



# Interreg

## Latvija-Lietuva

European Regional Development Fund



EUROPEAN UNION

1<sup>st</sup> Call  
of the INTERREG V-A  
Latvia-Lithuania Programme 2014-2020  
Financial management



## Sound Financial Management

Council Regulation no 1605/2002 of 25 June 2002

- **Economy** - resources used by the institution for the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price
- **Efficiency** - best relationship between resources employed and results achieved
- **Effectiveness** - attaining the specific objectives set and achieving the intended results

- ➔ No **Sub-Contracting** Between PP's and subcontracting of employees
- ➔ Avoiding Corruption and **Conflict of Interest**
- ➔ No **Double Financing**
- ➔ Competition and **public procurement**
- ➔ Geographical eligibility

In duly justified cases PP can travel and implement activities outside the **Programme area**, eligible only if specified and approved in AF

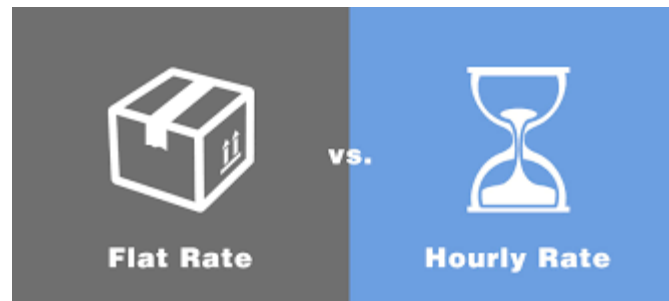
- Costs are directly related to the project and **planned in the AF**
- Only costs **incurred by PP** and reported under the **correct BL**
- Expenditure **must have been paid out** (“gone out of the bank account”)
- Costs must be **paid out within the project duration**
- **Costs proved by delivery of works**, services or supplies
- Advance payments are eligible only after **the partial or full delivery** of the purchased goods or services

- Fines, financial penalties and expenditure on legal disputes and litigation
- Costs related to fluctuation of foreign exchange rate
- Interest on debt
- Recoverable value added tax
- Charges for national financial transactions
- Costs related to subcontracting PP or employees of PP organisations, who already work for the project based on an employment contract

- ➔ BL1 “Staff costs”
- ➔ BL2 “Office and administration costs”
- ➔ BL3 “Travel and accommodation costs”
- ➔ BL4 “External expertise and service costs”
- ➔ BL5 “Equipment costs”
- ➔ BL6 “Infrastructure and works”

Staff costs can be reported either by:

- ▶ **Flat rate method** (15% of total eligible direct costs (BL3, BL4, BL5 and BL6) of project partner),  
PP does not need to document that expenditure has incurred and paid
- ▶ **Real costs method**, when real expenditure is reported and justified with the supporting documents



Staff costs reporting **method cannot be changed** during project implementation



## Flat rate method

**15%**

of total eligible direct costs (BL3, BL4, BL5, BL6) of PP

Budget line	Real expenditure	Total expenditure
1 “Staff costs”		1500
2 “Office and administration costs”		
3 “Travel and accommodation costs”	1000	1000
4 “External expertise and service costs”	4500	4500
5 “Equipment costs”	3500	3500
6 “Infrastructure and works”	1000	1000
<b>Total</b>	<b>10000</b>	<b>11500</b>

$(BL3+BL4+BL6+BL7)*15\%$





PP does not need to document that the expenditure has been incurred and paid

- Regardless, in order to ensure proper verification of costs reported under BL3, information on employees involved in the project management/implementation should be provided to FC upon request
- The calculation is **done automatically** in the AF, partner report forms
- **External project management costs** (project manager, coordinator, assistant, financial managers, procurement and public relation specialists, etc.) **are ineligible**

Project staff can be hired by the project partners in one of the following ways:

➔ Full-time

➔ Part-time:

- Part-time assignment with a **fixed percentage of time worked** on the project per month
- Part-time assignment with a **flexible number of hours worked** on the project per month
- Contracted on an **hourly basis**



- Staff costs must relate to activities which the PP organization would not carry out if the project was not undertaken
- Overheads, daily allowances cannot be included under this BL;
- Actual salary rate must be used

Different hourly rates/ remuneration in the frame of the same responsibilities must be avoided



The calculation is done automatically as a flat rate of **15%** of eligible staff costs

- ▶ PP does not need to document that the expenditure has been incurred and paid, or to prove that the reported amount using the flat rate would correspond to the real costs for office and administration

