



PROGRAMME MANUAL

1st CALL FOR PROPOSALS AND DIRECT AWARD

Interreg V-A Latvia-Lithuania Programme 2014–2020

Version **4**

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ABBREVIATIONS

| | |
|---|-----------|
| Audit Authority | AA |
| Branch Office | BO |
| Budget Line | BL |
| European Commission | EC |
| Electronic Monitoring System | eMS |
| European Regional Development Fund | ERDF |
| European Territorial Cooperation | ETC |
| European Union | EU |
| European Union Strategy for the Baltic Sea Region | EUSBSR |
| Financial Control | FC |
| Information and communication technology | ICT |
| Interreg V-A Latvia–Lithuania Cross Border Cooperation Programme 2014–2020 CCI 2014TC16RFCB027 | Programme |
| Joint Secretariat | JS |
| Lead Partner | LP |
| Managing Authority | MA |
| Monitoring Committee | MC |
| National Authority | NA |
| Non-governmental organisation- within the framework of the Programme NGOs include associations and foundations as well as other legal bodies that have been established for the specific purpose of meeting the needs of the general interest and not having an industrial or commercial character and having a legal personality | NGO |

1. INTRODUCTION

The Programme manual is based on the Interreg V-A Latvia–Lithuania Cross Border Cooperation Programme 2014–2020 CCI 2014TC16RFCB027 document and is the main guidance document for the LP and project partners.

This Programme manual is for projects approved within the 1st call for proposals and for direct award. The 1st version of the Programme manual was approved by the MC on 28 April 2016 the 2nd version of the Programme manual was approved by the MC on 4 April 2017, the 3rd version of the Programme manual applicable to projects approved within the 1st call for proposals was approved by the MC on 7 August 2017 and 4th version was approved on 25 May, 2018 and is available on the Programme's website www.latlit.eu.

The Programme manual is issued for each call for proposals. LP and project partners have to follow the latest approved version of the Programme manual of the respective call for proposals.

2. GENERAL PROGRAMME INFORMATION

2.1 Latvia–Lithuania Programme 2014–2020

The Programme is implemented under the ETC goal of European Structural and Investment funds of Cohesion Policy. The Programme objective is to contribute to the sustainable and cohesive socio-economic development of the Programme regions by helping to make them more competitive and attractive for living, working and visiting.

The Programme continues cooperation started during 2000–2006 programming period as Latvia–Lithuania–Belarus INTERREG IIIA Priority within the Baltic Sea Region INTERREG III B Neighbourhood Programme and Latvia–Lithuania Cross Border Cooperation Programme under European Territorial Cooperation Objective 2007–2013.

The Programme was approved by the EC on 30 November, 2015. The Programme document is available on the Programme's website www.latlit.eu.

2.2 Programme Area

The Programme area includes the following NUTS III regions¹ of Latvia and Lithuania:

| | |
|-----------|--|
| Latvia | <i>Kurzeme, Zemgale, Latgale</i> |
| Lithuania | <i>Klaipėda, Telšiai, Šiauliai, Panevėžys, Utena, Kaunas</i> |



In duly justified cases and only for the benefit of the Programme area, the funding might be allocated outside the Programme area for implementation of project activities but within the EU. For more detailed information see section 9.1. “General rules applicable to the project budget” subsection “Geographical eligibility” and section 9.2 “Eligibility of costs”.

¹ NUTS – the Nomenclature of Territorial Units for Statistics established to provide a single uniform breakdown of territorial units for regional statistics for the European Union. <http://ec.europa.eu/eurostat/ramon/>

2.3 Funding

The Programme is co-financed by the ERDF. During 2014 – 2020 programming period, EUR **51,6 million** will be allocated to projects. Co-financing from the Programme will be 85% of total eligible project costs. Project partners own contribution must be 15% of total eligible project costs.

2.4 Language

The official language of the Programme is English. All official documentation (application forms, progress reports, partner declarations, etc.) and official communication between LP and project partners and the Programme management bodies must be in English. Supporting documents (building/technical documentation, cost estimations, agendas of local events, invoices, etc.) can be submitted in national languages.

2.5 Management bodies

The following bodies are involved in the management of the Programme:

Monitoring committee – the MC is a body responsible for ensuring quality and effectiveness of the Programme and performing duties listed in Article 47 of Regulation (EU) 1303/2013 and Article 12 of Regulation (EU) No 1299/2013, such as approving Programme implementation procedures, making substantial changes in Programme implementation procedures, reviewing Programme implementation and progress towards achieving its objectives, giving opinion on necessary changes in the Programme as well as selecting projects for funding. Members of the MC are representatives from national, regional or local level authorities and economic, social partners as well as representatives of civil society from Latvia and Lithuania.

National Authorities – NAs are national bodies responsible for coordination of implementation of the Programme on behalf of the Member States. Functions of the NAs are carried out by the Ministry of the Interior of the Republic of Lithuania and the Ministry of Environmental Protection and Regional Development of the Republic of Latvia.

National sub-committees – bodies, established in Latvia and Lithuania to support work of the relevant NAs and/or members of the MC. They ensure wider participation of line ministries, regional and/or local authorities, economic, social partners and other stakeholders during the implementation period of the Programme.

Managing Authority – the MA is a body responsible for day to day sound financial and operational management of the Programme, as well as project quality assessment. The MA based on the MC decision on project selection issues decision on project approval and financing, signs subsidy contract. The MA also fulfils certifying functions, thus it is responsible for the accuracy of expenditure statements and compliance of the eligible expenditure with the EU and national rules, makes payments to the project LP, draws up and submits requests to the EC for ERDF co-financing payments and receives payments from the EC. Functions of the MA are carried out by the Ministry of Environmental Protection and Regional Development of the Republic of Latvia.

Joint secretariat – the JS is the main contact point for the applicants, LP and project partners providing daily assistance during the preparation and implementation of projects. The JS also carries out project assessment, monitoring and is responsible for the Programme promotion. At the same time the JS assists the MA and the MC in performing their functions. Functions of the JS are carried out by the Ministry of Environmental Protection and Regional Development of the Republic of Latvia.

The JS has a branch office (BO) located in Lithuania, Vilnius, and hosted by the Public

establishment “Joint technical secretariat” (VšĮ “Jungtinis techninis sekretoriatas”). The tasks of the JS and its BO can vary during the implementation cycle of the Programme and shall include (among other tasks): providing information to potential applicants about funding opportunities, as well as assisting applicants in preparation and project partners in implementation of projects; projects monitoring; involvement in the assessment of projects applications (at least an administrative check and eligibility check); providing information concerning the Programme and projects, and communicating Programme results in the Programme regions and on EU level.

Audit Authority – the AA is a body responsible for carrying out system audits to verify the effective functioning of the management and control system of the Programme, and for carrying out audits of operations on an appropriate sampling basis to verify correctness of the declared project expenditures. Functions of the AA are carried out by the Ministry of Environmental Protection and Regional Development of the Republic of Latvia.

Group of auditors - a body assisting the AA in carrying out system audits and responsible for carrying out the audits of operations limited to the beneficiaries located in the territory of the respective Member State represented by the member(s) of the GoA. The GoA consists of the representatives of the AA –the Ministry of Environmental Protection and Regional Development of the Republic of Latvia and the Ministry of the Interior of the Republic of Lithuania.

Financial control – FC are bodies in Latvia and Lithuania responsible for verification on the basis of partner reports that the co-financed products and services have been delivered, expenditure declared by the project partners has been paid out and that it complies with applicable legal framework and the Programme. In Latvia FC is centralized and its functions are carried out by the Ministry of Environmental Protection and Regional Development of the Republic of Latvia. In Lithuania a decentralized system is established by the Ministry of the Interior of the Republic of Lithuania.

For contact details of the Programme management bodies please see Programme webpage www.latlit.eu.

2.6 Legal framework

During project implementation applicable EU regulations, horizontal policies and national legislation as well as all practical information set out in the Programme manual and provisions of the Subsidy Contract and its Annex 1 must be respected. List of legal framework in order of hierarchy is available on the Programme’s website www.latlit.eu:

- EU rules:
 - Common provisions Regulation (CPR)²;
 - ERDF Regulation³;
 - ETC Regulation⁴;

²REGULATION (EU) No 1303/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 17 DECEMBER 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006

³REGULATION (EU) No 1301/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006

⁴REGULATION (EU) No 1299/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal

- Commission Delegated Regulation on ETC eligibility rules⁵;
- all other applicable EU legislation, including the Community rules laying down provisions on public procurement and entry into the markets, on competition, on state aid, on protection of environment, on sustainable development and on the promotion of equality between men and women and non-discrimination, on the protection of natural persons with regard to the processing of personal data etc.;
- Interreg V-A Latvia–Lithuania Programme 2014–2020;
 - Common rules established by Member States in the MC Programme manual for the 1st call Interreg V-A Latvia–Lithuania Programme 2014–2020 and other other relevant Programme documents, its Annexes and guidance;
- National legislation.

The hierarchy of rules sets out a priority of the EU legislation. Where no or no detailed provisions are stipulated in the EU rules, the Programme rules can be set up accordingly. National legislation only applies where specific issues are not regulated either by the EU legislation or the Programme rules.

For matters not covered by eligibility rules laid down in the CPR, ERDF Regulation, ETC Regulation and Commission Delegated Regulation on ETC eligibility rules or in rules established by the Programme, the national rules of the Member State in which the expenditure is incurred (paid out) shall apply.

⁵ COMMISSION DELEGATED REGULATION (EU) No 481/2014 of 4 March 2014 supplementing Regulation (EU) No 1299/2013 of the European Parliament and of the Council with regard to specific rules on eligibility of expenditure for cooperation programmes

PART I – PROGRAMME PRIORITIES FOR OPEN CALL PROJECTS

3. PROGRAMME PRIORITIES

The Programme is result oriented and thematically concentrated. Result orientation means that projects are expected to achieve tangible results which are relevant to the target groups of the project and have long lasting effect on the Programme area.

Thematic concentration means that the Programme intervention is planned in restricted number of fields. Four programme priorities are selected based on Programme area characteristics, identified needs and challenges.

Each Programme priority is divided into specific objectives. To measure the progress of each specific objective the result indicators are defined - each result indicator has the baseline and target values.

