "cooperation character" if it is clearly demonstrated that the project results cannot be achieved without cross-border cooperation.

**Strategic assessment criteria**

**Projects’ context (relevance and strategy)**

- How well is a need for the project justified?

This assessment criterion questions to what extent the project addresses common territorial challenges and opportunities in the Programme area; to what extent there is a real demand for the project. It also examines if and how clearly a project contributes to a wider strategy on one or more policy levels (EU/national/regional/EU Strategy for Baltic Sea Region). This criterion also assesses if and how the project makes a positive contribution to the Programme horizontal principles: sustainable development, equal opportunities and non-discrimination, equality between men and women as well as its impact on the environment. If, and to what extent, the project makes use of available knowledge and builds on existing results and practices is also answered here.

**Cooperation character**

- What added value does the cooperation bring?

Under this criterion it is examined how clearly the importance of the cross-border approach to the topic addressed is demonstrated. Is the cooperation important because the results cannot (or only to some extent) be achieved without it? How clear are the benefits from cooperating for the project partners, target groups and project/Programme area? Does the project demonstrate new solutions that go beyond the existing practice in the sector/Programme area/participating countries or does it adapt and implement already developed solutions? Whether the project complies with the 4 obligatory cooperation criteria - joint development, joint implementation, joint staffing and joint financing - is also assessed.

**Project’s contribution to the Programme’s objectives, expected results and outputs**

- To what extent will the project contribute to the achievement of the Programme’s objectives?

This criterion assesses how clearly the project’s results and main outputs link to the Programme priority and its indicators. It examines the links between:

  - the project’s overall objective and the Programme priority specific objective;
  - the project results and the Programme result indicator;
  - the project specific objectives and the project overall objective;
  - the project main outputs and the project specific objectives;
  - the project main outputs and the Programme output indicators.

Under this criterion consideration is given to how results and main outputs of the project respond to the selected target groups’ needs and the project’s objective; if they are specific and realistic in quantification (is it possible to achieve them with given resources – i.e. time, partners and budget?).

The project main outputs are also considered as regards the aspects of durability (the proposal is expected to provide a significant and durable contribution to solving the challenges targeted), applicability and potential to be replicated by other organisations/regions/countries outside of the current partnership.

**Partnership relevance**
To what extent is the partnership composition relevant for the proposed project?

This criterion assesses whether the project involves the relevant partners needed to address the territorial challenge/opportunity and the objectives specified. The considerations under this criterion cover the composition of partnership and if levels, sectors, territory and complementary profiles of partners are balanced and respond to the project objectives. The roles, experience and capacities of Partners (financial, human resources, etc.) are also assessed under this criterion.
Operational assessment criteria

Management

- To what extent are management structures and procedures in line with the project size, duration and needs?

The criterion examines whether the proposed management structures (e.g. project steering committee) are proportionate to the project size and needs and allow partners' involvement in decision-making, and furthermore, whether the management procedures (such as reporting and evaluation procedures in the area of finance, project content, communication) are clear, transparent, efficient and effective. The management procedures are assessed on the basis of whether they include regular contact between project partners and ensure transfer of expertise across the partnership as well as if risk and quality management procedures are taken into consideration. The lead partner’s capacity for management support is also assessed.

Communication

- To what extent are communication activities appropriate and are they enough to reach the relevant target groups and stakeholders?

Here the assessment considers how clearly the communication objectives link to the project specific objectives, if the approach/tactics chosen is/are appropriate to reach communication objectives and if communication activities and deliverables are appropriate to reach the relevant target groups and stakeholders.

Work plan

- To what extent is the work plan realistic, consistent and coherent?

Here it is examined as to how the proposed activities and deliverables are relevant and lead to the planned main outputs and results; whether the distribution of tasks among partners is appropriate (clear, logical, in line with partners' role in the project, etc.); and whether the time plan is realistic (activities, deliverables and outputs are in a logical time-sequence).

The project's justification for the importance of investments and their cross-border relevance to reach the project objectives is assessed under this criterion. Moreover, in cases where activities take place outside the Programme area, their benefit for the Programme area is reflected upon in this assessment criterion.

Budget

- To what extent does the project budget demonstrate value for money? To what extent is the budget coherent and proportionate?

This assessment criterion assesses if the project demonstrates that sufficient and reasonable resources have been planned to ensure project implementation, if the budget is in proportion to the main outputs and results aimed for and whether the Partner budgets correspond to their involvement. It further reflects upon the distribution of budget between budget lines, work packages and time-wise, and if these are in line with the work plan. The need and costs for engaging external expertise and equipment purchases are also considered here.

Each of the above criteria is evaluated according to a four-point scale:

- 0 'Lack of information or does not comply with criterion'
- 1 'Poor'
- 2 'Adequate'
- 3 'Good'

Based on the assessment results, the JS group project proposals into the following categories:

- A - projects recommended for approval, i.e. good quality projects which meet the criteria of the Programme at the highest level;
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- B - projects recommended for approval under conditions, i.e. projects that meet the Programme criteria but show several gaps that can feasibly be corrected during the clarification process;
- C - projects not recommended for approval, i.e. projects that failed to comply with the specific strategic and operational requirements set by the Programme.

The JS will classify projects proposals to one of the above categories under each call for proposal based on the quality of the submitted applications. On the basis of the assessment results, the JS prepares project sheets including a short description of the submitted proposals and a summary of the assessment conclusions for each application. They are the basis for project selection by the Monitoring Committee.

Assessment of the state aid

Additionally, submitted applications will undergo a specific “state aid assessment” focusing on the state aid criteria listed in Chapter IV, Section 8 “State aid”. The assessment will be based on information included in the full Application Form and carried out by an external expert.

State aid

- Do project activities fall under state aid rules and if so, as to whether state aid can be granted (i.e. state aid thresholds are not exceeded)?

This assessment criterion looks to answer the question of whether any of the project’s activities fall under state aid rules and, if so, whether state aid can be granted. State aid is permitted under specific rules and applies to project activities regardless of the legal status of project partner. The assessment will be carried out against 4 state aid criteria; nature of funding, selectivity, advantage, and distortion of competition. For projects in which state aid is determined special arrangements of ERDF rates will be set.

In general, public support given by the Programme to undertakings will be granted under the de-minimis rule. This implies that undertakings will receive grants from the Programme only if they have not received public aid under the de-minimis rule totalling more than EUR 200 000 within three fiscal years from the date of granting the aid. However, this will not affect the possibility of an undertaking to receive public support under other state aid schemes (as described in Chapter IV, Section 8 “State aid”). Applicants should be aware that, if support for a project does constitute state aid, this may affect the co-financing rate for the project, or parts of it.

In case potential state aid relevant activities are detected during project assessment, the lead partner will be contacted by the JS and informed about the obligations in relation to the state aid.

5 Selection of projects and complaints procedure

Selection

The decision on the selection of project proposals is taken by the Monitoring Committee of the South Baltic Programme, based on the results of the assessment and selection processes. The Committee usually meets within 14 weeks from the closure of the call for proposals. However, this period can be prolonged under some circumstances (e.g. a large volume of applications). Immediately after the Monitoring Committee meeting, the JS publishes a list of the approved projects on the Programme website www.southbaltic.eu.

If project proposals are approved, but conditions or clarifications are requested, the project will be finally approved only after the conditions have been fulfilled and all clarifications delivered.

All lead applicants are informed in writing and provided with full justification of the approval/rejection of the project applications. In the case that projects are approved, but
conditions are required to provide further clarifications, the lead applicant will be accordingly notified by the JS. The lead applicant is obliged to forward the information received by the JS to other project partners.

**Reserve list of projects**

In order to ensure commitment of the available funding at later stages of implementation, the South Baltic Programme anticipates the use of a reserve list for projects. Upon approval projects will be included in the reserve list, should the available ERDF funding in the Programme not be sufficient for contracting. These projects will receive ERDF co-financing if the funds will be available due to the savings made from previously approved projects. Projects from the reserve list will receive the co-financing after signing the Subsidy Contract.

**Complaints**

Complaints may be lodged if the lead applicant is of opinion that the project assessment did not comply with the assessment procedures laid out in the specific call for proposals. It is the lead applicant who is entitled to submit a complaint according to the lead partner principle. The lead applicant will collect information and bring forward the complaint on behalf of all project partners. The complaint has to be completed through the template provided by the Programme, and has to include the following information:

- name and address of the lead applicant;
- number of the Application Form that the complaint refers to;
- clearly justified reasons of the complaint together with the specification of those aspects of the project assessment and selection processes that did not comply with the assessment procedures laid down in the documents related to the particular call for proposals;
- signature of the lead applicant or of a person authorised to lodge a complaint.

The complaint has to be prepared in English and be submitted within 14 calendar days after the day on which the lead applicant receives the information about the decision of the MC on the project selection (the term is indicated in the e-mail from the JS notifying on the results of the project selection). The signed complaint in the form of a scanned document is sent electronically by the lead applicant to the general e-mail address of the Joint Secretariat.

A complaint received after the specified time. In cases where the complaint does not contain necessary information as referred to above, the lead applicant will be asked by the JS to complete the complaint with the required information within 7 calendar days after the day on which the lead applicant receives the information from the JS. The term for completing the complaint will be indicated in the e-mail from the JS providing information about the type of shortcomings. Where the lead applicant does not address shortcomings within the above mentioned time, the complaint is left unexamined. Notification about the complaint unexamined is provided to the lead applicant by the JS immediately.

A complaint that meets the requirements referred to above will be examined by the Joint Secretariat and the Managing Authority. Respective Member State/Contact Point and/or the chairman of the Monitoring Committee may also be informed about the results of the examination.

The complaint is considered only with regard to compliance with the project assessment procedures laid out for the particular call for proposals. No changes submitted by the lead applicant in relation to the content of the Application Form or the attachments to the application will be taken into account during consideration of the complaint. The documents submitted by the lead applicant which have been submitted after the
completion date of the project assessment will not be taken into account during consideration of the complaint. Any complaint considered justified requires a new decision of the MC regarding the project Application Form. A complaint considered as not justified does not require a new decision of the MC; in which case the previously decision remains in force.

The JS will inform the lead applicant, in writing, about the outcome of the complaint procedure.

The decision relating to a complaint is final, is binding to all parties and not subject to any further complaint proceedings or appeal within the Programme. The complaint procedure is without prejudice to any mechanism or process for legal redress at national level, in particular with regard to unsuccessful applicants.

### 6 Costs incurred during the project preparation, application and selection

The eligibility of costs in the South Baltic Programme is time-dependent and relates to the project phases (for further information about project phases see Chapter III, Section 1 "Project phases and project types"). The Programme offers lump sums for the project preparation costs (no proof in the form of financial documents is needed), on condition that the project is approved. Proof of delivery of the activities covered by the lump sum is in the form of a submitted and approved project application. The lump sum is the only way to cover preparation costs; real costs cannot be submitted and claimed for reimbursement. A lump sum is granted provided that the project did not receive seed money from the South Baltic Programme (including the seed money facility implemented under the South Baltic Programme 2007 – 2013) or any other seed money instrument.

Project applications that are partially based on the seed money project financed by the South Baltic Programme are advised to consult the JS during project development in order to clarify their eligibility for preparation costs. If the project idea requires a substantial amount of activities (for example, market research, feasibility study, etc.) during the project development phase and actual project preparation costs significantly exceed the amount of lump sum granted, then the project applicant should consider applying for a seed money project, if possible.

The amount of a lump sum is dependent on the project type:

- total eligible costs of EUR 15 000 for a regular project;
- total eligible costs of EUR 10 000 for a small scale project;
- No preparation costs for projects granted seed money at an earlier stage.

The division of the lump sum between project partners has to be reflected in the Application Form, specifically in the budget for Work Package 0 "Preparation". The lump-sum will be included in the first project progress report and will be transferred to the bank account (as the part of the first ERDF reimbursement) indicated by the lead partner in the Subsidy Contract. The lead partner is responsible for paying the project partners in line with the cost distribution agreed in the Application Form.
VI  PROJECT IMPLEMENTATION

1  Formalising the establishment of the project

Upon approval of the project it is strongly recommended that the representatives of approved projects take part in the lead partner seminar. It is organised by the Joint Secretariat to present the overall Programme rules while, project implementation-related rules and practical issues are also presented in detail.

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 off by the Programme 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.

As a general rule, the clarification process should be completed within a period of 3 months from the date on which provisional approval of the project was granted by the Monitoring Committee. Please note that, before the clarification process is completed, each project partner must provide details of at least one person in the partner’s institution who will be authorised to use the SL2014 system (please see the details in Section 7.1 “General Principles” in this Chapter).

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 responsibilities of the contracting parties with regard to the grant reimbursement, monitoring and reporting, recovery of funds, control and audit system, as well as information and publicity requirements of the project. The Application Form is an essential part of this contract.