	Budget line	Real expenditure	Total expenditure
1	"Staff costs"		1500
2	"Office and administration costs"		225
3	"Travel and accommodation costs"	1000	1000
4	"External expertise and service costs"	4500	4500
5	"Equipment costs"	3500	3500
6	"Infrastructure and works"	1000	1000
<b>Total</b>		<b>10000</b>	<b>11725</b>

BL1\*15%



Following costs are covered by the flat rate under BL2 “Office and administration costs” and they cannot be reported under any other BL:

- Office rent; Utilities (e.g. electricity, heating, water)
- Office supplies; Security; Communication
- General accounting provided inside the PP organisation
- Maintenance, cleaning and repairs
- IT services of general nature that support delivery of the project (maintenance of IT systems)
- Charges for transnational financial transactions



Travel and accommodation costs of employees of the PP organisations and related to their participation in project meetings, seminars or events

- Only **travel costs** (public transport, including ferry, plane, train, bus and taxi, travel and car insurance, fuel, car mileage, toll and parking fees), accommodation costs (including city taxes), visa costs (if relevant) and daily allowances are eligible under this BL
- Maximum **daily rates** for hotel and subsistence **should be respected**



## BL3 Travel and accommodation costs

- ▶ Travel and accommodation costs **must be clearly linked to the project** and be essential for effective implementation of the project activities
- ▶ Travel and accommodation **costs of external experts and service providers cannot be included** under this BL; they must be planned and reported under BL4
- ▶ In well-justified and documented cases, the PP have a possibility to cover travel and accommodation costs of **guests/target group**





## Preparation lump sum

Introduced to cover costs of Application preparation; travel and accommodation, organisation of the meetings between project partners during preparation of application

- Preparation costs as a lump sum of ERDF 1000 EUR per project and will be paid to projects that have signed subsidy contract.
- Projects are required to plan lump sum for project preparation costs under the BL “Travel and Accommodation”
- Preparation costs will be added on top of the project budget



## BL4 External expertise and services costs

Costs of an external service provider, an expert or consultant provided by a public or private body or a natural person who is not employed in the project

- ▶ Studies, Translations, Training
- ▶ IT, Communication, Financial, Publicity, other services linked to a project
- ▶ Costs for financial control for LT PP( ~3-5% of PP budget)
- ▶ Services related to the organization and implementation of **events or meetings**.



Please note that costs for **lunch** are eligible for a minimum 6 hours meeting and costs for **dinner** can be included for events taking place more than one day

## BL4 External expertise and services costs

- All costs of external expertise and services that are linked to an investment in infrastructure
- All additional costs related to external experts (e.g. travel and accommodation costs for external experts) must be foreseen in the service contract and recorded under this BL
- Generally compensation for professional artists and authors are not eligible, could be approved with specific justification



## BL4 External expertise and services costs

- External expertise should be **essential** to the project and **specified in the AF**
- All costs are subject to **applicable public procurement rules**
- Costs for external services are eligible if **quality of produced outputs is ensured**
- **Subcontracting project partners or employees** of project partner organisations, who already work for the project based on an employment contract, is not allowed
- The price of the external service or expertise **must be calculated reasonably** and according to the standard rates of the country where the project partner concluding the contract is located