Table 1 Programme priorities, specific objectives, result indicators, output indicators and ERDF co-financing available for projects.

| PRIORITY | SPECIFIC OBJECTIVE | RESULT INDICATOR, UNIT | VALUES | OUTPUT INDICATOR | ERDF CO-FINANCING (MEUR) | MAX ERDF PER PROJECT |
|--|---|---|--|--|---------------------------|----------------------|
| 1. SUSTAINABLE AND CLEAN ENVIRONMENT THROUGH COOPERATION | 1.1. To increase number of visitors to the Programme area through improving and developing cultural and natural heritage objects, services and products | Number of overnight stays of visitors in the Programme area | 2023 target: 3 548 250 2013 baseline: 3 085 435 | Sustainable Tourism: Increase in expected number of visits to supported sites of cultural and natural heritage and attractions | ~5,6 | 1 000 000 |
| | 1.2. To increase integration and efficiency of environmental resource management | Number of organisations jointly contributing to environmental resource management | 2023 target: 186 2015 baseline: 177 | Number of organisations supported | ~3,5 | |
| | 1.3. To regenerate public areas with environmental problems | Number of households not facing pollution, grime and other municipal environmental problems | 2023 target: 861 054 2013 baseline: 855 069 | Land rehabilitation: Total surface area of rehabilitated land | ~4,9 | |

| PRIORITY | SPECIFIC OBJECTIVE | RESULT INDICATOR, UNIT | VALUES | OUTPUT INDICATOR | ERDF CO-FINANCING (MEUR) | MAX ERDF PER PROJECT |
|--|---|--|--|---|---------------------------|----------------------|
| 2. SUPPORT TO LABOUR MOBILITY AND EMPLOYMENT | 2.1. To create employment opportunities through entrepreneurship support | Number of newly established businesses per year | 2023 target: 6 818 2012 baseline: 6 619 | Business support services improved/created as result of the cross border cooperation | ~4,5 | 800 000 |
| | | | | Improved or created business support infrastructure objects that ensure indirect business support | | |
| | | | | Productive investments: Number of enterprises receiving non-financial support | | |
| | | | | Productive investment: Number of enterprises receiving support | | |
| | 2.2. To increase job opportunities by improving mobility and workforce skills | Number of people receiving upgraded skills matching labour market needs per year | 2023 target: 36 116 2013 baseline: 34 396 | Labour Market and Training: Number of participants in joint local employment initiatives and joint training | ~13,5* | |
| | | | | Created or improved educational and training infrastructure objects planned for joint use | | |
| Number of commuters per day | | 2023 target: 1 717 2013 baseline: 1 561 | Roads: Total length of reconstructed or upgraded roads | | | |

| PRIORITY | SPECIFIC OBJECTIVE | RESULT INDICATOR, UNIT | VALUES | OUTPUT INDICATOR | ERDF CO-FINANCING (MEUR) | MAX ERDF PER PROJECT |
|--|--|--|--|---|--------------------------|----------------------|
| 3. SOCIAL INCLUSION AS A PRECONDITION TO TERRITORIAL DEVELOPMENT | 3.1. To improve accessibility and efficiency of social services | Number of people benefitting from more accessible, efficient social inclusion measures and social services | 2023 target: 3000 2013 baseline: 2000 | Created/improved social services and infrastructure | ~6,7 | 800 000 |
| | | | | Created/improved social inclusion measures | | |
| 3. SOCIAL INCLUSION AS A PRECONDITION TO TERRITORIAL DEVELOPMENT | 3.2. To improve living conditions in deprived communities and territories | Number of households not facing pollution, grime and other municipal environment problems | 2023 target: 861 054 2013 baseline: 855 069 | Number of deprived communities participating in the regeneration activities | ~3,6 | 200 000 |
| 4. IMPROVED QUALITY OF LIVING THROUGH EFFICIENT PUBLIC SERVICES AND ADMINISTRATION | 4. To improve efficiency of public services by strengthening capacities and cooperation between institutions | Number of solutions improving public services | 2023 target: 40 2013 baseline: 36 | Number of institutions, participating in cooperation | ~9,3 | 500 000 |

*9 mln EUR from this available ERDF co-financing are allocated to road reconstruction

A set of output indicators is developed to measure the tangible outputs produced by the projects.

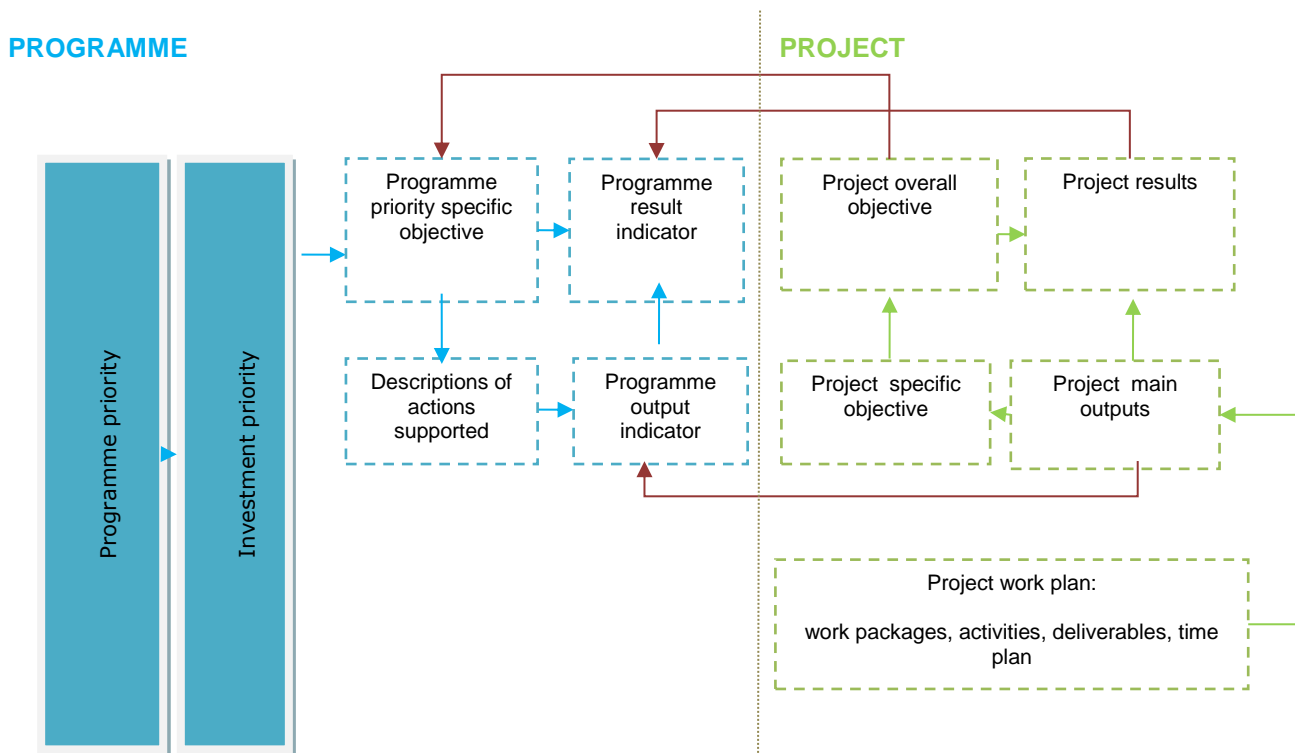
Under each specific objective indicative list of activities supported is included. However, applicants are free to develop their own project ideas, as long as they address one **Programme priority**, its **specific objective** and **at least one result indicator** and **one output indicator of the chosen specific objective**.

Please note that activities listed below are not supported by the Programme:

- Purchase of land;
- Purchase of real estate;
- Purchase of not specialised cars;
- Purchase of luxury goods;

- Preparation of the technical documentation, with an exception to projects applying under Priority I “Sustainable and clean environment through cooperation”, specific objective 1.3. “To regenerate public areas with environment problems”;
- Investment in infrastructure outside the Programme territory;
- Construction of roads for the applicants applying for the open calls;
- Investment in airport and port infrastructure unless related to environmental protection or accompanied by investment necessary to mitigate or reduce its negative environmental impact;
- De-commissioning or construction of nuclear power stations;
- Manufacturing, processing and marketing tobacco and alcoholic products and psychotropic substances;
- Undertakings in difficulty, as defined under Union State aid rules;
- Investment to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC;
- Political and religious activities (except for cultural heritage objects aimed at tourism promotion).

Graph 1 Project linkage to the Programme



PRIORITY I. SUSTAINABLE AND CLEAN ENVIRONMENT THROUGH COOPERATION

| Specific objective 1.1. | Result indicator | Output indicator |
|--|---|--|
| To increase number of visitors to the Programme area through improving and developing cultural and natural heritage objects, services and products | Overnight stays of visitors in the Programme area | Sustainable Tourism: Increase in expected number of visits to supported sites of cultural and natural heritage and attractions |

The aim of this specific objective is to address challenges of sustainable preservation, promotion and development of natural and cultural heritage objects, services and products.

If investments are essential to reach project objectives, then projects must be implemented in an integrated manner, e.g., investments (infrastructure improvements and equipment upgrades) have to be combined with soft activities (marketing, trainings, etc.).

Development and promotion of cultural and natural heritage objects, services and products shall enhance the increase of the green/eco and cultural tourism. During project planning and implementation, special attention should be paid to environment friendly solutions, eco-innovative initiatives and climate change mitigation and adaptation. Balance between maximum use and sustainability of cultural and natural heritage objects, services and products must be observed.

Expected result

Cultural and natural heritage objects, services and products improved, developed in a sustainable way and promoted, thus increasing number of visitors.

Indicative list of activities supported:

- Sustainable improvement of infrastructure of cultural and natural heritage objects and related equipment upgrades (e.g., fortification of slopes and stairs, creation of comfortable resting places to minimize harm to heritage objects and pollution, placement of information signs to optimize visitor flow and redirect visitors to less vulnerable territories, etc.);
- Development of existing/new joint innovative and sustainable services and products based on tangible and intangible cultural and natural heritage to tackle different problems (e.g., insufficient preservation and adaptation of cultural and natural heritage objects to contemporary needs; tourism seasonality, etc.);
- Clustering (creation and branding of joint service packages for visitors including the definition and promotion of joint attractions, routes combined with catering, transport and other relevant services);
- Capacity building of involved stakeholders to improve quality and ensure diversification of services;
- ICT solutions for joint routes, products and services;
- Marketing activities and promotion of sustainable and environment friendly behaviour, products and services (e.g., promotional events, visits, fairs, media advertising);
- Awareness raising about preservation of cultural and natural heritage objects and their historical importance, authenticity of traditions, etc.

| Specific objective 1.2. | Result indicator | Output indicator |
|---|---|-----------------------------------|
| To increase integration and efficiency of environmental resource management | Number of organisations jointly contributing to environmental resource management | Number of organisations supported |

The aim of this specific objective is to improve integration and efficiency of environmental resource management by promoting cooperation among involved stakeholders at all levels. It shall result in a higher level of capability to handle protection and restoration of biodiversity and soil, promotion of ecosystem services, including activities related to Natura 2000 sites and green infrastructure.