The Subsidy Contract is signed off between the Polish Minister of Infrastructure and 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 Programmes’ website at www.southbaltic.eu.

In some cases changes to the project may require the Subsidy Contract to be amended. Detailed information on changes to the project is described in this chapter, Section 6 “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 at www.southbaltic.eu.

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 entirely up to a project if the Partnership Agreement is one document signed off by all project members.
partners or a number of individual agreements that are signed between the lead partner and each of the partners.

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 budget lines);
- 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);
- partners’ financial liability;
- provisions for the recovery of funds (in case of 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 and for at least five years from the date of the reimbursement of the final project progress report to the lead partner (including the information that this time can be extended if the final project progress report cannot be certified to the European Commission for some time after the final payment for the project – e.g. in case of detected irregularities within the project);
- resolution of conflicts in the partnership;
- information and publicity requirements and responsibilities.

In order to avoid any potential delays in the project start it is recommended that the preparation and signing off of the Partnership Agreements is undertaken in parallel to signing off of the Subsidy Contract. They will have to be attached to the first partner progress report (for further details see Section 7.1 "General Principles" in this Chapter and consult the “User manual on working in the SL2014 system”).

Please note that 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 Euro

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

In accordance with Article 28 (b) of the Regulation 1299/2013 the expenditure incurred in a currency other than the Euro must be converted into Euros using the monthly accounting exchange rate of the Commission for the month in which the expenditure was submitted for verification to the First Level controller.

In order 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 system in Euros.

It is important to note that the reimbursement of the reported costs will be made in Euros to the lead partner bank account and further to the project partner accounts. The risk of any losses resulting from the currency conversion is borne by the project partners. In order to avoid such losses, it is recommended that a bank account is opened in Euros for the purpose of the project.
3 Time wise costs eligibility - project implementation

Implementation costs are the costs that relate to activities implemented under Work Packages 1 to 5 of the project. In order to successfully implement the project the partnership will ensure sufficient time and resources for the administrative closure of the project. Costs incurred during the project implementation phase can be paid in the project closure phase, (see also chapter VIII, Section 2 “Time wise costs eligibility in closure phase”). Costs related to all six budget lines can be reported as implementation costs, provided that the costs have been certified by the First Level controller (see information on FLC in this chapter, section 8.1 First Level Control).

Project activities and related costs will be implemented and spent as precisely as possible in line with the schedule detailed in the Application Form (Sections D3, D4 and D5). The schedule confirms estimated spending cost levels (known as “spending targets”) within the work packages and for each of the reporting periods. Any deviations from the approved schedule should be immediately communicated to the JS. It is important to note that project related costs will be included in the report for the reporting period in which costs were paid and defrayed (have left beneficiary’s bank account). In case where costs were defrayed in one reporting period but not reported in the relevant report, the project should seek approval from the JS before including the costs in one of the subsequent reports.

Based on the project activities and spending targets and in order to ensure the smooth implementation of the projects supported by the Programme, the required level of resources is secured at the Programme level. Should projects not meet the agreed level of spending (known as “underspending”), there is a danger of funds being no longer available to the Programme and, as such, to projects due to the N+3 rule de-commitment (see also Chapter VI, Section 6.8 “Consequences of not meeting output, result indicator and spending targets”).

4 Income (net revenues)

Net revenue generated during project implementation is defined as revenue (for example, participation fees in the project event) deducted by the relevant costs, provided that these costs are not eligible within the project.

During project implementation, project partners are obliged to report the net revenue generated within the project to the Programme in the progress reports. Eligible expenditure and the ERDF co-financing to be reimbursed for a project partner is reduced by the generated net revenue.

If project partners contribute to the project with non-eligible expenditure towards activities that generate revenue, the net revenue should be allocated pro rata to the eligible and ineligible project expenditure.

Activities fully financed by the South Baltic project

A project partner organises a conference fully financed from the project budget (total eligible costs of EUR 1000) and generates revenue of EUR 200 from the conference, in the form of attendance fees. Taking into account that the conference was 100% funded by the project budget, attendance fees are considered as net revenue and thus the eligible costs of the project partner will be reduced by EUR 200. This is illustrated in flow chart form as follows:
Activities partially financed by the South Baltic project

A project partner organises a conference that is partially covered from the project budget (EUR 800, including ERDE co-financing and partner co-financing), as well from the organisation budget in the form of EUR 200 as non-eligible costs (total costs of conference are EUR 1000). Revenue in the form of attendance fees is EUR 300. Taking into account that the conference required expenses that were not part of the project budget, the net revenue is calculated by offsetting the attendance fees with non-eligible expenses in pro rata to the eligible and ineligible project expenditure (EUR 300 – EUR 200 = EUR 100; EUR 100 * 0.8 = 80 EUR). The eligible budget is deducted by the net revenues (EUR 800 – EUR 80 = EUR 720) and ERDF reimbursement is calculated in accordance with the co-financing rate. This is illustrated in flow chart form as follows:
Projects with a total budget of over EUR 1,000,000.00, generating net revenue after project completion will have to carry out a net revenue calculation in accordance with Annex 2 “Projects over €1m generating net revenue after completion of implementation”.

Contractual deposit

Any payment received by the project partner arising from contractual penalties as a result of a breach of the contract between the project partner and a third party(-ies) or which has occurred as a result of the withdrawal of an offer by a third party chosen under public procurement rules (the ‘deposit’) will not be considered as revenue and will not be deducted from the eligible expenditure of the project.
5 Communication and management of outputs and results

5.1 Design of the communication pathway

Project partners have to design and effectively implement communication measures throughout the project lifetime. The measures of every project can be divided in 2 major communication strands: project communication and result/impact communication.

The project’s communication activities are guided by a project communication strategy. Small scale projects do not have to develop dedicated a communication strategy, but may align their communication activities with the next steps. Projects are required to describe their communication objectives and communication in the Application Form.

How to create a communication strategy for the project:

**STEP 1:** establishing a **common understanding on the project’s objective** at the project’s development stage

The most important premise for effective communication throughout and beyond the project lifetime is a clear understanding within the partnership as to what the cross-border challenge is and how to channel cross-border efforts towards exploitable solutions beyond both the partnership and the project lifetime. Soft networking projects will also be able to define the added-value of non-repetitive networking activities for their organisations, their fellow citizens and communities.

**STEP 2:** ensuring smooth partnership cooperation by:

- organising information flows among lead partner and other partners/associated partners;
- helping all partners and associated partners see themselves as part of the bigger picture (the project) and to truly identify themselves with the aims of the project;
Project implementation

- preventing concentration purely on local activities without any cross-border affiliation;

**STEP 3: defining a partnership identity, mission and message** for the “outside world”. The message must be concise and understandable. Projects with a highly diversified output and result portfolio as well as soft networking projects will also be able to clearly convey a project promise as to what will change within and beyond the project lifetime. A **project brand and visual design development** may help to ensure that all outputs and communication efforts are attributable to the project. Projects, in particular small scale projects, may choose the possibility of using the Programme logo by adding its acronym.

**STEP 4:** The **interaction with key project stakeholders** is a necessity throughout project implementation. Key stakeholders may include a variety of target groups such as external experts and pilot users, policy makers and practitioners, journalists and multipliers as well as Programme bodies. Therefore, projects will define aims and target groups as well as tactics and instruments to reach them, convey their messages, disseminate outputs, investigate and inform about results and impacts.

### Project output (example)

<table>
<thead>
<tr>
<th>Investigated result/impact and publicity solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>The project provides evidence that the tool is being increasingly used by oversize cargo companies.</td>
</tr>
<tr>
<td><strong>Publicity solution:</strong> end-user testimonial from a company executive. Statistics revealing the number of companies using the tool.</td>
</tr>
</tbody>
</table>

**Project output (example)**

A web-based tool for planning cross-border oversized cargo transport

<table>
<thead>
<tr>
<th>Investigated result / impact and publicity solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>The project provides evidence that the model has helped pilot or end-users to expand their business in another South Baltic Member State, increasing demand and creating new jobs.</td>
</tr>
<tr>
<td><strong>Publicity solution:</strong> end-user testimonial from a business owner. Statistics revealing business growth.</td>
</tr>
</tbody>
</table>

**STEP 5: self-assessment of** the project’s communication measures both in the long-term (e.g. indicators and statistics) and short-term (e.g. event assessment sheets, pilot user feedback, etc.) perspectives and weigh the cost-benefit ratio when deciding on communication instruments.

### 5.2 Project’s publicity duties

From the moment of signing the Subsidy Contract, each partner is obliged to inform the general public both verbally and in written form about the fact that the project is co-financed by the European Union within the South Baltic Programme. Each project partner will inform the LP about any events organised in relation to the project so that the LP can forward this information to the JS three weeks in advance to allow for the publication of this information on the Programme’s website to ensure the promotion of the event or to allow for the Programme representatives to attend. Furthermore, all outputs and publicity measures must make a reference to the European Regional Development Fund.

Partners will ensure compliance with Implementing Regulation No 821/2014, with regard to the proportionate use of the Union emblem (including a reference to the Union) and other logos such as Programme, project and partner logos. The EU emblem must be reproduced in colour. A monochrome version can only be used in justified cases. The EU emblem should always be placed in a prominent position, and its size should be adjusted to the scale of the document or the information material in which it occurs. This also applies to the logo of the South Baltic Programme.
Compliance with Regulation No 1303/2013, in particular Annex XII number 2.2, must be ensured, particularly concerning:

- **Displaying information posters.** A poster with information about the project (minimum size: A3) should be displayed so as to be visible (e.g. at the project site, at the entrance to the building);
- **Labelling** documents and materials drawn up for the purposes of the project;
- **Setting up temporary billboards during implementation and permanent plaque/billboard** after completion, if necessary.

Each partner is required to publish a brief description of the project on its institution’s website (where this exists). In general, it is advisable to create a newly dedicated **website** for individual projects though this is not compulsory. If Partners contemplate developing a project website co-financed within the South Baltic Programme, attention should be paid to the fact that such websites are to be maintained at least 5 years after the project closure. The Joint Secretariat has the right to request documentation of the entire website including all contents on a physical medium such as a DVD-ROM. The maintenance of at least 5 years after the project closure does not apply for websites which constitute a project result (e.g. web information services, online decision support systems, stakeholder interaction platforms, etc.). If a website constitutes a project result, its long-term operation and maintenance (i.e. more than 5 years) must be ensured.

Upon any request by the Programme bodies, partners will render physical and immaterial **contributions to Programme publicity**, awareness raising and capitalisation efforts (e.g. participation in and contribution to events, contribution to news releases and publications, interviews, collection of information, overall impact investigation, provision of statistics concerning the use of a particular project output) during and beyond the project lifetime. A smooth cooperation between the project communication manager and the Programme communication and capitalisation officer must be ensured.

Lead partners are obligated to provide the Joint Secretariat and the Managing Authority with material that documents project activities, results, dissemination efforts and media monitoring. **Documentation material** can include photographs, webcasts, multimedia content (DVD/Blu-ray) produced within the project as well as press cuttings and recordings of external media coverage such as TV or radio broadcasts. The lead partner will grant the Joint Secretariat and the Managing Authority permission for an unlimited use of audio-visual contents such as photographs and videos produced within the project. These contents will have adequate publishing quality (HD videos and printable photographs) and must be royalty-free: infringement of the intellectual property of third parties is prohibited.

All written outputs developed by projects must include the following **disclaimer**: “The contents of this [type of output] are the sole responsibility of the author[s] and can in no way be taken to reflect the views of the European Union, the Managing Authority or the Joint Secretariat of the South Baltic Cross-border Cooperation Programme 2014-2020”.

All outputs and publicity measures must emphasise and explain their **cross-border context**.

All foreground **intellectual property**, i.e. outputs created within a South Baltic project, must be made publically available.
Building on the general provisions stipulated in Chapter III, Section 4 “Durability and impact”, each partnership will provide the JS with at least one qualitatively described **success story**. Depending on the thematic focus, objectives and results of the project, the angle and perspective of the story might be decided individually by each partnership (e.g. end-user perspective: an apprentice who got her/his first job thanks to participation in a training programme organised by the project or a passenger travelling more smoothly across the Baltic Sea thanks to improved transport services; partner perspective: a partner institution benefitting from improved management practices or contacts established through the project; territorial perspective: a coastal city or region making use of innovative anti-eutrophication measures jointly developed by the partnership etc.). The success stories will serve the purpose of visualising and exemplifying the outputs and results achieved by the funded projects. Transforming the achieved outputs and results into personalised stories may allow each project (as well as the Programme) to better reach their target groups and to make the results of cross-border cooperation more “attractive” for external audiences and the media.