### Purchase, rent and lease of an equipment if is indicated in the AF

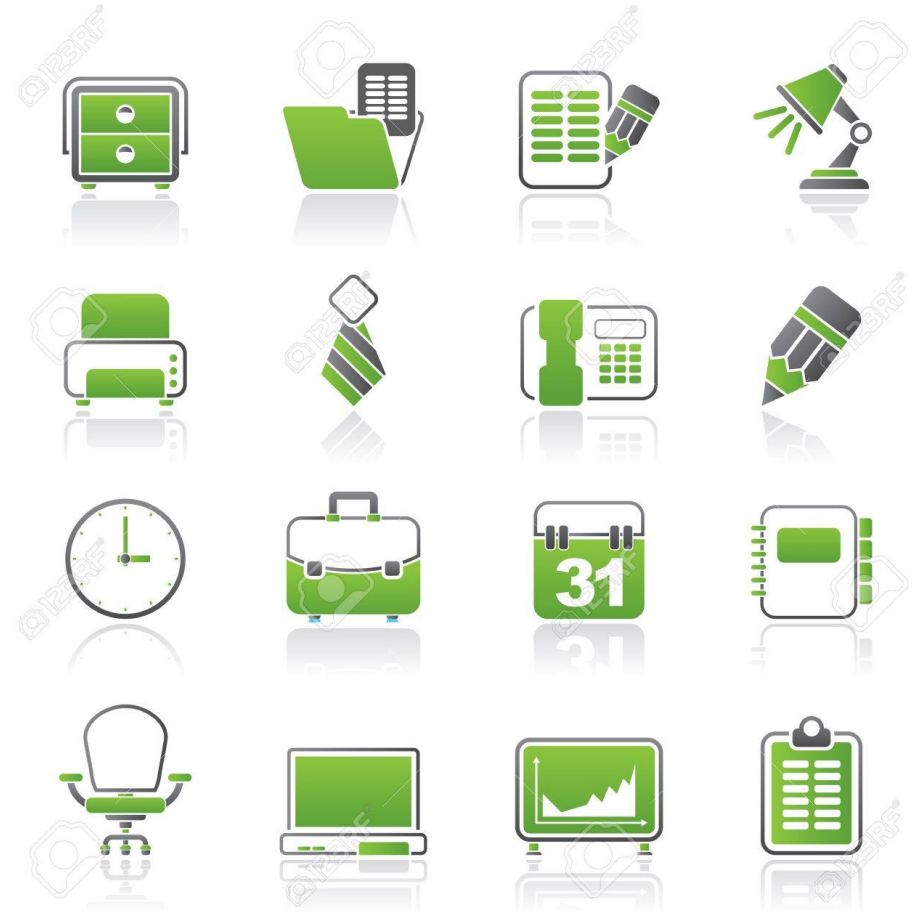
- In order to rent or lease an equipment, project partner should **provide justification** stating clear advantages of rent or lease in comparison with the purchase of an equipment
- In case of lease of an equipment final **ownership should belong to the respective PP** and leasing period should be within the duration of project implementation
- A **cross border character and relevance** of the investments in equipment should be evident and in line with the project objective



## BL5 Equipment costs

The equipment budgeted under this BL can be:

- Office equipment
- IT hardware and software
- Furniture and fittings
- Laboratory equipment
- Machines and instruments
- Tools or devices
- Specialised cars
- Other specific equipment needed for projects



## BL5 Equipment costs

- All costs are subject to **applicable public procurement rules**
- Equipment should be **aimed at public use**; its ownership and the way of use cannot be changed
- Every co-financed piece of equipment must comply with **Programme information and communication rules**
- Depreciation of the equipment purchased from project cannot be placed in the project budget



## BL5 Equipment costs

- Purchase of **specialised cars** is eligible only if they are operated and used solely for the purposes of fulfilling the main objective of the project
- The purchase costs of **second hand equipment** are eligible if :
  - it is not originally purchased with an aid of other financial instruments
  - price of the equipment must not exceed its market value
  - complies with applicable norms and standards
  - purchase of second-hand equipment is planned in the AF



## Covers costs related to investments in infrastructure

- site preparation
- renovation
- (re)construction
- other costs related to investments in infrastructure
- preparation costs for development of technical documentation (if required by national legislation)
  - up to 7% of the relevant planned in the project infrastructure object's costs
  - costs are eligible only if payments are made between 1 January 2014 and one day before the MA decision





## BL6 Infrastructure and works

- Investments are financed only in case they are necessary for reaching project results and guaranteeing their durability
- Costs planned in the AF
- All costs are subject to applicable public procurement rules
- All investments in infrastructure must comply with the applicable Programme information and publicity rules
- Investments co-financed by the Programme should be aimed at public use; their ownership and the way of use cannot be changed within 5 years after the project final payment



## BL6 Infrastructure and works

- Documents specifying the ownership of land and/or buildings where the works will be carried out must be provided to the JS together with AF
- One copy of a full set of documents required under the national building laws must be submitted to the JS together with the application form (see section 6.1 “Application”).