It is expected that active and coordinated cooperation through planning, implementation, monitoring and other relevant activities will ensure more integrated and efficient management of environmental resources. At the same time, it is important that integrated and improved efficiency of environmental resource management is also ensured in practice and concrete solutions are defined and applied.

Joint environmental resource management includes:

- Wide range of natural object types (e.g. river basins, lakes, dry land areas, wetlands, coastal areas, etc.);
- Protected areas (e.g. improvements of the biodiversity situation, flora and fauna conditions, etc.);
- Risk management (e.g. floods, fire, chemicals spills, etc.).

Expected result

Efficient and more integrated environmental resource management (e.g. new or improved management processes, tools, methodologies) applied due to active cooperation between involved stakeholders.

Indicative list of activities supported:

- Joint environmental resource management activities, including those aimed at coordination/unification of methodologies and approaches through exchange of practices, trainings, seminars and other actions;
- Joint management solutions for natural objects and protected areas (e.g., development of joint concepts, strategies, models and pilot actions (initial small-scale implementation that is used to prove the viability of an idea. This could involve either the exploration of a novel new approach or idea or the application of a standard approach recommended by outside parties but which is new to the organisation) for sustainable and innovative management of river basins, technology transfer, etc.);
- Increase of the administrative capacity for risk prevention measures;
- Construction and promotion of green infrastructure⁶;
- Strengthen cross border cooperation, developing information exchange and systems for managing and monitoring protected areas, safeguard ecosystems, and protection and management of biodiversity;
- Educational and awareness raising activities (information campaigns, education programmes, educational publicity materials, etc.);
- Development of tools and implementation of measures to control invasive or non-native species;
- ICT solutions to improve integration and efficiency of environmental resource management;
- Improvement of nature infrastructure and equipment;
- Joint environmental risk (flood, pollution, erosion etc.) management actions, planning and development of related equipment and infrastructure;
- Development and transfer of new organisational models, such as pooling of competences across regional and national borders, facilitating co-operation among local authorities and community groups for sustainable environmental management;
- Adapting, testing, improving and applying existing tools to ensure continued and adequate management of protected areas;
- Create, test and apply new tools to ensure continued and adequate management of protected areas.

| Specific objective 1.3. | Result indicator | Output indicator |
|--|---|---|
| To regenerate public areas with environmental problems | Number of households not facing pollution, grime and other municipal environmental problems | Land rehabilitation: Total surface area of rehabilitated land |

The aim of this specific objective is to revitalise municipality-owned brownfields. In the context of the Programme brownfield is a part of the territory, which has so far been used, covered with buildings or planned for business activities, but now the business activities and employment are not at a satisfactory level. These territories are wholly or partially abandoned or neglected, or often – contaminated. Brownfields may have real or perceived contamination problems negatively affecting their direct adjacent and neighbouring area.

In order to ensure sustainable and resource-efficient revitalisation of municipality-owned brownfields, it is of great importance to involve all relevant stakeholders and foster cooperation among them, allowing the best practices to be created or identified and put into practice. It is expected that this will result in a range of economic, social and environmental benefits to local communities, including restoration of environmental quality, elimination of health threats, creation of employment opportunities and an improvement of the quality of citizen's lives.

⁶ Green infrastructure is defined as a strategically planned network of high quality natural and semi-natural areas with other environmental features, which is designed and managed to deliver a wide range of ecosystem services and protect biodiversity in both rural and urban settings. Please see: http://ec.europa.eu/environment/nature/ecosystems/docs/green_infrastructure_broc.pdf

Expected result

Best practices related to planning and implementation of sustainable brownfields revitalisation defined and applied through pilot actions.

Indicative list of activities supported:

- Experience exchange activities, cross border and also with other EU countries to identify sustainable and resource-efficient approaches of brownfields revitalisation in municipality including joint preparation of concepts and primary designs for brownfield revitalisation;
- Pilot investments (exploring, testing and using innovative approaches) in municipal brownfield sites, including deconstruction of derelict buildings, cleaning territories and improving public infrastructure;
- Propositions for minimisation or elimination of environmental risks influencing current or planned land use;
- Minimisation/elimination of contamination in sites;
- Experience exchange of good practices.

PRIORITY II. SUPPORT TO LABOUR MOBILITY AND EMPLOYMENT

| Specific objective 2.1. | Result indicator | Output indicators |
|---|---------------------------------------|--|
| To create employment opportunities through entrepreneurship support | Newly established businesses per year | <ul style="list-style-type: none"> - Business support services improved/created as a result of the cross border cooperation - Improved or created business support infrastructure objects that ensure indirect business support - Productive investment: Number of enterprises receiving support ((number of enterprises receiving non-financial support)⁷ |

The aim of this specific objective is to create employment opportunities by supporting development of business environment through actions encouraging people to start businesses and develop new business ideas and initiatives.

Activities should lead to a positive growth of newly established businesses in the Programme area, as well as improved business environment in general (improved services and infrastructure).

Therefore, through cross border cooperation relevant institutions are encouraged to improve existing business support models or create new business support initiatives if necessary. Also, focus should be put on organising necessary training to obtain entrepreneurial skills and promote entrepreneurial spirit allowing people to start business.

Under this specific objective activities have to focus on and support will be provided for:

- **Capacity building** - joint activities on capacity building (e.g. exchange visits, trainings, workshops, consultations, mentoring, etc.) enabling potential local entrepreneurs to start entrepreneurship.
- **Elaborating or improving lifelong learning programmes** - which foster inventive thinking, gaining skills and competences necessary for starting entrepreneurship.
- **Improving business support services** - establishing cross border networks for cooperation among business support institutions, for development and promotion of innovative tools and solutions helping business support services work more effectively.
- **Improving business support infrastructure** - modernisation and development of basic municipal infrastructure providing services to potential entrepreneurs for development of their business capacity and providing physical facilities for business operations.

⁷ Output indicator number of enterprises receiving non-financial support is a sub-indicator of output indicator productive investment: number of enterprises receiving support. Therefore, projects contributing to the achievement of number of enterprises receiving support automatically contribute towards indicator number of enterprises receiving non-financial support

Expected result

Entrepreneurship promoted, economic activity facilitated and employment opportunities created.

Indicative list of activities supported:

- Modernisation and development of basic municipal infrastructure and equipment necessary for providing business support and improvement of business capacity. Small scale investments (up to EUR 100 000 ERDF per site);
- Development of business support services with cross border dimension;
- Joint awareness initiatives on cross border business opportunities;
- Training, coaching and mentoring for potential cross border businesses;
- Networking of entrepreneurs;
- Raising awareness of students, unemployed persons etc. about entrepreneurship and self-employment as a career option;
- Cooperation between educational institutions, business support institutions, entrepreneurs and municipalities to promote entrepreneurship and provide necessary training to facilitate entrepreneurship;
- Development and promotion of innovative tools necessary for teaching and implementation of business activities;
- Establishing and promoting cross border business mentors' networks;
- Activities that facilitate cooperation and information exchange between entrepreneurs within the Programme area, including trainings, workshops, mentoring, coaching and consultations.

| Specific objective 2.2. | Result indicators | Output indicators |
|--|--|--|
| To increase job opportunities by improving mobility and workforce skills | Number of people receiving upgraded skills matching labour market needs per year | Labour Market and Training: <ul style="list-style-type: none"> - Number of participants in joint local employment initiatives and joint training - Created or improved educational and training infrastructure objects planned for joint use |

The aim of this specific objective is to increase labour mobility through improved matching of labour force skills to labour market needs. In order to achieve this, different coordinated tools and approaches are supported:

- **Improved educational programmes, organizational procedures and availability of lifelong learning professional education to reduce skill mismatch:**
 - cooperation between entrepreneurs and educational institutions to identify and eliminate skill mismatches in educational programmes;
 - cooperation between educational institutions to improve their services and training programmes according to labour market needs, including purchase of necessary equipment and development of infrastructure;
 - cooperation between entrepreneurs and employed persons in lifelong learning and other activities to improve their labour market competitiveness (e.g. trainings, workshops, exchanges of good practices, etc.).
- **Increased labour mobility by promotion of cross border employment through information exchange on workforce demand and required skills:**

development of joint solutions, services, tools (e.g. databases, legal consultations, information services, etc.) which would help to support information exchange on required skills and available job vacancies across the border. Activities related to promotion of cross border employment (e.g. networking and experience exchange, job fairs, etc.) shall be implemented in cooperation between relevant stakeholders and responsible institutions (e.g. state employment agencies, local municipalities, enterprises, etc.).

Expected result

Increased labour mobility due to new job opportunities because of improved workforce skills and information about available labour vacancies across the border matching labour market needs.

Indicative list of activities supported:

- Fostering cooperation between educational institutions to improve their services and training programmes, develop new joint training programmes in sectors with specific skills shortages, including purchase of necessary equipment and infrastructure;
- Involvement of entrepreneurs and employed persons in lifelong learning and other support activities in order to improve their labour market competitiveness;
- Trainings, exchanges, internships and international field practices;
- Cooperation between businesses and educational institutions;
- Job fairs and information exchange on workforce demand and skill requirements;
- Activities to identify necessary improvements of educational programmes and teaching, training and management methods;
- Joint trainings and exchanges of good practices for a better integration in the labour market;
- Raising awareness on employment opportunities in the Programme area.

PRIORITY III. SOCIAL INCLUSION AS A PRECONDITION OF TERRITORIAL DEVELOPMENT

| Specific objective 3.1. | Result indicator | Output indicators |
|--|---|---|
| To improve accessibility and efficiency of social services | Number of people benefiting from more accessible, efficient social inclusion measures and social services | <ul style="list-style-type: none"> - Created/improved social services and infrastructure - Created/improved social inclusion measures |

The aim of this specific objective is to promote social inclusion of vulnerable groups⁸ through improvement of social infrastructure and accessibility and efficiency of social services by establishment of social networks and partnerships between responsible institutions and local stakeholders.

In the Programme context vulnerable groups are for example:

- Disabled (physically, cognitively, mentally, sensory, emotionally, developmentally or suffering from combination of previously mentioned);
- People suffering of addictions;
- People facing violence;
- Elderly people;
- At-risk children and youth
- Migrants.