6 Changes during project implementation

As an overarching rule, each project should be implemented in line with the concept presented in the approved application and Subsidy Contract. Any modifications to the scope of the project, the planned activities and to the partnership should be avoided. The budget planned in the Application Form should be as precise as possible. The introduced changes should not result in substantial changes to the project objectives unless they are clearly justified by the change of external circumstances under which the project is implemented.

Changes require different procedures to be applied – deviations (harmonised between partners) and changes requiring the decision of the JS or the MC. It must be emphasised that information about deviations and changes within the project, especially within the project budget, must be reflected by the JS in the SL2014 system in order to maintain an appropriate audit trial.

When preparing the documents for the JS, the LP should work on the latest version of the Application Form, budget, and the physical and financial schedule. The LP is responsible for submitting to the JS the complete and appropriately filled in “Request for changes” (based on the requests submitted by the project partners), along with updated project documentation and the justification in electronic form.

After receiving the request, the JS will review it and may request the LP, by electronic means, to provide supplements or additional explanations. If the LP cannot provide necessary justification after the 2\textsuperscript{nd} request, the request for a change may be rejected by the JS.

After the decision is made (either by the Joint Secretariat or the Monitoring Committee), the JS will inform the MA about the introduced changes electronically and will submit the updated project documentation to the MA. The MA/JS will then draw up the register of changes to the Subsidy Contract. In the next step, the JS will inform the LP in writing about the decision and will send a photocopy of the register of changes to the contract, along with the updated project documentation, to the First Level controllers. The Joint Secretariat will also enter all the approved changes into the SL2014 system. The LP will be responsible for notifying other PPs about the decision of the Programme.
Changes to the project can be divided into the following types:

### 6.1 Budget changes

#### Deviations

- Cumulative budget reallocation between work packages and budget lines (WPs and BLs calculated separately) not exceeding 10% of the current total eligible budget of the project;

A project has a total budget of EUR 100 000. It reallocates funds both between budget lines and work packages (EUR 2000 are transferred from WP3 BL3 to WP1 BL1, EUR 1000 are transferred from WP3 BL3 and EUR 1000 from WP2 BL3 to WP2 BL1). The reallocation amount between work packages cumulates to EUR 3000, representing 3% of the total budget. The reallocation amounts between budget lines cumulates to EUR 4000, representing 4% of the total budget (see table below).

<table>
<thead>
<tr>
<th>No</th>
<th>Budget line</th>
<th>WP 1</th>
<th>WP 2</th>
<th>WP 3</th>
<th>Changes between BLs</th>
<th>Reallocated sum, BLs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Staff Costs</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>Office and administration</td>
<td>0</td>
<td>0</td>
<td>-1000</td>
<td>-3000</td>
<td>-4000</td>
</tr>
<tr>
<td>3</td>
<td>Travel and accommodation</td>
<td>0</td>
<td>-1000</td>
<td>-3000</td>
<td>-4000</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>External expertise and services</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>Equipment</td>
<td>2000</td>
<td>2000</td>
<td>0</td>
<td>4000</td>
<td>4000</td>
</tr>
<tr>
<td>6</td>
<td>Infrastructure</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Change between WPs</td>
<td>2000</td>
<td>1000</td>
<td>-3000</td>
<td>0</td>
<td>4000</td>
</tr>
<tr>
<td></td>
<td>Reallocated sum, WPs</td>
<td>2000</td>
<td>1000</td>
<td>0</td>
<td>3000</td>
<td>4000</td>
</tr>
<tr>
<td></td>
<td><strong>Total budget of the project</strong></td>
<td>100 000</td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td><strong>Maximum reallocation of the WPs</strong> (10% of the total eligible budget)</td>
<td>10 000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Maximum reallocation of the BLs (10% of the total eligible budget)</strong></td>
<td>10 000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The separate planned reallocations between work packages (3%) and budget lines (4%) do not exceed 10% of the total eligible budget of the project. Therefore, it is regarded as a deviation.

Please note that in cases of changes within budget lines that are the basis for a flat rate calculation, the percentage of flat rates cannot be changed. When planning the changes project partners have also to remember that the total budget of the project cannot be changed.

- Cumulative budget reallocation between project partners not exceeding 10% of the current total eligible budget of the project.

Reallocations require prior agreement within the project partnership while the total ERDF granted to the project and stipulated in the subsidy contract cannot be exceeded. The above-mentioned rule 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).

The JS is informed about the deviations, at the latest, when receiving the project progress report!
Changes requiring the decision of the Joint Secretariat

- Cumulative budget reallocation between work packages and budget lines (calculated separately) exceeding 10% of the current total eligible budget of the project.

Budget reallocations can be carried out only in well-justified cases and are recommended only once during the project life time. Please note that in cases of changes within budget lines that are the basis for a flat rate calculation, the percentage of flat rates cannot be changed. When planning the changes project partners must also remember that the total budget of the project cannot be changed.

Changes requiring the decision of the Monitoring Committee

- Cumulative budget reallocation between project partners exceeding 10% of the current total eligible budget of the project.

Such budget reallocations can be carried through only in well-justified cases and are recommended only once during the project life time.

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

6.2 Changes to the project activities

Deviations

- Changes in the activities (tasks/processes that lead to the achievement of key deliverables/project main outputs) that do not impact the achievement of the key deliverables/project main outputs and ensure the cross-border character of the activity. The JS is informed about the deviations, at the latest, when receiving the project progress report.

Changes requiring the decision of the Joint Secretariat

- Changes in the activities (tasks/processes that lead to the achievement of key deliverables/main outputs) that impact the achievement of the key deliverables/project main outputs or their cross-border character.

- Adding new activities (tasks/processes that lead to the achievement of key deliverables/main outputs) that ensure the achievement of the key deliverables/project main outputs.

- Changes to planned amount of equipment items (except items of low value) defined in the Subsidy Contract in force.

6.3 Changes to project main outputs and key deliverables

Deviations

- Changes not exceeding 30% of the target value of each key deliverable.

The JS is informed about the deviations, at the latest, when receiving the project progress report. Project partners have to inform the lead partner about overachievements together with the partner progress report.

Changes requiring the decision of the Joint Secretariat

- Change of more than 30% to key deliverable targets, introducing new key deliverables or deleting existing ones;
Changes (decrease of more than 30% and any increase) of the target values of product/service main outputs and changes of the Programme output indicator target values.

**Changes requiring the decision of the Monitoring Committee**

- Adding new or deleting existing project main outputs and the Programme output indicators.

In cases of any changes of project outputs and related activities, the project budget will be adjusted accordingly. Despite possible changes, at least one target-group main output must be retained.

### 6.4 Changes to the physical and financial schedule

**Deviations**

- Difference between the actual implementation of the activity and project timetable not exceeding 6 calendar months and not affecting the project completion date.

The JS is informed about the deviations, at the latest, when receiving the project progress report. The reason for the above-mentioned difference must be explained in the partner progress report and project progress report. The lead partner will carefully monitor the implementation schedule and inform the JS about possible changes as described above.

**Changes requiring the decision of the Joint Secretariat**

- Difference between the actual implementation of the activity and the project timetable exceeding 6 calendar months.

As a general rule, the project can ask for changes to the financial schedule that exceed 6 months only once during the project lifetime.

### 6.5 Prolongation of the project implementation time

A prolongation is defined as the extension of the implementation period of the project as stipulated in the Subsidy Contract. The LP will justify the need of prolongation by describing, in detail, for which project activities and partners the prolongation is needed. Regardless of the time frame, any prolongation requires an annex to the Subsidy Contract and changes to the Application Form.

It should be emphasised that the complete and correct documentation necessary for the signing off of an Annex to the Subsidy Contract must be submitted to the Joint Secretariat at least two months before the end date of the project defined in the Subsidy Contract.

**Changes requiring the decision of the Joint Secretariat**

- Prolonging the project implementation time up to 6 months.

**Changes requiring the decision of the Monitoring Committee**

- Prolonging the project implementation time for more than 6 months.

### 6.6 Partnership

**Deviations**

- Changes in contact data of the lead partner and partners, as well as key project management staff (contact person of the lead partner, project manager, financial
Changes of the person allowed to introduce the data, on behalf of the partner, into the SL2014 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 SL2014. The change should be notified immediately in order to ensure the timely submission of all the data to the FLC and JS. The change of a person is to be communicated using a template available on the Programme website.

- Change in bank account number of the lead partner.

Such changes should be notified to the JS immediately.

**Changes requiring the decision of the Joint Secretariat**

- Changes in legal status of the partner(s) or the eligibility of VAT for a given partner.

Any change of the legal status of a project partner must be immediately communicated to the JS. Dependent on the change of the status, the revision of the Subsidy Contract and/or Application Form may be required; the change may also result in the withdrawal of the Partner from the project.

**Changes requiring the decision of the Monitoring Committee**

- Changes in the partnership, in case of the withdrawal or inclusion of institutions after the signing of the Subsidy Contract.

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 first verify if this option is feasible.

The other alternative is a complete withdrawal of the project partner. In order 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. As a consequence, this also means that the budget or activities may be partly reallocated.

In any case - as changes in 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 JS beforehand. This would allow the lead partner to receive the guidance on the application of the Programme rules on project changes.

### 6.7 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.

The procedures applied in case of changes in details are as follows:

<table>
<thead>
<tr>
<th>Deviations</th>
<th>Changes requiring the decision of the JS</th>
<th>Changes requiring the decision of the MC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deviations do not significantly influence the planned activities, main outputs or the Programme output indicators and are implemented by the lead partner and project partners without prior notification. The project partners have to clarify with the lead partner whether the</td>
<td>For changes requiring the decision of the JS, a complete and formally and substantively correct request for changes must be submitted to the Joint Secretariat, <strong>at the latest, two months before the project completion date</strong>, as specified in the Subsidy Contract. Requests submitted at a later date may be rejected without being taken into consideration.</td>
<td>For changes requiring the decision of the MC, a complete and formally and substantively correct request for changes must be submitted to the Joint Secretariat, <strong>at the latest, two months before the project completion date</strong>, as specified in the Subsidy Contract. Requests submitted at a later date may be rejected without being taken into consideration. The approval of the MC must be obtained before the changes can be implemented, which usually requires using the written</td>
</tr>
</tbody>
</table>
changes in their part of the project can be considered as deviations. The confirmation of the lead partner (can be issued in e-mail format) should be uploaded to the SL2014 system together with the respective partner progress report. Deviations may be subject to further clarifications, however they are accepted once the project progress report is approved and the ERDF reimbursed. As a general rule, deviations do not require any amendments to the Subsidy Contract and/or Application Form.

Where changes require an annex to the project Subsidy Contract, the annex must be signed during the project implementation period laid down in the co-financing contract.

The process from the submission of the first version of the request for changes until the amendments to the project documents may take considerable time. All changes that may have a significant impact on the character and nature of the project and/or pose a risk to its delivery and the quality of its results require the decision of the MC.

### 6.8 Consequences of not meeting output indicators and spending targets

#### Indicators

Indicators are monitored in the following ways:

- the achievement of the Programme output indicators is monitored with the final project progress report;
- the achievement of the main outputs is monitored with each project progress report;
- the achievement of the key deliverables is monitored with each project progress report.

The close cooperation between the supported partnerships and the JS is crucial for the successful implementation of each funded project. The JS will ensure not only the monitoring of each project’s progress, but also within the scope of their duties the JS 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.

Consequently, if challenges or the need for changes should occur during the course of project implementation, the lead partner will contact and inform the responsible Project Officer at the JS in due time. In particular, each lead partner is strongly advised to contact the JS upon the first indications that their project might face the risk of underachievement of the project’s main outputs and results, including the potential impact of the presumed underachievement on the quality of the outputs as described in Chapter III, Section 3, “Main outputs”. The close dialogue between the JS and the project may allow both parties to discuss solutions and recommendations on how to deal with the situation and to prevent the project from having serious negative impacts.

In the light of the Programme’s responsibility for efficient and effective ERDF implementation, projects should strive to achieve the target values and quality of Programme output indicators, main outputs and key deliverables in accordance with the Application Form. The Programme anticipates certain flexibility in terms of achievement of the project indicators and outputs – both in the form of deviations and project changes. Therefore, projects should follow the requirements laid down in the Section 6.3 “Changes to project main outputs and key deliverables”.

#### Spending targets

The European Commission demands that each annual Programme ERDF co-financing is spent within the three following years; hence ERDF co-financing which is not claimed from
the EC in time is de-committed from the Programme budget and therefore lost (what is known as the “n+3” rule). The Programme payment claims to the EC will be based on the verified and reported expenditures submitted by the projects, thus this very much depends on each project’s financial performance.