- ▶ **Revenues** are cash inflows directly paid by users for the goods or services provided by a project
- ▶ **Net revenues** are understood as revenues above minus any operating costs and replacement costs of short-life equipment incurred during the corresponding period

The estimated net revenues must be deducted from the total project budget

Different methods for calculation:

- For projects with total project budget below EUR 50 000
- For projects with total project budget between EUR 50 000 and EUR 1 000 000
- For projects with total budget exceeding EUR 1 000 000



If state aid relevant activities (Economic advantage,(Potential) distorting effect on competition and trade within the EU) will be identified for a partner, ERDF co-financing will be granted under the *De minimis aid*

Organisation can receive support (all kinds of support whether from national or EU sources) **up to EUR 200 000** for a period of three fiscal years



## What's different from previous Programme

- Optional Flat rate for BL1
- Mandatory Flat rate in BL2
- Preparation lump sum ERDF 1000 EUR (should be budgeted in BL3)
- Budget limitations are ERDF, not total costs
- 3 or 6 month reporting periods

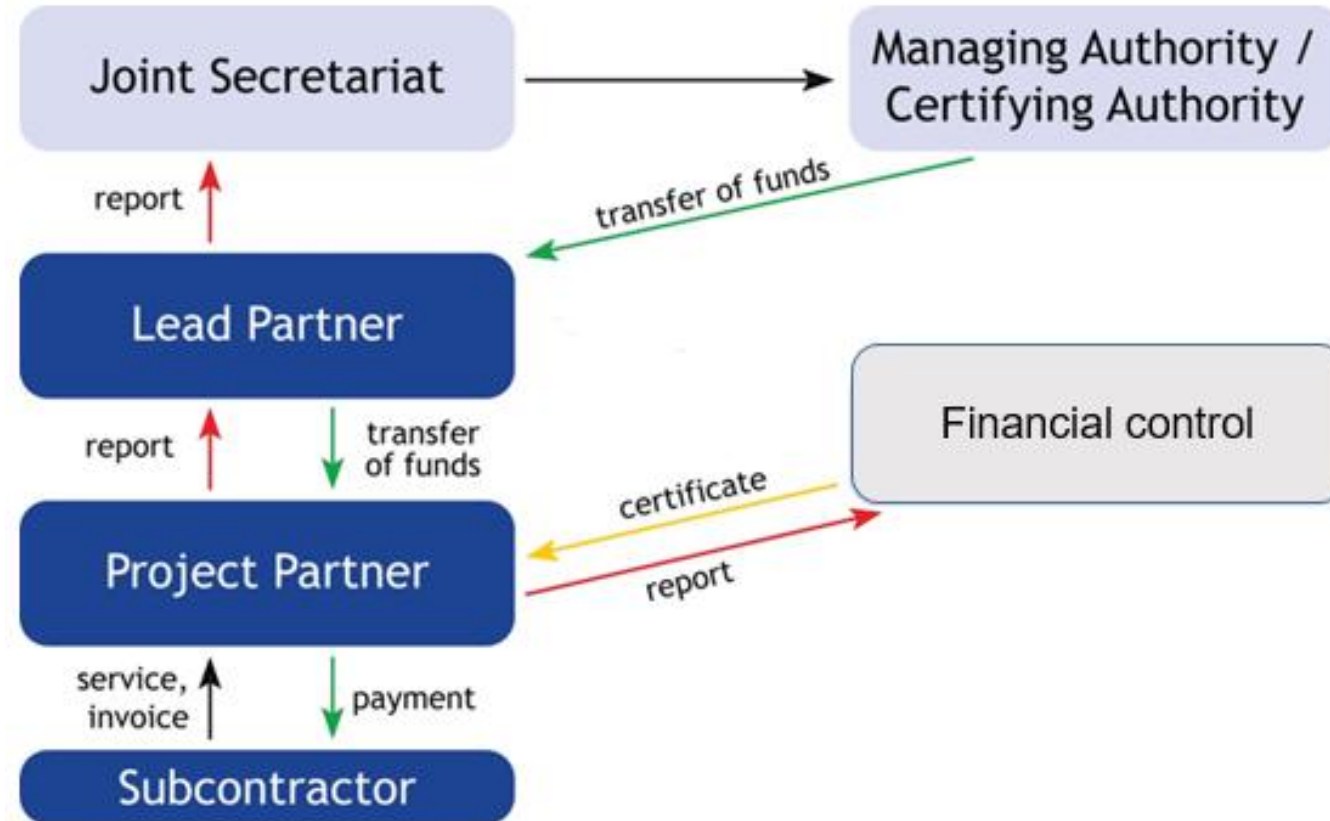


## What's different from previous Programme

- BL Travel and accommodation costs have to be specified
- Old programmes BL Equipment and infrastructure are divided in two BL
  - Equipment costs
  - Infrastructure and works
- Electronical submission of documents [via EMS](#)
- No cost sharing
- No in kind



## Reporting processes



In Latvia FC is centralized

[www.varam.gov.lv](http://www.varam.gov.lv) (Fondi un investīcijas/ Eiropas teritoriālas sadarbība 2014-2020/ pirmā līmeņa kontrole)