It is expected that lack of regular and equal access to social care, education, labour market, etc. will be reduced through project activities. Moreover, integration of vulnerable groups into labour market will be facilitated.

Expected result

Social inclusion of vulnerable groups enhanced, increasing their labour market participation and reducing inequalities in terms of educational goals. Increased cost-effectiveness and sustainability of social care.

Indicative list of activities supported:

- Networking between social service providers and stakeholders in order to exchange experience and identify good practices and solutions, which require cross border intervention;
- Improvement of infrastructure and equipment necessary for improved and more accessible social services;
- Improvement of competencies of specialists providing social services;
- Informative campaigns to raise awareness about available social services for vulnerable groups;
- Integration of vulnerable groups in the labour market/educational activities/social life;
- Improvement of accessibility and efficiency as well as diversification of social services or solutions by applying new approaches, tools, methods, etc.;
- Protection of vulnerable groups living under unfavourable conditions.

⁸Vulnerable group – a population that has some specific characteristics creating a higher risk of falling into poverty or social exclusion than others living in areas targeted by a project

| Specific objective 3.2. | Result indicator | Output indicator |
|--|---|---|
| To improve living conditions in deprived communities and territories | Number of households not facing pollution, grime and other municipal environmental problems | Number of deprived communities participating in the regeneration activities |

The aim of this specific objective is to create conditions that facilitate socio- economic activity of deprived communities and solve their problems. It could be achieved by tackling barriers to growth - fostering willingness to participate in processes affecting their life and unlocking potential of members of deprived communities.

Activities have to focus on building up networks in education, culture, healthy lifestyle etc., and experience exchange of best approaches how to work with deprived communities, as well as accessibility of services.

As a result, interaction between deprived communities and social service providers will be improved and thus members of deprived communities will have new opportunities to participate in the local life. Development of deprived communities and territories will also contribute to people's satisfaction with area where they live.

Projects with soft activities for deprived communities are supported alongside with small scale infrastructure works (if necessary), e.g. creating, upgrading, equipping social spaces (excluding basic public infrastructure).

Expected result

Deprived communities are more active and involved in regeneration activities

Indicative list of activities supported:

- Actions for activating deprived communities and solving problems and capacity building for specialists;
- Networking activities in education, culture, healthy lifestyle and other fields to activate deprived communities;
- Creating, upgrading, equipping social spaces (excluding basic public infrastructure - social houses, educational centres, hospitals, medical points, etc.) in the form of small scale infrastructure works for deprived communities and territories;
- Educational activities, practical workshops and involvement of professional assistance (e.g. psychologists, facilitators, education specialists, etc.) for deprived communities;
- Experience exchange of different stakeholders (municipalities, local leaders, educational institutions, NGOs, social service centres, etc.) and transfer of the best practices regarding approaches how to successfully work with deprived communities.

PRIORITY IV. IMPROVED QUALITY OF LIVING THROUGH EFFICIENT PUBLIC SERVICES AND ADMINISTRATION

| Specific objective 4.1. | Result indicator | Output indicator |
|---|---|--|
| To improve efficiency of public services by strengthening capacities and cooperation between institutions | Number of solutions improving public services | Number of institutions, participating in cooperation |

The aim of this specific objective is to improve efficiency of public services by:

1. Raising capacity of public authorities and institutions by promoting legal and administrative cooperation in areas such as combating crime, improvement of civil security, facilitation of employment, protection of environment, improvement of education, improvement of social policies, etc. and
2. Enhancing cooperation between citizens and institutions.

With the added value of cross border cooperation, institutions providing public services are encouraged to apply administration tools to a greater extent, launch quality management systems, take initiatives to improve their internal administration and standardisation of functions. Focus should be put on exchange of best practices among institutions, increasing availability of public services and their cost effectiveness and establishment of new cross border cooperation solutions if necessary in the Programme area.

Under this specific objective activities will only be supported if they are not covered by other Programme priorities and have to focus on:

- **Increasing capacity of institutions providing public services:** capacity building of employees providing public services, through cooperation networks, experience exchange visits, trainings, workshops and consultations.
- **Improving efficiency and accessibility of public services:** simplification of administrative procedures and reduction of administrative burden, raising administrative cost-efficiency, modernisation and optimisation of public administration processes including development of interactive information and communication measures, development/improvement of management tools and quality management systems and ICT solutions. Investments, specific equipment and establishment of joint data should be oriented towards more efficient organisational processes and management.

Expected result

Strengthened institutional capacity and efficiency of public services through modernisation of equipment, infrastructure and organisational processes in areas such as combating crime, improvement of civil security, facilitation of employment, protection of environment, improvement of education, improvement of social policies, etc.

Indicative list of activities supported (if not covered by other Programme priorities):

- Actions and improvement of infrastructure and equipment (if necessary) for protection and security of civil society;
- Development and implementation of training and mentoring activities;
- Transfer of good practices and development of innovative models or solutions for provision of necessary competences and human resources within public services;
- Promotion of legal and administrative cooperation that create synergies;
- Development of innovative models for institutional cooperation and/or joint management systems;
- Development of procedures and tools for monitoring and evaluation of effectiveness of public services;
- Integrated actions for simplification of administrative procedures and reduction of administrative burden;
- Promotion of dialog between citizens and public services providers and societal involvement in civic decision making;
- Small scale infrastructure and equipment for increased community capacity-building.

4. GENERAL PRINCIPLES

4.1 Horizontal principles

In addition to the relevance to specific objectives of the Programme priorities, all projects have to be in line with horizontal principles of the Programme. Applicants should indicate whether the project will have positive, neutral or negative impact on horizontal principles. Projects with a direct negative impact on horizontal principles will not be selected for the Programme funding.

Projects have to comply with these principles:

- Sustainable development

Sustainable development stands for meeting the needs of present generations without jeopardizing the ability of future generations to meet their own needs – in other words, a better quality of life for everyone, now and for generations to come⁹. This horizontal principle is related to making decisions in a way that economic, ecological and social effects of each decision are taken into account.

Priority I is directly related to resource efficiency and environmental friendly behaviour. Thus projects applying for the Programme funding under this priority need to have a direct positive impact on sustainable development.

- Equal opportunities and non-discrimination

Discrimination is a situation where an individual is mistreated because of some characteristics – gender, age, race ethnic group, family background, physical condition, religious belief or sexual orientation. The aim of this horizontal principle is to secure equal access to new opportunities for all border region people, and especially for socially excluded groups.

Moreover, it is recommended that projects supported by the Programme follow universal design principles during construction works, development of products and services if it is cost-efficient. Universal design¹⁰ is the design of products and environments in a way which allows to use project results to maximum possible extent without additional adaptation or specialized design. Therefore, solutions that are more inclusive should be explored and applied if possible, e.g., when installing a handle on a door, it is better to choose a lever handle, rather than a door knob; the lever handle can be opened using the elbow or a closed fist, benefiting people carrying shopping bags as well as people with limited strength in their hands.

- Equality between men and women

The Programme aims to promote equality between men and women. It is important to ensure that men and women are granted equal rights and responsibilities, equal access to resources and project outputs and opportunities to use them.

4.2 EU Strategy for the Baltic Sea Region

All priorities of the Programme are in line with the European Union Strategy for the Baltic Sea Region (EUSBSR). EUSBSR is the first macro-regional strategy in European Union to deepen cooperation between the Baltic Sea States in order to tackle joint objectives: saving the sea, connecting region and increasing prosperity. Detailed objectives of the EUSBSR are stated in the Action Plan¹¹. Applicants shall describe in the application form project contribution to the EUSBSR.

⁹ See: <http://ec.europa.eu/environment/eussd/>

¹⁰ See: <http://www.universaldesign.com/about-universal-design.html>

¹¹ See www.balticsea-region-strategy.eu

4.3 State Aid

State aid is any aid granted by a Member State or through state resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods insofar as it affects trade between Member States¹².

Please note that **state aid relevant activities are supported on the basis of the *de minimis* regulation¹³ for all project partners.** The *de minimis* aid within the Programme will be granted by the MA.

Project partners are requested to check their project activities for state aid relevance when preparing the application form. As a general principle, all project activities will have to be assessed at partner level whether they are state aid relevant or not.

Identification of state aid relevant activities

In order to assess whether state aid is present or not, the recipient of project funding must **act as an undertaking in the context of the project**. Undertaking is any entity engaged in an economic activity which offers goods or services on the market, regardless of the legal form and the way of financing of this entity. The “undertaking” definition can apply to private, public and public equivalent bodies. A situation can occur, where activity by a not profit-oriented organisation can be considered as falling under state aid as it competes with companies that are profit-oriented (e.g. a museum that also produces and sells DVDs). Therefore the basis for the decision on the state aid issue is not the legal form of an organisation, but the character of its activities in relation to the market.

Examples of **non-economic** activities:

- Funding for regulatory action and public functions of public authorities and the exercise of state prerogatives;
- Support for primary activities of research organisations relating to the provision of teaching and research;
- Support for state education.

The next step to identify state aid in project activities is to use set of four criteria that **all have to be fulfilled**.

1. **State resources.** For projects financed within Programme it is considered that this criterion is fulfilled in all cases;
2. **Selectivity.** It has to be assessed if certain undertakings are favoured or the production of certain goods is favoured or there is a selectivity of the use of project results by end users/target group.

State aid does not apply to operators supplying goods and services that have been subject of a tender. Procurement itself guarantees a fair and open competition. Moreover, activities which are open-source and widely disseminated on a non-exclusive and non-discriminatory basis in order to ensure the most transparent and the widest possible access to all interested stakeholders including potential competitors, are not state aid relevant.

3. **Economic advantage.** It has to be assessed if the project activity gives an economic advantage (a benefit) which an undertaking would not have obtained under normal market conditions. If there is no advantage, there is no state aid. In practical terms it

¹² Treaty on the Functioning of the European Union, Article 107

¹³ Commission Regulation 1407/2013 of 18 December 2013 on *de minimis* aid

means that if this criterion is applied, some resources are transferred to undertaking or undertaking is relieved from some charges which an undertaking normally has to bear. Examples where project activities are not considered as relevant to state aid:

- Support for general infrastructure projects that do not benefit specific users e.g. streets, water-ways, cycle trails, improvement of public transport infrastructure or road networks, public amenities, sewage collection;
 - Full market value purchases of goods and services (most effectively demonstrated by a competitive tender in line with EU and national procurement rules);
4. **(Potential) distorting effect on competition and trade within the EU.** It has to be assessed if undertaking is involved in an economic activity and operates in a market where there is trade between Member States. It is sufficient if it can be shown that the undertaking is involved in an economic activity and that it operates in a market in which there is trade between Member States. As a general rule, no effects on competition and trade are to be expected in case of purely local activities such as producing and retail sale of hand-made crafts, local food products.