During the preparation of the project application the lead partner and the project partners should plan the budget carefully and set realistic spending targets. It usually requires some time until the project and its partnership can be fully operational. For this reason, the spending target for the first reporting period should not be too ambitious. It is also advisable to plan a “buffer period” of up to 3 months after the official start date of the project, implementing the project only on a limited scale and allowing time to shape cooperation standards.

The spending forecast will be monitored by the Programme bodies in order to ensure financial discipline in the projects. It is recommended that the project partners inform the JS about post-tender savings. If the project partners agree to release the ERDF funding that will not be used for the project activities, then the annex of the Subsidy Contract decreasing value of the project should be signed.

If, on the Programme level, ERDF funds are not spent in accordance with the n+3 rule the European Commission will de-commit the unspent funds from the Programme. In such a situation, and if the de-commitment cannot be secured by other means, the commitments granted to projects will have to be reduced. Therefore, evaluation of the achievement of project financial milestones will be done during the middle of the project implementation period (after receiving the 3rd project progress report).

The decision on which projects are affected by the de-commitment will be based on an assessment of the project’s spending plan as fixed in the Subsidy Contract and the actual spending rate of the projects. De-commitment, in the first instance, will only concern projects which are at least in the middle of the project implementation (after the 3rd project progress report) and their spending equals, or is less than, 80% compared to the spending plan in the Subsidy Contract. In cases where the Programme’s de-commitment amount in question cannot be compensated by the project budget cuts as outlined in the procedure above, the 80% threshold will be raised and additional projects will be included in the de-commitment procedure.

The JS will inform the lead partner about the deduction according to the rules laid down in the Programme Manual and will draw up an annex to the Subsidy Contract reducing the value of the project by the value of savings in question.

6.9 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.

7 Monitoring and Reporting

7.1 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 follow up and assessment of the quality of Partner achievements as well as a full overview of the overall progress of the project.
The main instrument for project monitoring is a progress report. On the basis of the report, the JS will monitor the implementation of the projects. At the same time, the report is a tool for the lead partners to follow up on the activities and costs incurred among the project partners and associated partners.

The Programme is committed to the simplification and reduction of administrative burdens for partners. Therefore, it will follow the principle of e-Cohesion by introducing the electronic exchange of information between partners and the FLC as well as between the lead partner and the JS.

Project monitoring will cover such issues as:

- Effectiveness and efficiency of project implementation; is the project being implemented (considering flexibility limits) in accordance with the activity and financial profile detailed in the Application Form? Has the budget been implemented as planned? Does the project reach the agreed objectives? Does the project manage to deliver the promised results and outputs?
- Quality of the management; are the management procedures efficient and do they ensure the quality of the project implementation?

Progress reports

Progress reports will be handled in the SL2014 system. Detailed information on progress reports can be found in "User manual on working in the SL2014 system".

Electronic exchange of documents and data

In the 2014-2020 Programme, in accordance with the EU provisions, project implementation data and documents between the project partners and the Programme institutions will be exchanged electronically via a system designed for this purpose. Project and lead partners will have an obligation to use the SL2014 system. This section describes general principles and obligations on the use of the system; however detailed information, including a description of functionality and technical details, will be included in the Subsidy Contract, Partnership Agreement and also in the separate document "User manual on working in the SL2014 system".

The Managing Authority will ensure the functioning of the IT system, which will cover monitoring, evaluation, financial management, verification and audit processes. The system will be used in particular for:

- project administration from the moment of signing the Subsidy Contract;
- recording of Programme implementation data (linking projects to the thematic objectives and investment priorities, indicators, regions, dimensions and categories of interventions);

Employees of the Programme institutions and project partners (persons authorised to manage projects on their behalf) will use SL2014 application (part of the IT system) for the above mentioned processes. The SL2014 application will be available via a web interface - Mozilla Firefox, Internet Explorer and Google Chrome internet browsers. Project partners have only to ensure they have access to the internet, as an installation of additional software is not necessary.

Use of the SL2014 application will allow project partners to:

- fill in and submit partner progress report to the First Level controller;
■ provide information about the financial schedule in the project;
■ provide information on planned and implemented contract award procedures in line with the Programme and national tendering rules (as well as information on concluded contracts and selected contractors);
■ maintain correspondence with the First Level controller and provide information, clarifications and documents (documents existing only in an electronic version, as well as scanned versions of documents) when requested by the First Level controller.

As part of the lead partner principle, additional tasks in the SL2014 application will be required from the lead partners:

■ submission of the project progress report to the JS;
■ maintaining correspondence with the JS and, upon request of the JS, providing required information;
■ N.B. Lead partner and project partners are obliged to use the English version of SL2014!

Designation of authorised persons

Upon signing of the Subsidy Contract, project and lead partners will have to authorise at least one person per partner to use the SL2014 application on their behalf. It should be highlighted that all actions of authorised persons in the SL2014 application will be legally binding. In case the partner decides on a change of 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, in order to ensure the smooth functioning of the system, project and lead partners must inform the JS immediately if any person authorised to use the SL2014 has changed. Otherwise, access to the SL2014 will be denied.

To authenticate actions performed under the SL2014 application, project partners have to 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 SL2014 system. If, for technical reasons, the ePUAP trusted profile cannot be used, authentication will take place using the login and password generated by the SL2014 system, where the PESEL number of a given authorised person is used as a login.

Persons authorised by Danish, Lithuanian, German and Swedish partners 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 SL2014 application and must work in the SL2014 system in line with the principles defined in the User manual (this will be available on the Programme’s website).

Handling of errors and notifications

In order to ensure the smooth functioning of the SL2014 application, partners must immediately notify the Joint Secretariat of any failure of the SL2014 application, in particular if it impacts the submission of progress reports to the First Level controller or the JS. In cases of a system failure that will not allow the submission of progress report on time, partners can submit documents in paper form, in line with the report template available on the Programme’s website. Once the fault is remedied partners are obliged to submit electronic versions of reports via the SL2014 system within 5 working days. In cases where partners detect unauthorised access to their data in the SL2014, they should notify the JS immediately. The project and lead partners will be informed by the JS about the reported
and resolved issues of the SL2014 application, as well as the analysis on the notification about any unauthorised access to partner data.

**Project implementation and resolved issues of the SL2014 application, as well as the analysis on the notification about any unauthorised access to partner data.**

**Reporting periods**

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 1; 2nd Call - Cycle 2; 3rd Call - Cycle 1; etc.).

**Reporting on project progress is done on two levels and consists of:**

**Reporting on partner level (partner progress report)**

Project partners should provide 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 accordance with EU regulations the First Level controllers have 90 calendar days to complete verification of the expenditure. However, in order to allow timely provision of the project progress report to the JS, the First Level controller is recommended to complete verification of expenditure in 60 calendar days (if possible) in order 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 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 be deemed ineligible in a given reporting period and the First Level controller will finalise their work and certify only the costs that were not questioned).

**Reporting on project level (project progress report)**

The lead partner is obliged to provide the project progress report to the JS for each reporting period. 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. If the lead partner is not able to provide the project progress report by the above mentioned deadline it should inform the JS via SL 2014, stating the reasons for the delay as well as indicating an alternative delivery date of the said report.

The final project progress report acts as the request for the final payment to the project. It consists of the project progress report and additional attachments. Information required in the attachments refers, in particular, to project results and objectives. The lead partner has
to provide the report and the attachments in the SL2014 system within 120 calendar days from the end of the project implementation period (end date set in the Subsidy Contract).

7.2 Mid-term project review

Aimed at assisting the funded partnerships in the day-to-day management of their projects, the Programme will invite each project to participate in a mid-term review. 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 has to 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 national/regional Contact Points of the Member States where project partners are located will be informed about the mid-term review meeting and may also take part.

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.

7.3 Accounting of project expenditure, documents and their storage

One of the lead partner responsibilities is to ensure that expenditure presented by project partners has been verified by the First Level controller. Therefore, the project partners must ensure the accounting of their project expenditure, keep their project documentation and ensure that necessary documents are available on partner premises for audit purposes - 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 have to ensure that the following information is available in their accounting system:

- who paid an invoice/bill;
- what the invoice/bill was paid for;
- when the invoice/bill was paid;

It is the responsibility of the lead partner and of all project partners to store project documents in a safe and proper manner and that they are retained for at least five years.
from the date of the reimbursement of the final project progress report to the lead partner. This time can be extended if the final project progress report cannot be certified by the European Commission for some time after the final payment for the project – e.g. in case of detected irregularities within the project. The LP will be informed about the prolongation by the JS.

Where documents exist in electronic form only, the computer system, as well as data carriers used by the lead partner, project partners and the Programme bodies, will meet accepted security standards that ensure that the documents held comply with national legal requirements and can be relied on for audit purposes. In particular, lead partner/project partners will ensure that:

- documents are stored on a data carrier which meets accepted security standards;
- the data carriers are described in a way which allows easy identification of the documents;
- the audit trail is being 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.

All the financial documents supporting the costs reported in the partner (project) progress reports must also be retained, among others:

- list of declared expenditures by partners;
- partner controllers’ approbations and costs verifications proofs (correspondence with FLC);
- bank account statements proving the transfer of EU funds to the lead partner account and the transfer of funds to project partners’ accounts;
- invoices/bills/other equivalent documents;
- bank account statements/proof of payment for each invoice;
- VAT declarations;
- documentation proving staff cost calculations, such as timesheets, employment contracts, time records, etc.;
- documentation concerning external expertise and service providers (lists of subcontractors, contracts, etc.);
- calculation of in-kind contributions;
- documents concerning travel and accommodation, such as boarding cards, travel reports, invoices;
- documents concerning information and publicity;
- documentation related to public procurement rules such as terms of reference, offers, order forms, contracts, etc.;
- proof of delivery of services and goods (brochures, minutes of meetings, etc.);
- record of purchased assets with back-up documentation.
7.4 Reporting templates

The partner progress report has to be produced separately by each project partner (including the lead partner). It is submitted via SL 2014 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 Section 7.1 “General principles”). Detailed information, including a description of functionality and technical details will be included in the separate document “User manual on working in the SL2014 system”. In order to apply for reimbursement, the lead partner will deliver the project progress report to the JS via SL2014, supported by the necessary documentation.

7.5 Reimbursement of project costs

The reimbursement of 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 of Infrastructure and Development to the lead partner bank account, details of which need to be provided by the lead partner and included in the Subsidy Contract (see also Chapter VI, Section 2 “Use of Euro”).

For audit purposes, and in order for all payments to the project to be easily identified and thereby transparent, it is proposed that the lead partner considers opening a separate bank account. As the lead partner is responsible for transferring proper reimbursement of ERDF to the partners in EUR, it is also advised that the account is opened in EUR. This would help the lead partner to avoid extra costs from changes in exchange rates, for which full responsibility has to be borne by the project partners.

8 Audit and control

8.1 First Level Control

Each Programme Member State has set up what is known as a “First Level Control” system according to Article 23 of the Regulation 1299/2013. It defines controllers that are entitled to and responsible for verification of expenditure declared by the Project Partners. Their tasks include, among others, verifying the delivery of the products and services, the eligibility of the expenditure declared and compliance of the expenditure with the Programme rules, EC and national legislative acts. Only costs verified by the national First Level controller of the Member State in which the respective partner is located can be considered eligible in the South Baltic Programme. The First Level Control is carried out at the partner level, i.e. for the expenditures of each partner separately. They include verifications based on the partner progress reports and/or on-the-spot checks in accordance with Article 125 (5) of the Regulation (EU) no 1303/2013. The FLC systems vary among the Member States that participate in the South Baltic Programme. Regardless of the system used by the Member State, First Level controllers must be independent from the project, project activities and without private prejudice to the partner controlled. As a general rule, no internal controllers can be appointed for the verification of expenditure.

In Member States with decentralised FLC system, controllers must be approbated by the competent approbation bodies of the individual Member States (detailed information is available in the FLC section on the Programme website). It is recommended that Partners plan the subcontracting of a First Level controller well in advance of the first partner progress report, as national public procurement rules have to be followed and a call for tenders might be necessary and this process could take some time. When subcontracting the First Level controller, it is recommended that the contract includes provisions that, within the framework of contract, the First Level controller is obliged to provide relevant information in case of clarifications from other Programme/audit bodies (for example, if the
project partner is subject to audit from the Second Level Control and expenditure items confirmed by the First Level controller are questioned. Therefore, project partners should plan costs for the First Level controller in the Application Form and for an appropriate amount.

In order to establish common standards and ensure that First Level controllers designated by the Programme countries fulfill their obligations, harmonised requirements in regard to the FLC standards are described in the “Control and audit guidance for the Controllers as referred in Article 23 of Regulation (EU) No 1299/2013”. The document defines minimum quality standards of the First Level Control set by the Managing Authority and gives practical guidance on carrying out the First Level Control.