In Lithuania a decentralized FC system

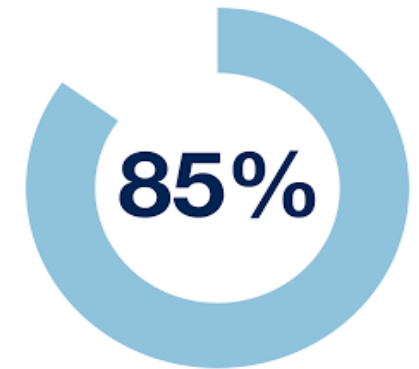
[www.esbendradarbiavimas.lt/kontroles-sistema](http://www.esbendradarbiavimas.lt/kontroles-sistema)



- LPs/PPs must choose **external auditors using public procurement procedure**
- Before concluding the service contract with auditor, Lithuanian LPs / PPs have to provide information about selected auditor of the project and **get approval from the Regional Policy Department of the Ministry of the Interior of the Republic of Lithuania**
- Costs for financial control for LT PP( **~3-5% of PP budget**) should be planned **BL4 External expertise and services costs**



Eligible project activities are co-financed by the ERDF at a rate of



## Possible national co-financing

- Latvian PP – 5%

MK noteikumi Nr.200 22.04.2015 Valsts budžeta līdzekļu piešķiršanas kārtība Eiropas Strukturālo un investīciju fondu mērķa "Eiropas teritoriālā sadarbība" programmu finansējuma saņēmējiem no Latvijas

- Lithuanian PP- 7.5%

<http://www.esbendradarbiavimas.lt/teises-aktai/>

## Reimbursement in case of flat rate

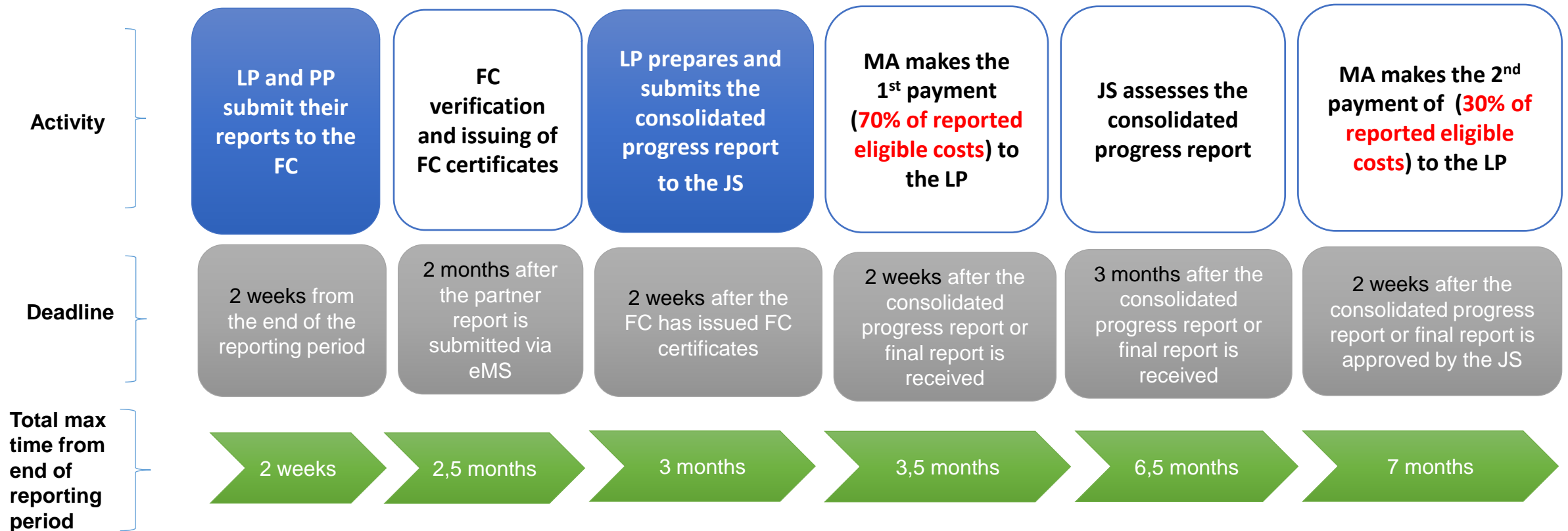
Budget line		Real expenditure	Total reported expenditure	ERDF		
				Total	70%	30%
1	"Staff costs"		1500	1275	893	383
2	"Office and administration costs"		225	191	134	57
3	"Travel and accommodation costs"	1000	1000	850	595	255
4	"External expertise and service costs"	4500	4500	3825	2678	1148
5	"Equipment costs"	2500	2500	2125	1488	638
6	"Infrastructure and works"	1000	1000	850	595	255
	preparation costs	1000	1000	850	595	255
<b>Total</b>		<b>10000</b>	<b>11725</b>	<b>9966</b>	<b>6976</b>	<b>2990</b>