In case project partner(s) have identified state aid relevant activities, they have to be described in the Annex of the application form “List of State aid relevant activities with indicated budget”.

If project partner(s) have doubts on identification of state aid relevant activities, they should consult the JS at the earliest stage possible. The JS will support the applicants in the assessment of the existence of state aid and guide how to proceed.

Application of state aid

During project assessment MA/JS will assess project activities for state aid relevance (conditions for project can be set to provide additional clarifications or information on activities that are considered state aid relevant).

If state aid relevant activities will be identified for **a partner**, ERDF co-financing will be granted under the *de minimis* aid. This means that an 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. Each organisation receiving *de minimis* aid should follow the ceiling of EUR 200 000 and make sure that it is not exceeded.

During implementation of conditions before final approval of the project, project partner(s) with state aid relevant activities will be asked to provide:

1. “List of State aid relevant activities with indicated budget” (which is Annex to application form, available on the Programme website www.latlit.eu);
2. “De minimis declaration” indicating de minimis aid received within period of three fiscal years (which is Annex to application form, available on the Programme website www.latlit.eu). **The organisation receiving the *de minimis* aid bears all responsibility for following the limits.** If organisation has used *de minimis* aid in full, the state aid relevant activities will be considered ineligible and will be taken out from the application form.

Potential state aid can also be identified by JS, FC, MA, AA during project implementation. In this case project partner(s) with state aid relevant activities will be asked to provide “List of State aid relevant activities with indicated budget” and “De minimis declaration”. The JS shall evaluate information provided in the afore-mentioned forms submitted, i.e., “List of State aid relevant activities with indicated budget” and “De minimis declaration” and:

1. In case when costs of the state aid activities fit in the financial limitation of de minimis for the relevant project partner, MA shall fill in the de minimis registration form which shall be sent to the relevant project partner(s);
2. In case when costs of the state aid activities exceed the financial limitation of de minimis for the relevant project partner;
 - 2.1. The project shall be continued only after the costs exceeding the financial limitation and respective activities are excluded from the Application, if exclusion doesn't undermine the aim of the project;
 - 2.2. The project shall be terminated if costs exceeding the financial limitation and respective activities are considered as essential for project implementation and therefore may not be excluded.

5. PROJECT PREPARATION

During project preparation project partners should follow “Guidance how to apply via the eMS” available on the Programme’s website www.latlit.eu for detailed information on how to fill in application form.

A project should be defined by the need to achieve **defined objectives** with **limited resources** (budget and staff) in a **set period of time**. All stages of the project lifecycle are assessed on whether outcomes justify resources used (**efficiency**) and whether activities carried out really contribute to objectives (**effectiveness**).

The project duration, budget and management practices should be 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 for the project applicants.

5.1 Requirements for projects

Programme support is focused on activities contributing to the sustainable and cohesive socio-economic development of the Programme area by helping to make it more competitive and attractive for living, working, and visiting.

Only projects fulfilling criteria listed below are supported by the Programme:

■ **Clear need for cooperation**

All projects should clearly demonstrate cross border cooperation challenges identified jointly by the project partners (e.g. poor accessibility, lack of networks among local and regional administrations, risk prevention, etc.) and exploit the untapped potentials in the Programme area (development of cross border research and innovation facilities and clusters, integration of cross border labour market, cooperation among universities or social care centres). Cross border cooperation should always bring added value to reaching the project objective and improve its results by sharing the knowledge and experiences, products and services. Thus project should address a common problem or strategic issue which the project partners attempt to solve together using cross border approach.

The cooperation character is reflected through the following criteria¹⁴:

- **Joint development** – project must be prepared jointly by representatives of all project partners. The project must clearly integrate ideas, expectations, priorities and contributions from all project partners. Partners must share understanding of the project objective and contribute to achievement of its results.
- **Joint implementation** – project activities must be carried out and co-ordinated by all project partners. There must be a balanced division of tasks and responsibilities, links between activities of each partner and regular contacts within the partnership.
- **Joint staffing** – project should not duplicate functions on either side of the border and staff on both sides of the border should work together on the project.
- **Joint financing** – all project partners’ budgets together form the joint budget for the whole project.

¹⁴ At least three cooperation criteria have to be fulfilled: joint development (mandatory), joint implementation (mandatory), and joint staffing or joint financing.

► **Relevance to the whole Programme area**

Project should be relevant for the Programme area in terms of common challenges and opportunities addressed by all project partners participating in the project. Furthermore, project results shall be useful for other regions of the Programme area or shall deliver a benefit outside the local area where the project activities are carried out. The project has to demonstrate how project results will be transferred to other stakeholders and/or how local/regional action can benefit the wider region.

► **Durable results**

Project should aim to produce results and establish structures that can exist beyond the lifetime of the project. It is important that the benefits of the project do not stop as soon as the project ends, therefore project partners should consider what actions should be taken to ensure continuation of knowledge, services and benefits developed during the project.

► **Clear links to the Programme**

The link between the project and the Programme is one of the most important aspects that is assessed before decision on project selection is taken. Therefore projects should study the Programme manual and consider whether the project overall objective is coherent with the respective Programme priority and its specific objective and project main outputs contribute to at least one output indicator and project results contribute to at least one result indicator of the chosen specific objective.

► **Integration of different perspectives**

Views of different social, economic and environmental interest groups should be discussed between the project partners and integrated into the project. The inclusion of different viewpoints can lead to ideas for new or improved activities and wider acceptance of project activities and results. Demonstrating how these views are taken into account can greatly strengthen an application.

► **Added value**

Project should demonstrate innovative approach – it should differ from already available cross border solutions for chosen problem or territory in order to avoid duplication of work and use of already known and available methodology. The project may make use of synergies with other past or current EU and other projects.

► **Contribution to the Programme horizontal principles**

Projects should make a positive or neutral contribution to the Programme horizontal principles: equal opportunities and non-discrimination, equality between men and women, sustainable development (see section 4.1 “Horizontal principles”).

5.2 Partnership

Project has to involve at least **one Lithuanian** and **one Latvian** partner, which is registered or permanently located and actively operating in the Programme area.

As an exception, Latvian and Lithuanian state funded organisations and NGOs that are registered outside the Programme area and do not have permanent offices/do not operate in the Programme area can act as a project LP or project partner. Participation of such partners is only allowed if it is crucial to the project success and additional competence or knowledge brought does not exist in the Programme area. All benefits from the activities should remain in the Programme area.

Based on the experience in 2007-2013 programming period, the average optimal number of involved partners was 6-8 per project, which allows to ensure effective management and coordination of partnership. However, involvement of project partners has to be justified, therefore when deciding on the partnership size, projects should take into account what is best for the achievement of foreseen project outputs and results.

5.2.1 Types of project partners

► **Lead partner:** each partnership has to appoint a LP, who is responsible for the coordination of the project activities on behalf of all project partners. LP acts as a link between all of the project partners and the Programme management bodies. The LP submits the project application and is also responsible for¹⁵:

- Signing the subsidy contract with the MA;
- Concluding a partnership agreement with project partners;
- Overall project management;
- Ensuring communication with the MA/JS;
- Establishing adequate project monitoring and evaluation system ensuring timely delivery of project outputs and results in a proper quality;
- Delivery of project outputs;
- Delivery of project reports and documentation;
- Ensuring that the certified expenditure for all partners match activities outlined in the approved application and subsidy contract;
- Submitting consolidated progress reports;
- Requesting payments and afterwards forwarding them to the project partners;
- Observing the project spending forecast;
- Ensuring reliable control system in the field of *de minimis* law (including observation of *de minimis* threshold) if any project partner is granted *de minimis* aid (see section 4.3 “State aid”).

► **Project partner:** each project partner is responsible for contribution to the development and the implementation of the project activities. The project partner undertakes sound financial management and administrative tasks at its own level, participates in the project preparation, implementation and closure in accordance with partnership agreement.

5.2.2 Partnership requirements

All project partners have to contribute to the project financially. That should be confirmed by the LP and project partner declarations which are a part of the project application. After project selection for funding all project partners have to sign a partnership agreement (see section 7.1 “Contracting”).

Composition of the project partnership must include: sufficient cross border representation, necessary sector expertise in the field of the project activities and sufficient financial, technical and human resources to implement the project activities, taking into account the complexity of the project.

The following organisations are eligible to apply as a LP or project partner:

- 1) Public authorities (national, regional, and local authorities);
- 2) Public equivalent bodies, meaning any legal body governed by public or private law:

¹⁵ Regulation (EC) No 1299/2013, Article 13.

- Established for the specific purpose of meeting the needs for the general interest and not having an industrial or commercial character,
- Having legal personality, and
 - Either financed for the most part by the state, by regional or local authorities, or by other bodies governed under public law;
 - Or subject to management supervision by those bodies;
 - Or having an administrative, managerial, or supervisory board where more than half of the members are appointed by the state, regional local authorities, or by other bodies governed by public law;

3) NGOs

- Financial limitations and requirements for **NGO as the project LP** are the following: maximum limitation for the **project budget size** is EUR 200 000 ERDF;
- for determining **NGO's LP budget** - total turnover during the last two financial years (2014 and 2015) or in case NGO was established later - then from the date of establishment- has to be at least 25% of the total planned NGO's LP budget;
- in other cases, **NGOs cannot be LP.**

***! Note:** Branch division/office („filialas“ in Lithuanian) of legal entity cannot act as a LP and (or) partner as according to Civil code of the Republic of Lithuania branch division/office does not have separate legal status. In case the legal entity acts as lead partner and (or) partner in the application form should be described (justified) how implementation etc. will be ensured if branch division/office situated in programme's region is responsible for the implementation of the project.*

5.3 Work plan

The work plan is a part of the project application form which includes information on activities that have to be implemented in order to deliver project main outputs and achieve project objectives. The work plan is prepared for the whole project implementation period as it serves as a basis for project implementation, reporting, monitoring and financial control and audit after the project is approved. Changes in work plan during the project implementation need prior approval by the JS (**except for minor changes in the Table No 7 Description of minor changes which do not require prior approval**), MA/MC, therefore the work plan has to be prepared thoroughly as possible.