**First Level Control systems in the countries participating in the South Baltic Programme**

<table>
<thead>
<tr>
<th>Programme Member State</th>
<th>First Level Control institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>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 project activities and finances and qualified to carry out the control of a project under the South Baltic Programme. The controller has to 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 [website library reference will be provided]. Costs of the First Level Control: can be reported as eligible external expertise costs in compliance with the relevant EU regulations and Programme rules.</td>
</tr>
<tr>
<td>Germany</td>
<td>Type of system: decentralised First Level Control system. Designation of the controller: project partners will choose a First Level controller project specifically in compliance with national public procurement rules who has to be approbated by the National Approbation Body in compliance with the Programme provisions. The Ministry of Economics, Construction and Tourism Mecklenburg-Vorpommern designates the state-authorised public accountants in Germany as responsible for the controlling of 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 [<a href="http://www.wpk.de/wpvbp-verzeichnis">www.wpk.de/wpvbp-verzeichnis</a>] to find state-authorised public accountants in their region. Contact information and a link to national guidance is available on the Programme website [website library reference will be provided]. Costs of the First Level Control: can be reported as eligible external expertise costs in compliance with the relevant EU regulations and Programme rules.</td>
</tr>
<tr>
<td>Lithuania</td>
<td>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, provided that the controller is certified. A list of certificated auditors is approved and provided by the Lithuanian Chamber of Auditors (public legal entity associating all certified auditors of Lithuania). All partners and First Level controllers are obliged to follow the requirements for First Level Control in Lithuania and the Programme rules. The Ministry of the Interior will check if controllers meet the requirements for qualification. Contact information and a link to national guidance is available on the Programme website [website library reference will be provided]. Costs of the First Level Control: can be reported as eligible external expertise costs in compliance with the relevant EU regulations and Programme rules.</td>
</tr>
<tr>
<td>Poland</td>
<td>Type of system: centralised First Level Control system.</td>
</tr>
</tbody>
</table>
The First Level controller of the partner verifies the following aspects with respect to project implementation:

- 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 or within the given flexibility limits;
- if the partner progress report provides accurate information regarding the activity and financial progress of the project;
- if supporting documents for the partner progress report are 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 invoices and other financial documents with equivalent value of proof are correctly described and whether they correspond with and prove the expenditures paid out;
- if the eligibility rules for the Programme have been followed (in particular whether the expenditures have been incurred within the eligibility period in relation to activities described in the Application Form, whether the national and community rules on eligibility of expenditures have been respected, double financing did not occur);
- if the expenditures are essential for 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 as well as publicity and information requirements described in the Programme Manual);
- if conditions for payments have been fulfilled for simplified cost options;
- if the amounts of the expenditures seem to follow sound financial management and are in line with principles of economy, efficiency and effectiveness;
- if partner and other entities engaged in the project implementation maintain a separate accounting system or adequate accounting code for all transactions relating to the project without prejudice to national accounting rules;
- if an adequate audit trail exists.

Partners are responsible for providing the First Level controllers with the requested documents and explanations at any time on the verification process within the deadlines defined by the controller. Any corrections to the submitted report and the exchange of information between the partner and its controller will be available in SL 2014. Partners are also obliged to implement the recommendations issued by the controllers as a result of on-the-spot checks. It is necessary to inform the First Level controllers on any results of the previous verifications carried out by other control bodies that concerned project
implementation and that may affect the work of the First Level controller, including the control results with regard to public procurement (see also in Section 7.1 “General principles”).

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 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 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 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 25 of the Act on the rules for the implementation of the programmes of the Cohesion Policy financed under the financial perspective 2014-2020.
- The Swedish project partner may file objections regarding the results of verifications conducted by the First Level controller pursuant to SFS 2014:1383 Förordning om förvaltning av EU:s strukturfonder, 3 kap, 10 §.

The Managing Authority does not examine objections regarding the results of the First Level Control.

8.2 Second Level Control

The Programme Member States have appointed the joint Audit Authority (AA), as well as the Group of Auditors (GoA) responsible for Second Level Control in the South Baltic Programme.

In accordance with Article 127 of the General Regulation, the AA is responsible for:

- carrying out audits on the proper functioning of the management and control system of the Programme;
- carrying out audits on the sample of projects on the basis of the declared expenditure.

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 requested documentation and access to locations and premises. Upon the completion of the audit, each partner will receive a report/protocol from the auditors. Each audited partner has the

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2 In Poland upon the completion of the audit verification the Treasury Control Offices (acting on behalf of the AA) issue:
right not to approve the above document. The results of the audit performed are issued by the respective national auditor in the final version of audit report.

The AA issues the final audit report on irregularities detected by the national auditors (member of the GoA). If the recovery of funds is necessary, the respective procedure is applied. The MA informs the lead partner in writing on the launch of the recovery process.

Each project may be audited during or after the project lifetime.

**8.3 Irregularities**

Detection of irregular expenditure may take place among others: during the monitoring of the project implementation, financial verification of the project’s expenditure, or durability period. The irregular expenditure may be detected by the Programme or other Programme authorities being in charge (for example, during the audit from the European Commission).

In cases where irregular expenditure is detected, corrective measures will be undertaken by the Programme authorities. The measures – financial corrections – have to lead to the situation that 100% of the expenditure declared in the payment claim issued to the European Commission is eligible. In accordance with Article 143 (2) of the Regulation (EU) No 1303/2013 the financial correction will consist of cancelling all or part of the public contribution to a project.

With regard to the project in which there is need to correct expenditure before the project progress report is approved by the JS/MA, the project partner can declare another eligible expenditure in place of the corrected expenditure.

With regard to the project in which there is need to correct expenditure after a request for payment is approved by the JS/MA, the project partner cannot declare another eligible expenditure in place of the corrected expenditure.

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- protocol (according to the Article 172 of the Tax Ordinance Act from 29 of August 1997 -Journal of Laws of 20123, item. 749 with later amendments), which is forwarded to the project partner for a signature. The content of the protocol includes the information on who, when, where and what steps have been taken, who and with what competencies took part in the verification, what was detected, what the comments of the persons present during the verification were. The protocol does not include the information on detected ineligible expenditure. The project partner may refuse to sign the above-mentioned protocol;

- summary of findings which is forwarded to the controller for a signature. The document includes information on detected irregularities in the project and the amount of ineligible costs. The controller may raise objections to the above-mentioned summary.
VII  PROJECT CLOSURE AND THE TIME BEYOND

1  Project closure

In order to consider the project completed, the last project progress report must be approved by the Programme.

2  Eligibility of costs in the project closure phase

Costs for the project closure might occur even after the end date of the project in the closure phase until submitting the report to the JS, but no more than 120 calendar days from the project end date. They include expenditures that are related to the preparation and First Level Control of the final project progress report, as well as costs related to the activities carried out in the implementation phase (see also chapter Chapter VI, Section 3 “Time wise eligibility of costs - project implementation” and for further details the information box below). No costs can be reported after the submission of the final project progress report. It is recommended for the lead partner to deliver the final project progress report to the JS within 120 days of the project end date. However, if it is not possible the lead partner will inform the JS about such a case in advance.

Important information

Activities related to the project implementation phase are not allowed to be implemented in the project closure phase. Costs which arose in the project implementation phase can however, be paid in the project closure phase.

Costs related to the project closure are eligible under Work Package 1 only and should be incurred before the submission of the final progress report but no more than 120 calendar days from the project end date on, whichever is earlier.

3  Income and revenues in and after the project closure phase

Projects with a total budget of over €1m, generating net revenue also after project completion will find additional information concerning this topic in Annex 4 “Projects over €1m generating net revenue after completion of implementation”.
4 Partners obligations after project closure

The lead partner and all project partners will store the project documents in a safe and proper manner and retain them until at least five years from the date of the reimbursement of the final project progress report to the lead partner. This time can be extended if the final project progress report cannot be certified to the European Commission for some time after the final payment for the project – e.g. in case of detected irregularities within the project – the LP will be informed about the prolongation by the JS.

The lead partner should inform project partners about receiving the reimbursement of the final project progress report and eventual prolongation of storing the project documents, so that the project partners can carry out necessary arrangements for the storage of the documents.

It must be underlined that the representatives of the Managing Authority, the JS, the Audit Authority and the Group of Auditors, other auditing bodies of the Programme countries, officials of the Community and their authorised representatives, the European Commission and the European Court of Auditors also have the right to examine the project, all relevant documentation and accounts of the project after its closure.

5 Durability of the project

If the projects of the Programme will include investments (including equipment), the Programme will follow the rules laid down in Article 71 of the Regulation (EU) No 1303/2013. If a depreciation period for an equipment item is shorter than the durability period for the project, the durability period for equipment lasts as long as the depreciation period in accordance with the applicable national law.

The project will repay the ERDF contribution received from the Programme if, within five years of final payment to the Lead Partner (if the final project progress report does not include expenditure, then five years are counted from the approval of the final project progress report) it was subject to main changes according to Article 71 of Regulation (EU) No 1303/2013.

If the applicable state aid requirements stipulate stricter requirements, stricter rules will apply. Sums unduly paid will be recovered by the Programme in proportion to the period for which the requirements have not been fulfilled. The durability principle does not apply in a situation where the project partner undergoes cessation of a productive activity due to a non-fraudulent bankruptcy!

To monitor the compliance of the projects with the above-mentioned requirements, durability controls will be performed by the Programme bodies.

Post-closure monitoring

To monitor the long-term impacts and effects of the co-financed projects, the JS will communicate with the project LPs after the project closure. In particular, informal interviews with selected project partners might be conducted, including the end users of the project results (see Chapter III, Section 4 "Durability and impact" and Chapter VI, Section 5 "Communication and management of outputs and results").
ANNEX 1 Most common irregularities in the field of awarding contracts

1. The most common breaches in the area of awarding public contracts are related to the:

- dividing or underrating the estimated value of the contract in order to avoid the application of the law;
- conducting the procedure in the wrong manner (e.g. the award of contracts using non-competitive procedures where there are no grounds for applying such procedures; in the case of priority services, the application of the procedure dedicated to non-priority services);
- non-competitive description of the subject of the contract by the groundless indication of trademarks, patents or the origin of goods, without allowing the equivalent tender submission and description of equivalence;
- setting improper deadlines for the tender submission or illegal shortening of deadlines for the tender submission;
- determining improper conditions of participation in the public contract award procedure, leading to discrimination of contractors;
- determining the conditions of participation in the public contract award procedure that exceed the needs necessary to achieve contract objectives;
- demanding from consortium members to meet the conditions of participation in the procedure by each consortium member;
- demanding submission of documents not required by the regulations;
- demanding proof of experience in the execution of contracts co-financed from EU or national funds where it is not necessary to confirm the contractor’s abilities to execute the contract;
- non-compliance with the regulations on publishing the contract notice or any amendments thereto;
- illegal restriction of subcontracting;
- setting the improper tender evaluation criteria;
- conducting the procedure in breach of the principle of transparency, fair competition and equal treatment of contractors;
- illegal modification to the content of the agreement concluded with the contractor.

2. Most common breaches in the area of awarding contracts in accordance with the Programme procurement requirements (applied to Polish project partners) are:

- dividing or underrating the estimated value of the contract in order to circumvent the application of the Programme procurement requirements;
- failure to publish the announcement of the procurement;
- failure to set the evaluation criteria;
- awarding the contract to entities related in personal or capital terms;
- setting the proposal deadline in a way that prevents preparation and submission of the proposals;
- concluding the contract with an operator related in personal or capital terms (in cases when there is another potential contractor in the market);
- failure to publish the information about the selection of the proposal according to the requirements;
- concluding an oral agreement.
ANNEX 2 Projects over €1m generating net revenue after completion of implementation

1. The following rules concern projects generating net revenue after completion of the implementation in accordance with Article 61 of the Regulation 1303/2013:

- projects where the total eligible expenditure amounts to at least EUR 1,000,000.00 and, at the same time;
- the Programme support for a given project/a distinct part of the project that generates the net revenue does not constitute a form of state aid as defined in Article 61(8) of the Regulation 1303/2013.

2. ERDF co-financing for the projects where there is sufficient data and experience acquired as a result of implementation of similar projects/investments (for example, data on demand for services and market fees) will be reduced in advance taking into account the probability of a project generating net revenue over a specific reference period.

3. In order to determine the amount of net revenue of such projects, the applicant will use a financial gap method. In order to calculate the financing gap indicator it is necessary to carry out a financial analysis of the project investments taking into account requirements of Section III of the Regulation No 480/2014 and Chapter 2.7 “Financial analysis” of **Guide to Cost-Benefit Analysis of Investment Projects** (prepared by the European Commission; financial analysis should take into account the reference periods that include both project implementation and the period after its completion).