100 %

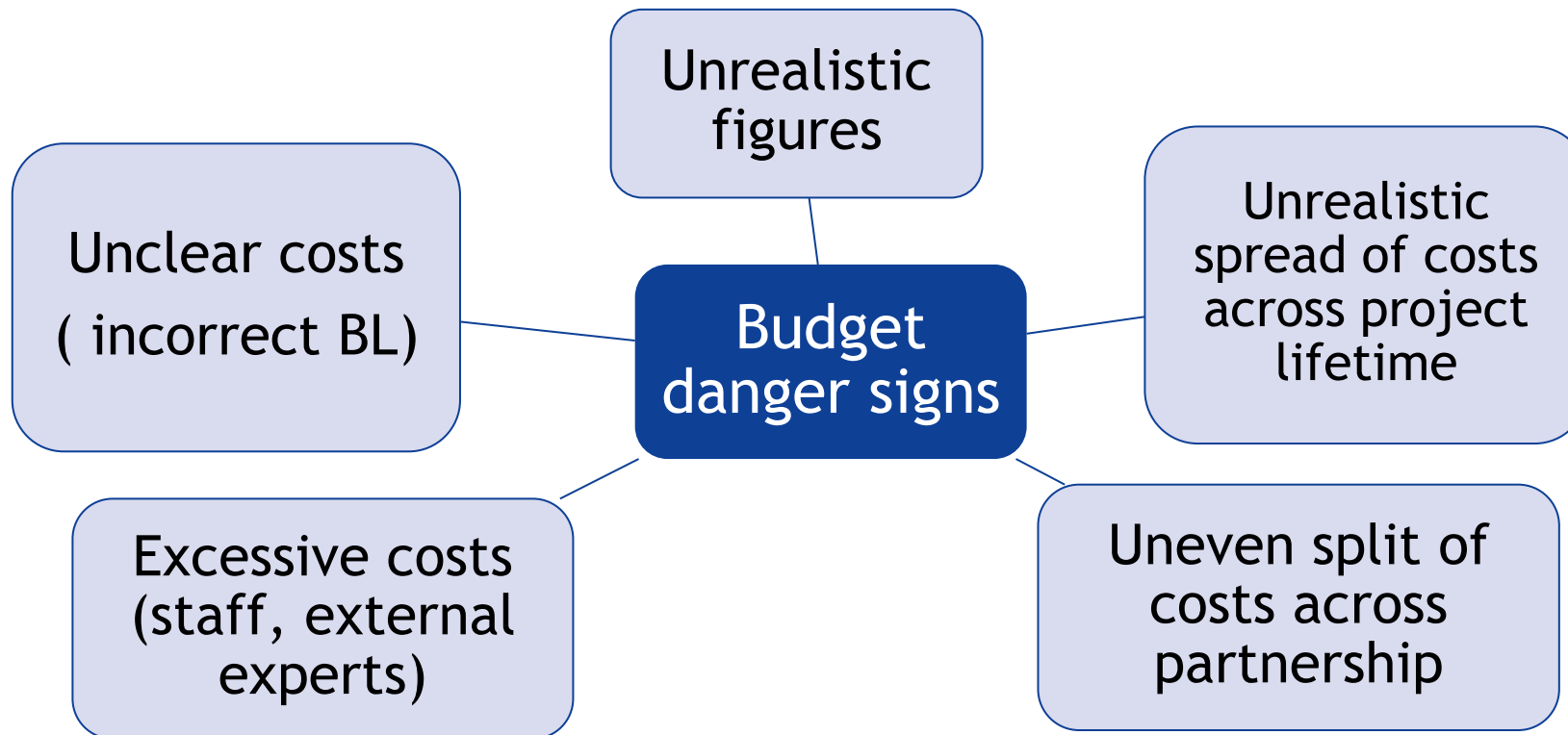
117,25 %

99 %

# Reporting processes



## Project budget danger signs



# Thank You!

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