Project specific objective(s), main outputs and results have to be logically linked to the work plan (work packages, activities, time plan). The work plan has to clearly show how the project objectives will be reached and results achieved. It is very important that applicant defines clear project main outputs and results, contributing to the achievement of the project overall objective, which is in line with the Programme specific objective of the relevant priority and its chosen result and output indicators.

There are several types of work packages:

- Preparation;
- Management;
- Implementation;
- Investment;
- Communication.

In general, a work package includes the following components:

- **Partner involvement** – responsibilities of project partners for implementation of project activities.
- **Project activities** - specific tasks planned by the project partners in order to reach the deliverables. For each project activity the title, description of activity, start and end date

shall be given. Project activities are not requested to be specified for work package “Preparation”.

- **Project deliverables** can be defined as the physical evidence of what has been produced through an activity or as the physical evidence/support of the output that was produced through an activity (e.g. prepared draft of a report, renovated part of a building, etc.). For each project deliverable the title, description, target value and planned month for its delivery has to be given. Project deliverables are not requested to be specified for work package “Preparation”.
- **Project main outputs** – outcomes obtained following the implementation of project activities (e.g. created or improved educational programme, created joint tourism route, renovated building, etc.). Each project main output should be captured by a Programme output indicator and should directly contribute to the achievement of the project result. Within work packages “Implementation” and “Investment” each project has to choose main Programme output indicator of the respectful specific objective to which the project main output will contribute. Also, each project main output has to be described, quantified and planned date for its delivery has to be specified.
- **Target groups** – individuals and/or organisations directly positively affected by the project outputs.
- **Durability and transferability of project main outputs (only for work packages “Implementation” and “Investment”)** – how the outputs will be used within the project and outside the project (by other organisations/regions/countries) and who will retain their ownership after the project end.

Project work plan must be implemented within the project duration which strongly depends on the project objectives. **The maximum project duration is 24 months.**

Work package “Preparation”

This work package is **mandatory** for all projects, which will request preparation costs as a lump sum to be paid by the Programme and costs for preparation of technical documentation necessary for submission of the application according to subsection “9.3.6. Infrastructure and works”.

This work package should contain the description of preparation activities carried out and contribution of each involved project partner.

Project preparation costs are fixed by the Programme as a lump sum of EUR 1000 (ERDF co-financing) per project and will be paid to all projects that have signed subsidy contract. Preparation costs related to translation and preparation of the application form, travel and accommodation, organisation of the meetings between project partners during preparation of application can be covered.

Projects are required to plan lump sum for project preparation costs under the BL “Travel and Accommodation” by dividing it between project partners having preparation activities. Preparation costs under BL “Travel and Accommodation” in the total project budget cannot be more than EUR 1000 (ERDF co-financing).

Preparation costs will be added on top of the project budget and will not decrease the maximum ERDF budget per project set according to the Programme priorities and each specific objective (see section 5.4. “Budget Plan”).

Lump sum of the project preparation costs will be paid to the LP together with the first progress report.

Regarding costs for preparation of technical documentation for submission of the application see subsection “9.3.6. Infrastructure and works”.

Work package “Management”

This work package is **mandatory** for all projects and should contain the description of all activities and justification for equipment related to the management of project content and finances.

It has to be explained how the management on the strategic and operational level will be carried out in the project, namely:

- Structure, responsibilities, procedures for the day-to-day management and co-ordination;
- Communication within the partnership;
- Reporting;
- Indication whether project management will be subcontracted;
- Explanation how the equipment for project management purpose will be used and by which project partners (in case project partners plan to purchase equipment for project management purposes).

Work package “Implementation”

This WP “Implementation” is **mandatory** for all projects as it describes the core „thematic” activities carried out within the project and the related main project outputs. Information on project activities and deliverables leading to achievement of project main outputs and project overall objective has to be included. Also, projects have to provide description of involvement of project partners, target groups, start and end date of activities, deliverables, durability and transferability of project main outputs.

Work package “Investment”

This work package is **mandatory** if investments in infrastructure and works are planned in the project under BL “Infrastructure and works”.

Investments in infrastructure are financed only if they support to reach Programme objective and if their durability is guaranteed. A cross border relevance of the investments in infrastructure should be evident and in line with the project overall objective.

The following information on planned investments in infrastructure has to be described:

- Need for investments and benefits expected;
- Cross border relevance of investments;
- Location of investments;
- Risks associated with the investment (if applicable);
- Investment documentation;
- Ownership and/or usage rights or lease rights for lease period covering planned project duration and according to requirements set in section 7.4. “Closure and durability of the project results” subsection “Durability and ownership of project results”;
- Target groups;
- Involvement of project partners;
- Durability and transferability of project main outputs;
- Activities listed that are leading to investments;
- Deliverables.

Work package “Communication”

This work package is **mandatory** for all projects, except for projects with one or two main project outputs. These projects can include communication activities in the work package “Implementation”.

Involvement of project partners, communication objectives, communication activities and deliverables should be described in this work package.

Communication activities are an important and integral part of the project implementation, thus requiring good planning and sufficient resources. In this work package projects should set communication objectives and describe planned communication activities and deliverables that will be used in order to disseminate and promote achieved project main outputs and results to project target groups, relevant stakeholders and general public. All projects funded by the Programme must make their outputs freely available to general public.

Projects are expected to produce effective and durable communication tools that present added value for the target group.

See chapter 8 “Information and communication requirements” for additional information.

5.4 Budget plan

After preparation of the project work plan, applicants already know what kind of activities will be implemented. The next step is to prepare budget for intended activities which has to be realistic for each project partner as well as for the whole project.

The project budget should be based on the objectives and activities set by the project partners and must ensure that project activities can be implemented cost-effectively.

During the preparation of the project budget applicants must take into account project budget size limitations set according to the Programme priorities and each specific objective.

All project partners should be involved in the preparation of the project budget, when all partners take responsibility for development of their project budgets according to the market prices in respective country. All project partners should keep budget plan as accurate as possible.

In the project application form project budget is broken down in several dimensions (e.g. by partners, by work packages, by budget lines, by reporting periods). This ensures that all aspects of the project budget are considered. The individual partner budgets are at the same time a useful tool for the LP to keep the overview of to which extent project partners fulfil their obligations.

During preparation of the project budget, the applicant has to:

- plan sufficient financial resources to cover costs of project activities. The project partners will have to pre-finance project expenses from their own financial resources and reimbursement of the ERDF co-financing will be done after each consolidated progress report or final report is checked by the FC and JS/MA and it is confirmed that the requested ERDF co-financing is ready for payment.
- plan costs for participation in the Programme trainings or events (approximately three different trainings or events will take place during project lifetime) for project partners under the work package “Management”.
- plan costs for informative posters, billboards and others, that are necessary according to the Programme information and communication requirements (see chapter 8 “Information and communication requirements”);
- plan costs for FC for Lithuanian project partners (ca 3-4% of project partner budget). For Latvian project partners costs for FC are covered by state budget;

- indicate costs for project activities precisely within the budget lines (title of activity, description of activity, unit type, number of units, and amount per unit) during the reporting the same information will be used.

The project budget should only include realistic costs for the activities of the work packages. The project spending forecast from the application form is crucial for the Programme implementation. Therefore it is important for the project to:

- carefully prepare a realistic spending forecast;
- be ready to start project implementation as soon as possible but no later than a month after project subsidy contract is signed;
- ensure regular and timely reporting.

For detailed project budget requirements see chapter 9 “Project budget”.

6. APPLICATION AND SELECTION PROCEDURE

6.1 Application

Application is the whole set of information and documents which is submitted by the LP on behalf of the whole partnership within the opening and closing time of the call for proposals. For more information on the time of the call see the Programme website www.latlit.eu.

The project application is done via the eMS, with exceptions of some application documents as listed below which must or can be received in paper. Detailed information on how to acquire eMS user name and password and how the project application will be registered as received is available on the Programme's website www.latlit.eu "Guidance how to apply via the eMS".

Application consists of:

► **Confirmation letter in English:**

- submitted in **paper or submitted electronically signed by electronic signature** to the JS by the LP within period of time from the opening till the closing time of the call (post stamp or e-signature time stamp);
- providing an official signature by the authorised person holding the right to sign documents on behalf of the LP organisation confirming the validity of the whole project application (standard form is available on the Programme website www.latlit.eu).

► **Application form:**

- all relevant fields are filled in the eMS in English;

► **Annexes uploaded in the eMS:**

1. Partner declarations must be signed by the authorised representative holding the right to sign documents on behalf of the organisation and uploaded for each project partner (standard form for LP and project partners is available on the Programme website www.latlit.eu) and must confirm that the respective project partner:
 - is committed and able to participate in the project both legally and financially, and is able to deliver the required outputs as well as complies with the eligibility rules set by the Programme;
 - is not receiving any other EU funding or funding of other financial instruments for the project activities;
 - contributes financially to the project - the concrete amounts have to be specified;
 - is either value added tax payer or non-payer;

! information in the partner declarations must correspond to the information presented for each project partner in the application form (e.g. budget, title of the organisation in national language and in English, registration number of the organisation, authorised person holding the right to sign documents on behalf of the organisation).

2. LP or/and project partners if they are NGOs or public equivalent bodies have to upload copies (certified by LP or project partner) of statutes, establishment agreement or resolution on establishment;
3. NGO that is LP has to upload copies (certified by LP or project partner) of balance sheet and activity report for the Lithuanian project partner (balansas, veiklos rezultatų ataskaita); balance sheet, income and expenditure account for the Latvian project

partners (bilance, ieņēmumu un izdevumu pārskats) that shows total turnover during the last two financial years (2014 and 2015) or in case NGO was established later - then from the date of establishment;

4. List of state aid relevant activities with indicated budget according to section 4.3. "State Aid", if applicable (standard form is available on the on the Programme website www.latlit.eu);
5. Simplified calculations of net revenue or calculation of the discounted net revenue, if applicable (according to section 10.3. "Project revenue").

➤ **Annexes that can be either uploaded in the eMS or submitted in paper:**

6. If the project includes (re)construction works for which in accordance with national legislation full set of technical documentation is requested:
 - a. ownership documents or lease of land or premises agreements for lease period covering planned project duration and according to requirements set in section 7.4. "Closure and durability of the project results" subsection "Durability and ownership of project results" in national language,
 - b. technical documentation which is evidence that if the project is approved, the tender procedure for (re)construction works can be started immediately, consisting of:
 - i. approved technical project,
 - ii. environmental impact assessment,
 - iii. permit for building, if relevant,
 - iv. technical inspection task, if relevant,
 - v. cost-estimations for (re)construction works
 - vi. other relevant documents in line with national legislation and in national language,
7. If the project includes (re)construction works, yet according to national legislation technical documentation is not necessary:
 - c. Ownership documents or lease of land or premises agreements for lease period covering planned project duration and according to requirements set in section 7.4. "Closure and durability of the project results" subsection "Durability and ownership of project results" in national language,
 - d. defect acts, if relevant,
 - e. explanatory note,
 - f. cost estimations of the planned (re)construction works in line with national legislation and in national language.