   Method of calculation of financing gap indicator in the project is as follows:

   **step 1.** Determination of the financing gap indicator (R):
   
   \[ R = \frac{DIC - DNR}{DIC} \]
   
   where:
   - DIC – sum of discounted investment capital for project implementation
   - DNR – sum of discounted net revenue, plus residual value.

   **step 2.** Determination of eligible costs adjusted by financing gap indicator (ECR):
   
   \[ ECR = EC \times R \]
   
   where:
   - EC – eligible costs (undiscounted)

   **step 3.** Determination of (maximum possible) EU grant (EU Grant):
   
   \[ EU Grant = ECR \times Max CRpa \]
   
   where:
   - Max CRpa – maximum co-financing rate determined for the priority axis for a given project partner.

4. Monitoring of such projects consists of the monitoring of net revenue generated during project implementation. In cases where the project generates net revenue from new sources (not identified in the calculation of the financial gap), the project partners are obliged to provide relevant information on the net revenue with the project progress report. The amount of ERDF co-financing is reduced according to the amount of the generated net revenue.

4. Monitoring does not include net revenue generated after the completion of project implementation. This exclusion refers to situations where actually generated net revenue will differ from the underlying assumptions, as well as in case of emergence of the new net revenue sources that were not taken into account in the financial analysis or significant changes of level of fees applied in the project.
5. If the project partner, in order to obtain a higher amount of co-financing, deliberately underestimated the net revenue generated by the project or deliberately overestimated investment costs of the project at the stage of financial analysis, this could be treated as irregularity. Similarly, if the net revenue generated during the implementation of the project was not deducted from the eligible expenditure, this could be regarded as irregularity, if detected after the submission of the final progress report.

Projects for which, objectively, it is not possible to determine the revenue in advance

1. This group includes projects for which there is no sufficient data and experience acquired as a result of implementation of similar projects/investments allowing estimation of two key factors influencing the amount of revenue generated by the project, i.e. the level of demand for goods or services provided by the project and fees for their provision (most frequently these would be innovation projects). This category will not include projects from sectors or subsectors for which the flat rate net revenue percentage was determined.

2. Project partners of such projects should inform the JS about the net revenue generated within three years of the completion of a project (or by the deadline for the submission of documents for the Programme closure, whichever is the earlier). Eligible expenditure of the project and the value of co-financing assigned to the beneficiary will be reduced by the generated net revenue. The net revenue generated after the completion of the project implementation should be reimbursed by the project partner.

Calculation of net revenue generated after completion of the project

Total costs of the project amount to EUR 1000, where EUR 900 is eligible expenditure. Net revenue generated by the project amounts to EUR 100. Therefore, the amount of EUR 90 (100 EUR * (900 EUR/1000 EUR)) should be deducted from the expenditure declared to the European Commission.

The amount which should be reimbursed by the project partner is 76.50 EUR (determined by applying the applicable co-financing rate; 90 EUR * 85% = 76.5 EUR).
ANNEX 3
Additional eligibility rules and guidance for Polish partners

1 General rules and assessment of eligibility of expenditure

1. The description of the accounting document should be drawn up on the original accounting document and should include at least:
   - project number;
   - amount eligible under the project;

2. It is recommended that the project number is provided on the first page of the document. The other remaining elements of the description can be presented on the reverse side of the accounting document. The description may also have the form of a rubber stamp.

3. If the verification of documents by the national controller/other authorised bodies reveals gaps or errors in the description of an accounting document, all corrections must be made on the original accounting document.

4. The obligation to maintain separate accounting records or to use a separate accounting code arises upon signing of the subsidy contract.

5. If the subsidy contract is signed after a part of the project eligible expenditure is incurred, the project partner should (if it is allowed by the accounting system) transfer the said expenditure in the books to appropriate analytical accounts (synthetic or non-balance sheet) in order to meet the requirement of maintaining separate accounting records. Otherwise, the project partner should mark the accounting documents with an adequate code and draw up a list of all accounting documents confirming the expenditure incurred under the project before signing of the subsidy contract.

6. In the case of cash expenditure, the following dates are considered to be the dates of incurring expenditure:
   - made by a bank transfer or debit card – the date when the bank account of the project partner was debited;
   - made by a credit card or similar deferred payment instrument – the date of transaction resulting in debiting the bank account of the credit card or similar instrument;
   - made in cash – the date of actual payment. If the cost is incurred directly by an employee of the project partner, the project partner must keep the documents evidencing this fact. The date of disbursement of cash or the bank account of the project partner is considered as the date of expenditure. If an employee received an advance from the project partner institution for expenditure related to the project, the date of incurring the expenditure is the date of actual payment of the invoice/bill, etc.

7. In the case of contribution in-kind: the date when the contribution was actually made (the date of unpaid work of a volunteer).

8. In the case of depreciation: date of depreciation write-off.

9. In the case of compensation of amounts due: for example, the date of compensation approval by the other party.
2 Staff costs

2.1. Expenditure on remuneration of a person working on a project under a civil law contract, who is also an employee of the project partner, is non-eligible, except for specific task contracts (umowa o dzieło).

2.2. Expenditure related to project partner staff remuneration, based on a specific task contract is eligible, if the nature of the performed tasks go over and above the tasks derived from the employment contract (what in fact justifies the conclusion of the specific task contract), and the specific task contract is settled based on the task acceptance protocol.

2.3. Additional benefits may be eligible, if the duties of a given project partner staff member increase temporarily due to project implementation and provided that they were granted in accordance with the applicable labour law. The benefits may be granted both as the only remuneration for work on the project and as a supplement to the remuneration of the project partner staff, settled under the project. A benefit may be eligible, provided that the following conditions are met:

- the possibility to grant the benefit results directly from the labour law;
- the benefit has been provided for in the staff regulations or in the salary regulations of the project partner institution or in other applicable provisions of labour law;
- the benefit was introduced at the project partner’s institution at least 6 months before the submission of the Application Form (the condition does not apply to cases where the possibility to grant the additional benefit comes from universally applicable legal acts);
- the benefit can be potentially applied to all project partner employees and its granting rules are the same for staff involved in project implementation and for other project partner employees;
- the benefit is eligible in the framework of the project only during the involvement of the given person to the project;
- the amount of the benefit depends on the scope of additional obligations, however, in case of carrying out tasks in several projects of the same project partner, the project staff member is granted only one benefit, which is calculated proportionately to the employee’s involvement in a given project.

2.4. Benefits will be eligible only up to 40% of the basic salary along with other components of remuneration, with the restriction that any exceeding of this limit may be solely based on generally applicable law.

2.5. Rewards (with the exception of a jubilee award) or bonuses might be eligible, provided that the following conditions are met:

- rewards or bonuses are granted with regard to the involvement of the project partner’s employee in the implementation of tasks related to the project;
- rewards or bonuses are provided for in the staff regulations or in the salary regulations of the project partner’s institution or in other applicable provisions of labour law;
- rewards or bonuses were introduced at the project partner’s institution at least 6 months before the submission of the Application Form;
- rewards or bonuses potentially cover all project partner employees and the granting rules are the same for both the staff involved in project implementation and for other employees.
2.6. Total professional involvement of an employee, whose salary costs are accounted for under the project, cannot exceed 276 hours per month. The project partner should verify the fulfilment of this condition before involving a given person in the project. This condition should be fulfilled during the whole period of eligibility of salary of a given person in the project.

In case of any irregularities in the fulfilment of the above-mentioned term, the remuneration of the employee is considered as non-eligible (fully or partially) in the project, in which the involvement of the employee resulted in a breach of this condition.

2.7. The salary of the project staff employed simultaneously on the basis of an employment contract at the institution participating in Programme implementation will be deemed non-eligible, unless there is no conflict of interest or double financing.

2.8. A person entitled to make binding financial decisions on behalf of the project partner must not have a record of being subject of a judgment which has the force of res judicata for crime against property, against business trading, against the functioning of the state and local government institutions, against the credibility of the documents or of committing a tax offence, what will be verified by the project partner on the basis of a statement of that person.

Non-eligible expenditure

2.9. Examples of non-eligible expenditure for staff costs:

- payments to the State Fund for Rehabilitation of Disabled Persons (Państwowy Fundusz Rehabilitacji Osób Niepełnosprawnych (PFRON));
- the benefits for the project staff that are paid from the ZFŚS;
- costs of civil insurance of public officials for damage caused in the exercise of public authority;
- costs of contributions and optional fees, which are not required by the applicable national law.
- benefits not related to the project under implementation (e.g. for arriving at work on time, for not smoking, for abiding by the work regulations).

3 Travel and accommodation

3.1. Daily allowances – is eligible in the amount not higher than rates established in the national law (applicable for all project partners, not only those from the public sector)

3.2. Accommodation costs – only in justified cases can eligible expenditure be higher than rates established in national law (applicable for all project partners, not only those from the public sector)

4 Equipment

Lease

4.1. In the case where the provisions of tax law stipulate the issue of a single invoice on the date of concluding the lease agreement, and reimbursement is made to the lessee, the proof of incurring expenditure is the repayment schedule together with information on payments and an account statement.

4.2. If the term of the lease agreement exceeds the end date of expenditure eligibility, expenditure eligible for co-financing are only lease instalments whose payment date falls within the period of incurring eligible expenditure defined in the subsidy contract and actually paid during this period.

4.3. The maximum amount of eligible expenditure may not exceed the market value of the leased item. This means that the amount eligible for co-financing may not exceed the
amount stated in the proof of purchase issued to the lessor by the supplier of the co-financed item – in the case of goods purchased not earlier than within 12 months before submitting the Application Form by the project partner;

- the market value of the leased item, stated in the appraisal prepared by an authorised expert or in the appraisal prepared on the basis of the methodology presented by the project partner – in the case of goods purchased earlier than within 12 months before submitting the Application Form by the project partner. The appraisal may be replaced by documenting the selection of the leased item in the tendering procedure/market research.

4.4. The following forms of lease are eligible for co-financing: finance lease, operating lease and leaseback:

- the essence of a finance lease is a lease agreement under which the risk and benefits from using the leased good are transferred to the lessee (the project partner). Such agreements frequently include the option to acquire the leased item or provide for a minimum lease period that corresponds to the period of using the leased assets;

- the essence of operating lease is a lease agreement under which the risk and benefits resulting from the possession of the object of the lease are generally not fully transferred onto the lessee (project partner), and the period of using the leased item may be shorter than the period of its economic usability (depreciation period);

- the essence of leaseback is to link the lease agreement with a sale agreement that precedes it. In the case of concluding a leaseback transaction, the project partner sells an item he/she owns to a leasing company and, at the same time, acquires the right to continue using the item, on terms defined in the lease agreement. Thanks to this operation, the project partner continues to use the item although he/she has sold it, and pays lease instalments on its use. The principal of the lease instalment, paid by the project partner in leaseback, is an expenditure eligible for co-financing. It should be borne in mind however, that EU co-financing may not be used towards re-acquisition of an item if its acquisition had been co-financed from EU funds or under a subsidy from national public funds.

5 VAT

5.1. There is no legal possibility to reclaim VAT if the project partner does not acquire the right to reduce due tax (related to taxable activities under the project) by accrued tax (related to the purchases of goods, services and fixed assets reimbursed under the project). Such a situation may take place in the five following cases (in the three initial cases, VAT may be an eligible expenditure in full):

- the project partner is not a VAT payer in the project (when the project is not accompanied by any revenue – acquired goods, services or fixed assets are not used for taxable sale, or under the project there is no direct or indisputable relation between the acquired goods, services or fixed assets and taxable actions – therefore, there is no right to a deduction);

- the project partner is exempt from VAT because the value of their sales did not exceed the value defined in Article 113 of the Act on the goods and services tax cumulatively in the previous fiscal year. One should nonetheless bear in mind that such an exemption can be lost or resigned from;

- the project partner carries out only activities exempt from VAT;

- the project partner performs taxable activities, but some purchases are listed in Article 88 of the Act on the goods and services tax. In such case, these purchases
do not yield the right to a deduction. VAT included in these purchases is an eligible cost, while for other purchases it may be deducted and may not be an eligible cost;

- the project partner performs taxable and VAT-exempt activities. In such a situation, eligible cost is only the VAT that serves VAT-exempt activities - if VAT paid in relation to incurring an eligible expenditure may be reclaimed in part, the VAT part that cannot be reclaimed is eligible. This is the case when the project partner performs activities that are VAT-exempt and taxable. The project partner should assign the accrued VAT on his activities to three groups:

  - accrued VAT, resulting from the performance of activities in relation to which the project partner has the right to deduct accrued tax – VAT is deducted in full (and hence may not be eligible expenditure);
  - accrued VAT, resulting from the performance of activities in relation to which the project partner does not have the right to deduct accrued tax – VAT is not deducted at all (and hence may be eligible expenditure);
  - accrued VAT, resulting from the performance of activities in relation to which the project partner has the right to deduct accrued tax and activities in relation to which the project partner does not have the right to deduct accrued tax – in such case the project partner should specify the part of accrued VAT that cannot be deducted. Only this part of VAT can be considered eligible. If such specification is impossible to make and the project partner can only define the amount of accrued VAT pursuant to Article 90 of the Act on the goods and services tax (so-called sales proportion), VAT may not be considered as eligible expenditure.

5.2. A situation where VAT is eligible for part of a project is admissible. In such a case, a transparent project settlement system should be ensured, so that there are no doubts as to which part or to what extent VAT may be considered eligible.

5.3. In individual cases, should there be doubts as to the nature of expenditure or the right to deduct accrued VAT, the project partner may be requested to enquire with a competent tax authority for an individual interpretation of tax law.

5.4. A project partner is obliged to deliver to the FLC a statement on the eligibility of VAT with the first and the final project progress report and upon the request of the First Level controller.

6 Contractual penalties

6.1. In cases of breach of the contract signed between project partner and contractor (for example, delays which are the fault of the contractor, delivery of sub-standard goods or services), the penalties indicated in the contract will apply. The contractual penalties should be settled according to the provisions detailed in the contract between the project partner and contractor. For instance, contractual penalties can be settled in one of following ways:

  - on the basis of a VAT invoice (or another equivalent document) issued by the contractor, the project partner pays the contractor the invoice amount less the contractual penalty. Then, reimbursement concerns only the amount actually paid by the project partner, in line with the general rule on eligibility, which states that expenditure actually incurred by the project partner is eligible for co-financing;
  - the project partner makes a payment in line with the VAT invoice (or another equivalent document) issued by the contractor, i.e. without deducting the contractual penalty. Having paid the total amount due on the VAT invoice, the project partner receives a payment of the required amount (contractual penalty) from the contractor. The project partner can then present the amount equal to the VAT invoice amount for settlement, for which he/she has a payment confirmation of 100%.
If the project partner fails to apply contractual penalties, a part of the expenditures related to the contract is considered ineligible. The ineligible expenditures will be calculated as the amount of the penalties that have arisen according to the contract concluded, but were not applied by the project partner.
ANNEX 4 Specific conditions for Polish project partners regarding award of contracts in accordance with the Programme procurement requirements

1. Expenditure incurred in accordance with the principle of fair competition

1. The Managing Authority that is a party to an agreement commits the project partner, in the co-financing agreement, to prepare and conduct a public procurement procedure in the framework of a project in a manner that ensures, in particular, fair competition and equal treatment of contractors and in line with the terms and procedures defined in the Programme Manual.

2. Public procurement contracts under the project are concluded in accordance with the following:

   (a) The Act – Public Procurement Law – in the case of a project partner being an obliged entity pursuant to Article 3 of the Act – Public Procurement Law to apply it;

   or

   (b) The principle of competitiveness, referred to in section 1.3, in the case of:

   □ i. A project partner not being an obliged entity pursuant to Article 3 of the Act – Public Procurement Law to apply it, in the case of public contracts whose value exceeds PLN 50,000 net, i.e. net of the goods and services tax (VAT),

   □ ii. The project partner referred to in (a):

   In the case of public contracts with a value lower than the amount defined in Article 4(8) of the Act – Public Procurement Law and, at the same time, exceeding PLN 50,000 net, i.e. net of the goods and services tax (VAT), or

   In the case of utilities contracts with a value lower than the amount specified in the provisions issued on the basis of Article 11(8) of the Act – Public Procurement Law and, at the same time, exceeding PLN 50,000 net, i.e. net of the goods and services tax (VAT).

Taking into account the conditions resulting from this Sub-chapter, without prejudice to Items 3 and 4.

3. If the project partner is a public administration body, he or she may entrust, pursuant to Article 5(2)(1) of the Act of 24 April 2003 on public benefit activity and voluntary work, the performance of public tasks under the procedure laid down in this Act.

4. If, pursuant to current regulations other than the Act – Public Procurement Law, the Act – Public Procurement Law is exempt from application, the project partner referred to in Article 3 of the Act – Public Procurement Law conducts a public procurement procedure on the basis of these provisions.

5. If the project partner violates the terms and procedures of soliciting a public contract defined in this Sub-chapter, the FLC or the Managing Authority being a party to the contract will consider all or part of the expenditures related to this public contract.

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2 A public contract shall mean written contracts for pecuniary interest concluded between a contracting authority and an economic operator, having as their subject-matter services, supplies or works provided for in the project implemented under a programme; it concerns both procurement contracts pursuant to the Act – Public Procurement Law and procurement contracts concluded in line with the principle of competitiveness.
ineligible, pursuant to the Ordinance of the minister competent for regional development issued on the basis of Article 24(13) of the implementation act.

1.1 **General terms of public contract execution**

1. The value of public contracts is estimated with due diligence, taking into account potential supplementary contracts referred to in Article 67(1)(6) and (7) and Article 134(6)(3) and (4) of the Act – Public Procurement Law or public contracts referred to in Section 1.3 Item 15; the value estimation is documented. It is forbidden to divide public contracts into parts that would result in a lower estimated value. In determining the value of a public contract, all of the following criteria must be met:

   - (a) Services, supplies and construction works are of the same kind or have the same function,
   - (b) It is possible to award a public contract at the same time,
   - (c) It is possible for a single contractor to execute the public contract.

If a public contract is awarded in parts (for certain financial, organisational or functional reasons), the value of the public contract is calculated by adding the values of all individual parts thereof.\(^4\)


3. The dates of each stage of a public procurement procedure are determined in accordance with national law, EU law and the principle of competitiveness, and in a way that allows keeping them (which concerns both shortening and postponing deadlines). When setting the deadlines, one needs to take into account the complexity of the public procurement procedure, the nature and subject of the public contract and the available personnel of the contracting authority,\(^7\) their tasks, skills and experience.

4. All contractors have the same access to information concerning a given public contract and no economic operator is privileged over another; procedures are conducted in a transparent manner.

5. The terms of participation in a public procurement procedure must be proportionate to the subject-matter of the public contract and they cannot restrict competition by setting requirements higher than the needs necessary to achieve project objectives and leading to discrimination of contractors.

\(^4\) It concerns all public contracts referred to in Item 2 of Sub-chapter 1. Expenditure incurred in accordance with the principle of fair competition

\(^5\) In the case of beneficiaries obliged to apply the Act – Public Procurement Law, it does not concern the contracts referred to in Article 6a of the Act – Public Procurement Law.


\(^7\) In Sub-chapter 1, the “contracting authority” will be understood as the beneficiary (applicant) or the entity that conducts the public procurement procedure as authorised by the beneficiary.
6. The criteria for evaluation of tenders filed in the framework of a public procurement procedure include requirements connected with the subject of the public contract. The criteria:

- (a) Cannot restrict competition by setting requirements higher than the needs necessary to achieve project objectives and leading to discrimination of contractors,
- (b) Should in principle determine, apart from the requirements concerning the price, as well, other requirements concerning the subject of the contract, such as e.g. quality, functionality, technical parameters, environmental, social and innovative aspects, service, contract completion date and exploitation costs.

The tender evaluation criteria may refer to the competence of the contractor’s characteristics only in the case of non-priority services, specified in provisions issued under Article 2a and 2b of the Act – Public Procurement Law.\(^6\)

7. For improper performance of a public contract, e.g. due to delays on the part of the contractor, incorrect performance of a public contract, incomplete performance of a public contract (including e.g. non-adherence to guarantee terms), penalties are imposed as defined in the contract concluded with the contractor. If penalties are not imposed, the reasons for not imposing them must be stated in writing.

8. If the contractor fails to adhere to the terms of the public contract and no contractual penalties are imposed, the competent institution that is a party to the contract may consider some of the expenditures connected with this public contract ineligible.

### 1.2 Special terms of execution of public contracts awarded in accordance with the Act – Public Procurement Law\(^7\)

1. There are two primary procedures of awarding public contracts, namely open tendering and restricted tendering.\(^10\) If a different procedure than the two primary procedures is applied for awarding public contracts, it must be proven in writing that the basic reasons that allow for its application have been met. If it is not proven that the conditions justifying the application of a given procedure have been met, expenditure under a given public contract may be considered ineligible. In order to ensure an adequate audit trail, documents justifying the procedure selection are archived together with the documentation concerning a given public contract.

2. The duration of individual procedure stages can be reduced (accelerated procedure) for public contracts whose value equals or exceeds the amounts referred to in the provisions issued on the basis of Article 11(8) of the Act – Public Procurement Law only in the situations provided for in EU and national law, including in the case of an urgent need for awarding a public contract. An urgent need may not result from reasons on the part of the

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\(^6\) Non-priority services have been defined in the Ordinance of the President of the Council of Ministers of 28 January 2010 on the list of priority and non-priority services (Dz.U. [Journal of Laws] of 2010 No 12, item 68) and in the Ordinance of the President of the Council of Ministers of 3 December 2012 on the list of priority and non-priority services in the areas of defence and security (Dz.U. of 2012, item 1361).

\(^7\) It concerns solely public contracts referred to in item 2(a) of Sub-chapter 11. Expenditure incurred in accordance with the principle of fair competition.

\(^10\) In the case of utility contracts, an additional admitted procedure is a negotiated procedure with publication (pursuant to Article 134(1) of the Act – Public Procurement Law.
contracting authority which it was able to predict acting with due diligence.\textsuperscript{11} If an urgent need to award a public contract is invoked, it must be documented. The documentation must be annexed to the record of contract award procedure.

3. Before formal initiation of a procedure by negotiated procedure without publication pursuant to Article 62(1)(3) of the Act – Public Procurement Law, by single-source procurement procedure pursuant to Article 67(1)(1)(a) or (b)\textsuperscript{12} and Paragraph 1(1a) and request for quotation, in order to guarantee an adequate level of information dissemination to all contractors, information on the intent to award a public contract, hereinafter referred to as “information on a public contract”, must be published. Information on a public contract is published on the website of the contracting authority, if any, and in its headquarters; one should aim at adjusting the extent of such dissemination to the significance of a given public contract to potential contractors, including economic operators from other Member States. Information on a public contract includes, in particular, the description of the subject of the public contract, criteria of evaluation of initial tenders, conditions of participation in the procedure, description of the manner in which meeting these conditions will be evaluated, and a time frame for submitting initial tenders that should not be shorter than seven calendar days from the date of the announcement publication.

4. The negotiated procedure without publication pursuant to Article 62(1)(3) of the Act – Public Procurement Law and the request for a quotation procedure apply to selected initial tenders referred to in Item 3, and in the case of the absence of any initial tenders or their rejection, these apply to contractors selected on the market. If the contracting authority intends to apply single-source procurement pursuant to Article 67(1)(1)(a) or (b) or Paragraph 1(1a) of the Act – Public Procurement Law, in a situation where, during the procedure described in Item 3, more than one tender is filed that is not rejected, there are no grounds to apply the above-mentioned procedure.

5. In cases where application of the non-competitive procedure that does not require publication pursuant to the Act – Public Procurement Law has been preceded by a public procurement procedure conducted under a primary procedure, or where there was an urgent need that does not result from reasons on the part of the contracting authority and could not be predicted earlier, and in the case of additional contracts, a notice of intention to conclude a contract is published, referred to in Article 62(2a) and Article 66(2) of the Act – Public Procurement Law.

6. The recommendations listed in Annex 2.1 to the Programme Manual apply to public procurement procedures for supplies and services.

\textbf{1.3 Special terms of the execution of public contracts awarded in accordance with the principle of competitiveness}\textsuperscript{13}

1. The principle of competitiveness does not apply to:

\textsuperscript{11} For example, the need to complete individual project tasks in a timely manner because the contracting authority failed to provide sufficient time for a tendering procedure or failed to initiate it sufficiently in advance is not defined as an “urgent need”. Delays in earlier contract award procedures do not justify an “urgent need” either. Therefore, it is only possible to decide that there is an urgent need to award a public contract in a situation where the contracting authority is able to demonstrate that, acting with due diligence, it was unable to predict certain circumstances.

\textsuperscript{12} It does not concern public contract referred to in Article 67(3)(1) of the Act – Public Procurement Law.

\textsuperscript{13} It concerns solely public contracts referred to in Sub-chapter 1. Expenditure incurred in accordance with the principle of fair competition, Item 2(b).
(a) Public contracts whose subject consists in supplies and services defined in Article 4 of the Act – Public Procurement Law, with the exception of the supplies and services defined in Article 4(8) of the Act – Public Procurement Law, yet the principle of competitiveness does not apply to supplies and services listed in Article 4(3)(i) in terms of public contracts whose subject consists in acquisition of rights in real estate, particularly lease and rental, on the condition of the absence of the relations referred to in Item 8;

(b) Expenditures settled by the simplified method referred to in Sub-chapters IV, 3.1 and IV, 3.2 of the Manual;

– Subject to Item 2.