6.2 Assessment of application

After application is submitted via eMS, assessment procedure begins. Timeframe within which assesment of applications is performed depends on received number of applications, however, indicatively it will be 3 to 4 months. After assessment of applications has finished, MC meeting will take place to take MC decision on selection of projects for funding.

Each application is subject to a two-step assessment procedure:

- Administrative and eligibility assessment performed by the JS;
- Quality assessment ensured by the MA and the JS

In addition, the following external experts can be involved in the assessment of the application:

- experts of a particular field under Programme Priorities, in case specific knowledge of the field is required in order to carry out quality assessment;

- construction experts in order to carry out the administrative and eligibility assessment and quality assessment, in case the foreseen activities in the application include (re)construction works.

When carrying out of verifications of applications for compliance with administrative and eligibility criteria, the JS may request LP to submit in paper or upload via eMS the following missing annexes of the application:

- 1) partner declarations;
- 2) statutes, establishment agreement or resolution on establishment of LP or/and project partners which are NGOs or public equivalent bodies;
- 3) for NGO that is LP - balance sheet and activity report for the Lithuanian project partner (balansas, veiklos rezultatų ataskaita); balance sheet, income and expenditure account for the Latvian project partners (bilance, ieņēmumu un izdevumu pārskats) that shows total turnover during the last two financial years (2014 and 2015) or in case NGO was established later - then from the date of establishment.

Requested documents shall be uploaded via eMS or submitted in paper to the JS within 5 working days from the receipt of the letter from the MA/JS.

In case the administrative and eligibility criteria are not observed, the project LP is not requested to provide additional information or corrections and the application is considered as invalid.

6.2.1 Administrative and eligibility criteria

Administrative and eligibility criteria are assessed on the basis of yes, no or not applicable.

Table 2 Administrative and eligibility criteria

| CRITERIA | WHAT IS ASSESSED |
|---|--|
| ADMINISTRATIVE CRITERIA | |
| Application form is correctly filled in via the eMS | <ul style="list-style-type: none"> - All relevant fields in the application form are filled in; - Application form is filled in English. |
| Confirmation letter is submitted by the LP to the JS | <ul style="list-style-type: none"> - submitted in paper (or submitted electronically signed by electronic signature) to the JS by the LP within the opening and closing time of the call (post stamp or e-signature time stamp); - providing an official signature by the authorised person holding the right to sign documents on behalf of the organisation confirming the validity of the whole project application (standard form is available on the Programme website www.latlit.eu). |
| Partner declarations are uploaded via the eMS | <ul style="list-style-type: none"> - All relevant partner declarations are uploaded via the eMS according to the point 1 in section 6.1. "Application". |
| LP or/and project partners which are NGOs or public equivalent body have uploaded copies (certified by LP or project partner) via eMS of statutes, establishment agreement or resolution on establishment | <ul style="list-style-type: none"> - All relevant documents are uploaded via the eMS according to the point 2 in section 6.1. "Application". |

| | |
|---|---|
| NGO that is LP has uploaded copies (certified by LP or project partner) via eMS of balance sheet and activity report for the Lithuanian project partner (balansas, veiklos rezultatų ataskaita); balance sheet, income and expenditure account for the Latvian project partners (bilance, ieņēmumu un izdevumu pārskats) that shows total turnover during the last two financial years (2014 and 2015) or in case NGO was established later - then from the date of establishment | <ul style="list-style-type: none"> - All relevant documents are uploaded via the eMS according to the point 3 in section 6.1. "Application". |
| Technical documentation with other relevant documentation is uploaded via the eMS or delivered to the JS within opening and closing time of the call (post stamp) | <ul style="list-style-type: none"> - All relevant documents are uploaded via the eMS or delivered to the JS within opening and closing time of the call (post stamp) according to the point 6 in section 6.1. "Application". |
| If the project includes (re)construction works, yet according to national legislation technical documentation is not necessary, all relevant documents are uploaded via the eMS or delivered to the JS within opening and closing time of the call (post stamp) | <ul style="list-style-type: none"> - All relevant documents are uploaded via the eMS according or delivered to the JS within opening and closing time of the call (post stamp) to the point 7 in section 6.1. "Application". |
| ELIGIBILITY CRITERIA | |
| Project fulfils minimum requirements for partnership | <ul style="list-style-type: none"> - At least one Lithuanian partner registered in Lithuania and one Latvian partner registered in Latvia (according to the section 5.2. "Partnership"). |
| LP and project partners are eligible organisations (type, territorial eligibility and financial requirements) | <ul style="list-style-type: none"> - LP and project partner(s) are public authority or public equivalent body or NGO; - Territorial eligibility is followed; - Financial requirements for NGO that is LP are followed according to subsection 5.2.2. "Partnership requirements". |
| Co-financing rate is observed. | <ul style="list-style-type: none"> - All project partners contribute to the eligible project budget. - Co-financing rate has been observed and the sums indicated in section "Project budget" of the application form and on LP and partner declarations match. |
| Project duration is within set limits | <ul style="list-style-type: none"> - Project duration is within set limits (max 24 months). |
| Project budget is within set financial limits. | <ul style="list-style-type: none"> - Project requested amount of ERDF co-financing is within the set limits for the project's selected priority and specific objective according to section 5.4. "Budget Plan". |

6.2.2 Quality assessment criteria

Applications that have passed administrative and eligibility assessment are subject to quality assessment. The quality assessment is carried out based on quality assessment criteria, included below. For each criterion main assessment question with several sub questions is identified.

During quality assessment projects are assessed against strategic and operational criteria and each criterion is assessed according to the following scores: 1,2,3,4 and 5. Afterwards, scores received for each criterion are reflected as weight in percentage according to the table below:

Table 3 Quality assessment criteria (1)

| CRITERIA | SCORE | CRITERIA SCORE WEIGHT IN PERCENTAGE |
|---|-------|---|
| <i>Project context (relevance and strategy) and cooperation character</i> Maximum weight 20% | 5 | 20 |
| | 4 | 16 |
| | 3 | 12 |
| | 2 | 8 |
| | 1 | 4 |
| <i>Project contribution to Programme objectives, results and outputs</i> Maximum weight 25% | 5 | 25 |
| | 4 | 20 |
| | 3 | 15 |
| | 2 | 10 |
| | 1 | 5 |
| <i>Methodology/ approach, activities and durability</i> Maximum weight 20% | 5 | 20 |
| | 4 | 16 |
| | 3 | 12 |
| | 2 | 8 |
| | 1 | 4 |
| <i>Partnership relevance</i> Maximum weight 15% | 5 | 15 |
| | 4 | 12 |
| | 3 | 9 |
| | 2 | 6 |
| | 1 | 3 |
| <i>Budget</i> Maximum weight 20% | 5 | 20 |
| | 4 | 16 |
| | 3 | 12 |
| | 2 | 8 |

| | | |
|--|---|---|
| | 1 | 4 |
|--|---|---|

Assessment result (total scoring of a project) is presented as a sum of percentage received in all criteria and projects are grouped according to the following thresholds:

1. Projects receiving total scoring at least 70% are recommended for approval;
2. Projects receiving total scoring at least 60%, but less than 70% are recommended for discussion;
3. Projects receiving total scoring less than 60% are recommended for rejection.

As derogation from above described, following restrictions shall apply:

- If project application receives “1” for any of the criterion, the project application is recommended for rejection.
- If project application receiving total scoring at least 70% receives “2” for any criterion, the project application is recommended for discussion.

Table 4 Quality assessment criteria (2)

| WEIGHT | CRITERIA | WHAT IS ASSESSED |
|--------------------|--|--|
| STRATEGIC CRITERIA | | |
| 20% | <i>Project context (relevance and strategy), and cooperation character</i> | <ul style="list-style-type: none"> ➤ The project addresses common territorial challenges in the Programme area or joint potential of the Programme area- there is a real demand for the project; ➤ The cross-border cooperation is essential for achieving the project objectives, the results cannot (or only to some extent) be achieved without cooperation and/or the cooperation has a significant added value for the project partners, target groups, project area and Programme area); ➤ The project clearly explains its contribution to a wider strategy on one or more policy levels (EU/national/regional/EUBSR); ➤ The project makes use of available knowledge and builds on existing results and practices /brings new knowledge to the region and project partners; ➤ The project makes a positive or neutral contribution to the Programme horizontal principles: sustainable development, equal opportunities and non-discrimination, equality between men and women. |
| 25% | <i>Project contribution to Programme objectives, results and outputs</i> | <ul style="list-style-type: none"> ➤ The project overall objective is in line with the chosen Programme priority specific objective; ➤ The project results clearly link to a Programme result indicator; ➤ Activities outside the Programme area clearly benefit the Programme area (if applicable); ➤ The cross-border relevance of investments and their relation and importance to other project |

| | | |
|-----------------------------|---|---|
| | | activities is demonstrated to reach the project objectives (if applicable); |
| OPERATIONAL CRITERIA | | |
| 20% | <i>Methodology/ approach, activities and durability</i> | <ul style="list-style-type: none"> ➤ The project main outputs clearly link to the Programme output indicators ; ➤ The project main outputs clearly link to the project specific objective(s); ➤ The project main outputs clearly link to the Programme output indicators; ➤ The project specific objective(s) clearly link(s) to the project overall objective; ➤ Results and main outputs: <ul style="list-style-type: none"> - are in line with the selected target group needs, - are realistic (is it possible to achieve them with given resources – i.e. partners, budget - and they are realistic based on the quantification provided); ➤ Proposed activities and deliverables are adequately planned and lead to the planned main outputs and results; ➤ Defined project specific objective(s) can be achieved using the chosen approach (combination, interrelation and sequence of activities, including investments); ➤ Project main outputs are durable – project is expected to provide a significant and durable contribution to solving the challenges targeted; ➤ Project main outputs are applicable by other organisations/regions/countries outside of the current partnership (transferability); ➤ The communication objectives clearly link to the project specific objectives; ➤ The communication approach/tactics chosen are appropriate to reach communication objectives; ➤ Communication activities and deliverables are appropriate to reach the relevant target groups and stakeholders. |
| 15% | <i>Partnership relevance</i> | <ul style="list-style-type: none"> ➤ The project involves relevant partners needed to address the territorial challenge/opportunity and the objectives specified and their involvement is justified; |

| | | |
|-----|--------|---|
| | | <ul style="list-style-type: none"> ➤ Tasks and responsibilities are clearly defined and justified among the project partners; ➤ The project partnership is balanced with regards to the project objectives; ➤ LP/project partners have proven experience, sufficient capacity and have foreseen sufficient cooperation within partnership to reach project objectives; ➤ Management structures (e.g. project steering committee) are proportionate to the project size and needs and allow involvement of project partners in decision-making; ➤ Management procedures (such as reporting in the area of finance, project content, communication) are clear, transparent, efficient and effective. |
| 20% | Budget | <ul style="list-style-type: none"> ➤ Project budget is coherent and proportionate to the proposed work plan and the main outputs and results: <ul style="list-style-type: none"> - the project budget is reasonable and cost-efficient in regard to the project objective, activities, outputs and results; - financial allocation per budget line is in line with the work plan, - distribution of the budget per period is in line with the work plan, - distribution of the budget per work packages is in line with the work plan, - the need for engaging external expertise is justified and the costs are realistic, - the need for equipment purchases is justified and the costs are realistic, - the need for (re)construction works is justified and costs are realistic. |