2. In the case of the project partner referred to in Sub-chapter 1. Expenditure incurred in accordance with the principle of fair competition, item 2(b)(ii), it is possible not to apply the principle of competitiveness when awarding public contracts to which the conditions of selection of the negotiated procedure without publication and the single-source procurement procedure, defined in the Act – Public Procurement Law, apply, on the condition of meeting the requirements laid down in Items 1 and 3 of Section 1.2.

3. In the case of the project partner referred to in Sub-chapter 1. Expenditure incurred in accordance with the principle of fair competition, item 2 (b)(ii), the principle of competitiveness is considered fulfilled when the public procurement procedure is conducted in accordance with the rules and under the procedures laid down in the Act – Public Procurement Law, on the condition of meeting the requirements laid down in Section 1.2.

4. In the case of the project partner referred to in Sub-chapter 1. Expenditure incurred in accordance with the principle of fair competition, item 2 (b)(i), the value of a public contract is determined individually for a given project, taking into account the conditions and procedures laid down in Item 1 of Section 1.1.

5. In order to ensure compliance with the principle of competitiveness, one needs to:

(a) Publish a request for a quotation in line with the conditions referred to in Item 7. The request for a quotation must include at least the following:

- i. Description of the subject of the public contract that should not be described by reference to a specific product or source or trademarks, patents, types or origin unless this is justified by the nature of the subject-matter of the public contract and the extent of equivalence has been defined (due to the necessity of protecting business secrets, it is admitted to restrict the extent of a description of the subject-matter of the contract, and it is required to send a supplemented description of the subject-matter of the contract to the potential contractor who committed to ensure confidentiality of the information),
- ii. Conditions of participation in the procedure and a description of the manner of evaluating whether they have been met; defining participation conditions is not mandatory,
- iii. Tender evaluation criteria,
- iv. Information on score or percentage weights attributed to individual tender evaluation criteria,
- v. Description of the manner in which points are granted for meeting a given tender evaluation criterion,
- vi. The tender submission deadline; the tender submission time frame is not less than seven calendar days from the date of publishing the request for proposals in the case of supplies and services and 14 calendar days from the date of publishing the request for proposals in the case of construction works, subject to Item 7(b). The time frame of seven or 14 calendar days starts on the date following the date of publishing the request for proposals and ends on the last day,
- vii. Information on the extent of exclusion referred to in Item 8,
- viii. Definition of the conditions of amendments to the contract concluded as a result of a completed public procurement procedure, if it is possible to amend such a contract,
(b) Select the most advantageous tender from the submitted tenders, which meets the conditions of participation in a public procurement procedure, on the basis of evaluation criteria specified in the request for proposals; the choice of a tender is documented by a record of contract award procedure referred to in Item 10.

6. Publication of a request for proposals stands for initiation of a public procurement procedure in the framework of a project.

7. Publication of a request for proposals consists of:

■ (a) Publishing it:

□ i. On a website defined in a communication of the minister in charge of regional development, published on the website of the minister competent for regional development, and until launching of the website it consists of sending a request for proposals to at least three potential contractors, if there are three potential contractors for a given public contract on the market, and publishing the request for proposals on the website of at least the project partner, if any, or

□ ii. A website other than that defined in Item (a)(i) above, intended for publishing requests for proposals; it concerns only the project partners referred to in Sub-chapter 1. Expenditure incurred in accordance with the principle of fair competition, Item 2(b)(ii),

and

■ (b) In the case of public contracts whose value equals or exceeds the threshold defined in the provisions issued on the basis of Article 11(8) of the Act – Public Procurement Law additionally in publishing it in the Official Journal of the EU to the extent and within the time frames defined in the Act – Public Procurement Law for public contracts of such value.

8. In order to avoid a conflict of interests, public contracts, with the exception of utilities contracts, awarded by a project partner that is not an entity obliged to apply the Act – Public Procurement Law pursuant to Article 3 of the Act – Public Procurement Law, may not be awarded to entities with personal or capital ties with the project partner. Capital or personal ties are understood as mutual ties between the project partner and persons authorised to incur liabilities on behalf of the project partner or persons performing actions connected with preparing and conducting the contractor selection procedure on behalf of the project partner and the contractor which consist in particular of:

(a) Acting as a partner in a civil partnership or a partnership,

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14 If the contracting authority admits submission of partial tenders, the tendering procedure may end in choosing several contractors.

15 The above website will enable programme beneficiaries to publish announcements. If an applicant starts project implementation at his own risk before signing the co-financing agreement, in order to publish the request for proposals the applicant should send a request for proposals to at least three potential contractors, if there are three potential contractors for a given public contract on the market, and publishing the request for proposals on the website of at least the beneficiary, if any.

16 The Managing Authority of the programme ensures that the beneficiaries are notified of the communication in writing or using an IT system, understood as the central IT system (SL 2014) or the local IT system (LSI) at least 10 days before launching the website.

17 Ordinance of the President of the Council of Ministers of 23 December 2013 on the amounts of values of contracts and contests on which the obligation to submit announcements to the Publications Office of the European Union depends (Dz.U. of 2013, item 1735).
(b) Holding at least 10% of stocks or shares,
(c) Acting as a member of the supervisory or management board, proxy, plenipotentiary,
(d) Being a spouse, relative by lineal consanguinity or affinity, secondary relative in the second degree of consanguinity or the second degree of affinity, in a relationship of adoption, care or guardianship.

If the Managing Authority that is a party to the contract learns that a contract has been awarded to an entity with links other than those listed in (a)–(d), it must prove that the principle of competitiveness has actually been violated by the link before requesting reimbursement of the funds.

9. It is necessary to document conclusion of a contract with an economic operator and draft a record of contract award procedure, referred to in Item 10, in writing.

10. The record of contract award procedure, referred to in Item 5(b), must include at least the following:

(a) Information on how the request for proposals was published,
(b) List of tenders submitted in reply to the request for proposals, with dates when the contracting authority received the tenders,
(c) Information that the condition referred to in Item 8 has been fulfilled by the economic operators,
(d) Information that the economic operators fulfilled the conditions of participation in the procedure, if any,
(e) Information on score or percentage weights attributed to individual tender evaluation criteria and on the manner in which points are granted to individual economic operators for meeting a given criterion,
(f) Identification of the selected tender and justification of the selection,
(g) Date of drawing up the record of contract award procedure and signature of the contracting authority,
(h) The following attachments:
   i. Confirmation that the request for proposals had been published on the website referred to in Items 7(a) and (b),
   ii. The tenders submitted,
   iii. Declaration(s) on absence of links with the economic operators who submitted their tenders, signed by the project partner or persons authorised to incur liabilities on behalf of the project partner and persons performing actions connected with preparing and conducting the contractor selection procedure on behalf of the project partner, and the execution or amending the contract concluded with the economic operator.

11. Information on the results of the procedure will be made available on a free access website. However, in the case of publishing the request for proposals in a manner specified in Item 7(a)(i), the information on the results of the procedure will be made available at least on the website indicated in this point, and until the launching of the website – the information on the results of the procedure will be sent to all contractors that submitted the tender, and will be made available on the website, provided the project partner has such a website. Information on the results of the procedure should contain at least the name of the selected contractor. Upon the request of the contractor that submitted a
tender, there is an obligation to provide the applicant with the record of the contract award procedure, however, this does not apply to the attachments referred to in Item 10(h)(ii).

12. Following the procedure, as regulated in this section, the agreement will be concluded with the contractor selected in accordance with the principle of competitiveness. In a case where the contractor withdraws from concluding the agreement with the contracting authority, it will be possible to sign the agreement with another contractor that was awarded the second highest number of points in the public procurement procedure.

13. Where, despite the proper publication of the request for proposals:

- (a) only one tender not subject to rejection will be submitted – the principle of competitiveness will be considered as complied with;
- (b) no tenders will be submitted – it is possible to conclude the agreement with the selected contractor without complying with the procedure referred to in this section, however, the conclusion of an agreement with the related entity, referred to in Item 8, will be possible only with the consent of the competent institution being the party to this agreement, and provided that this related entity fulfils the requirements laid down in Item 5 (a)(ii).

14. It is not possible to make any significant changes in the provisions of the concluded contract as referred to in Item 12 regarding the content of the tender on the basis of which the contractor was selected, unless the possibility and conditions for introducing such changes are specified in the request for proposals.

15. It is possible to award the contractor that has been selected based on the principle of competitiveness with supplementary public procurement contracts with a value equal to no more than 50% of the public contract value specified in the agreement concluded with the contractor, provided that these contracts are in line with the subject-matter of the basic public contract and the possibility for awarding such a public contract is expected in the request for proposals and the agreement with the contractor. In such case it is not necessary to reapply the principle of competitiveness.

16. It is possible to award the former service provider or building contractor with supplementary public procurement contracts, which are not covered in the basic contract and with a value equal to no more than 50% of the value of the procured public contract, are necessary for its proper execution, and the implementation of which has become essential as a result of “impossible to foresee” in due time situation, if:

- (a) for technical or economic reasons the separation of the supplementary contract from the basic contract would require incurring disproportionate costs; or
- (b) the execution of the basic contract is dependent upon the execution of the supplementary contract. In such case it is not necessary to reapply the principle of competitiveness.

2 Recommendations for carrying out public procurement procedures for supplies and services

1. In the course of the public procurement procedures project partner’s internal procedures for awarding of public contracts in the form of e.g. internal manuals, rules of procedures

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18 If the contracting authority admits submission of partial tenders, the tendering procedure may result in concluding several agreements with contractors.
will be applied. These procedures cover all stages of the procurement procedure and indicate individual actions and positions responsible for their implementation.

2. For the most risky procedures it is recommended that a specific work plan is developed which aims at the proper and efficient execution of the public contract. This work plan should be developed at the initial stage of project implementation prior to carrying out the proceedings, and should include the time limits for each stage, i.e.:

- preparation of the documentation on the public contract, including the development of the description of the public contract subject-matter;
- launch of the public procurement procedure;
- carrying out of the public procurement procedure;
- conclusion of the contract;
- execution of the public contract;
- acceptance of the contract as documented by acceptance reports;
- verification of invoices issued by the contractor;

3. The minimum content of the work plan should contain information on the public procurement procedure, dates when each of the stages/tasks will be started and finished, and an indication of persons responsible for implementing each task. In order to ensure the audit trail, the work plan should be archived together with the documentation concerning the given project.

4. In order to obtain the most competitive tenders and considering the prohibition of separating public contracts to avoid the application of the provisions of the Act, in the case of project partners being the central bodies implementing the project via field/local units, it is recommended to carry out the public procurement procedure at the central level, unless there are arguments justifying the adoption of another procurement method. A decision on applying the decentralised contract may be taken provided that an analysis of both procurement methods shows financial benefits and competitiveness concerns favouring the second solution.

The presence of such arguments should be documented in the form of an estimation and comparison of costs and benefits relating to the selection of both procurement methods: centralised and decentralised.

5. The estimation of the public contract value will be based on current market prices of the procured goods. To this end, where it is possible, market analysis should be carried out with at least three potential contractors for each public contract. In the case where the three potential contractors are not present on the market, this fact will be confirmed by a justification indicating objective arguments. The estimation of the public contract value may also be based on similar public contracts executed within a period specified in Article 35(1) of the Act – Public Procurement Law (Polish legislation), provided their contractors were selected through a competitive procedure. Documents concerning the method for

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19 Risks will be assessed taking into consideration, inter alia, the following factors: contract value, time limits resulting from the project schedule, availability of potential contractors, feasibility of the contract, level of complexity of the contract subject-matter, logistics, etc.

20 It does not concern public contracts executed periodically referred to in Article 34(1) of the Act – Public Procurement Law.
estimating the public contract value should be archived together with the documentation concerning this public contract.

6. The estimated public contract value should remain valid at the time of the publication of the public procurement notice, in accordance with Article 35 of the Act – Public Procurement Law. Should there be any changes to the circumstances which influence the already established public contract value after it has been fixed, the value of this contract will be re-estimated before the launching of the procedure. The method for estimating the public contract value should be documented.

7. Appropriate human potential should be ensured, in the extent sufficient to perform the tasks prescribed at each stage of the implementation of the public contract.

8. The implementation of a public contract should be supervised and its acceptance should be reported. To this end, it is recommended that internal procedures be applied specifying methods for the implementation and acceptance of the public contract, including the accountability concerns as well as tasks and time limits applicable at the project partner level, and models for documents (in particular the acceptance report model for the subject-matter of the public contract, which provides, inter alia, for the way of verifying whether all elements of the public contract were implemented in accordance with the provisions of the agreement).