Table 5 The explanation of the scores

| | |
|--------------------------------|--|
| <p>5 Very good</p> | The application fulfils the given criteria to an excellent and the provided information is sufficient, clear and coherent for assessing the criteria |
| <p>4 Good</p> | The application fulfils the given criteria well, however the provided information includes minor shortcomings (e.g. the timeline provides little space for unexpected delays, details are missing in the given information in minor parts of the application) |
| <p>3 Sufficient</p> | The application fulfils the given criteria to a sufficient level, however some aspects of the given criteria have not been fully met or not explained in full clarity or detail (e.g. the partnership lacks certain expertise to address the identified challenge; the |

| | |
|---------------------------------|---|
| | implementation steps are not fully clear based on the description in the work plan) |
| 2 Weak | The application has serious shortcomings fulfilling the given criteria and/or the provided information is in low quality (e.g. the cross border relevance of the project is not clearly justified; the main outputs are not clearly described; the target groups of main outputs are not described) |
| 1 Insufficient | The application does not fulfil the given criteria or information required is missing (e.g. the application addresses issues that are not relevant to the Programme priorities, the information in the application is not complete or is unclear) |

If project applications result in the same total score, the priority is given to the project application which does not have “2” score per criterion. If there still are project applications with equal total score, then the priority is given to project application which received higher scoring in criterion “Contribution to Programme’s objectives, results and outputs”.

6.3 Selection and decision making

The MC is responsible for selecting projects for funding based on results of administrative and eligibility assessment performed by the JS and quality assessment ensured by the MA and the JS.

The MA based on the MC decision on selection of projects for funding, prepares decision on awarding or rejecting the ERDF co-financing (MA decision) and sends it to the project LP within 10 working days after the MC decision on selection of projects for funding was taken.

MA decision states:

- If project is approved - information on the total ERDF co-financing;
- If project is approved under conditions - information on the maximum ERDF co-financing, conditions that must be fulfilled within deadline indicated in the decision;
- If project is rejected - justification why the application was not selected for funding.

Conditions that project must fulfil before it is finally approved may include:

1) changes and technical corrections in the application (e.g., removal or adding of an activity, removal or replacement of a project partner, decrease of a project budget or budget adjustments or corrections, specification of information, etc.);

2) explanation (e.g., unclear description of an activity, discrepancies in the information, etc.);

LP is responsible for informing project partners on the MA decision.

If project is approved under conditions, all conditions must be fulfilled before final decision on project approval is made by the MA. In exceptional cases, LP may submit an official request to the MA about prolongation of deadline for fulfilment of conditions. MA will assess each request and inform the LP with an official letter whether LP request is approved.

If any condition/technical correction remains unfulfilled, project will be rejected by the MA.

MA prepares final decision stating whether project is approved or rejected and within 10 days after it is taken sends it to the project LP.

6.4. Contracting

After the MA has taken a final decision on awarding the ERDF co-financing, the contracting phase starts and the subsidy contract between MA and LP can be signed.

Subsidy contract

Subsidy contract is signed by the LP and the MA and acknowledges agreement of both parties on conditions under which the ERDF co-financing is awarded. It consists of the following sections:

1. Legal Framework
2. Award of Subsidy
3. Object of Use, Eligibility of Costs and Reallocation
4. Electronic Submission
5. Reporting and Payments
6. The LP and the Project Partner/-s Liability and Rights
7. State Aid
8. Information and Publicity
9. Durability and Ownership of Results
10. Right of Termination
11. Retaining of Documentation
12. Controls and Audits
13. Recovery of Ineligible Expenditure
14. Assignment of Rights, Legal Succession
15. Changes to the Contract
16. Complaints and Disputes
17. Concluding Provisions

A template of the subsidy contract is available on the Programme's website www.latlit.eu.

The MA prepares and sends the subsidy contract to the LP after the MA has taken final decision on funding.

Partnership agreement

Partnership agreement is an agreement between the LP and project partner(s) which states each partner's financial obligations and outlines each partner's responsibilities in the project. While the LP is responsible for ensuring the implementation of the entire project towards the MA, each project partner is responsible for ensuring the implementation of its part of the project towards the LP. A template of the partnership agreement is available on the Programme's website www.latlit.eu.

The partnership agreement allows the LP to extend the arrangements of the subsidy contract to the level of each partner. Preparation of the partnership agreement between all project partners has to start immediately after the project LP has received MA decision on funding. Signed partnership agreement shall be uploaded via eMS not later than when the first progress report is submitted by the LP.

Upon necessity, additional clauses can be included and content of the partnership agreement changed. Project LP is responsible for partnership agreement amendments if relevant changes in project are approved by the Programme management bodies.

According to the provisions of partnership agreement in general project partners shall give full support to the LP to ensure the successful implementation of the project, fulfilment of its objective and high quality of outputs and results.

7. PROJECT IMPLEMENTATION

Consultations and trainings for project partners of contracted projects aimed to provide guidance on Programme requirements for project management, reporting, financial rules and communication will be organised. More information on upcoming consultations and trainings is available on the Programme website www.latlit.eu.

7.1 Project start

The **start and end date** of the project is fixed in the subsidy contract.

The earliest date when the project activities can start and the expenditure can incur (be paid out) is the next day after the project is approved by the MC. All project activities are implemented at project own risk until subsidy contract is signed.

Project starts with kick-off meeting (if all project partners choose to organise it), establishment of project management bodies, coordination and management system as well as monitoring and evaluating system.

7.1.1 Project kick-off meeting

It is recommended to organise project kick-off meeting. If the kick-off meeting is organised, it is advised that the LP arranges it no later than one month after signing the subsidy contract or within one month after project start date. The JS should be informed via eMS two weeks in advance about the planned kick-off meeting, thus the assigned JS staff member can participate in the meeting.

7.1.2 Establishment of project management bodies

LP must establish **project management group**, ensuring overall project coordination and management. Project management group involves representatives of all project partners - project coordinators, financial manager, public procurement specialists etc., if relevant).

In case of necessity, project partners shall additionally establish **a project steering group**. Project steering group is established if strategic and active involvement of project stakeholders is necessary to achieve project objectives. Steering group involves representatives of project partners and key stakeholders or end users. The tasks of the steering group should normally include monitoring of the project and provision of guidance regarding its implementation, by reviewing and approving work plans and reports, agreeing on possible changes to the project, solving problematic issues, if required.

7.1.3 Coordination and management

LP must establish an efficient and reliable coordination and management system of the project. The coordination and management concerns the implementation of the various components of the project, including its joint administrative and financial management.

LP and project partners must determine the necessary procedures for decision-making and coordination of activities between the partners.

The LP and project partners **must** appoint or subcontract **project coordinator** and **financial manager**. Project coordinator and financial manager of the LP are main project coordinator and main financial manager. Additional staff necessary for the project management may be appointed or subcontracted, but only in duly justified cases. Detailed information on requirements of project management staff is included in the table below.

Table 6 Requirements for project management staff

| | LP | Project partner |
|--|---|--|
| (Main) project coordinator | Appointed or subcontracted. <i>! Subcontracting is not allowed in case if flat rate is applied for BL1</i> | Appointed or subcontracted. <i>! Subcontracting is not allowed in case if flat rate is applied for BL1</i> |
| (Main) project coordinator shall ensure | <ul style="list-style-type: none"> - coordination of activities and division of tasks among the project partners ensuring that these tasks are subsequently fulfilled; - implementation of project activities in the project LP organisation; - monitoring of project progress and delivery of planned outputs and results; - quality management of the project – ensuring joint agreement among project partners on how to achieve project outputs and results; - continuous communication with the JS, as well as internal communication among the project partners; - preparation and uploading of the consolidated progress reports and LP reports via the eMS; - management of the project changes - efficient communication about project changes among the LP and project partners, submission of the project changes request to the JS as well as consultations on minor changes when prior approval by the JS is not required; - proper implementation of the project's information and communication activities by ensuring Programme's information and | <ul style="list-style-type: none"> - implementation of project activities in the project partner organisation; - working in close cooperation with LP main project coordinator manager; - preparation and uploading of the project partner's reports via the eMS. |

| | | |
|--|---|---|
| | <p>communication requirements;</p> <ul style="list-style-type: none"> - good knowledge of English. | |
| (Main) financial manager | <p>Appointed or subcontracted.</p> <p><i>! Subcontracting is not allowed in case if flat rate is applied for BL1</i></p> | <p>Appointed or subcontracted.</p> <p><i>! Subcontracting is not allowed in case if flat rate is applied for BL1</i></p> |
| (Main) financial manager shall ensure | <ul style="list-style-type: none"> - sound project book-keeping system; - project book-keeping the the LP organisation; - proper documentation of payments and payment flows, well-functioning audit trail; - awareness of the EU and national legislation regarding financial management and controls as well as the Programme rules on financial management and eligibility of costs; - clear communication of the aforementioned rules and regulations to project partners, e.g. through regular contacts with financial managers in project partner organisations, provision of information and regular updates, communication with FC regarding consolidated progress report, etc.; - observance of the budget allocations; - follow up on the project spending forecast, including setting-up reliable cash flow forecasts and tight control of the incurred (paid out) cash flows in order to avoid consequences of the de-commitment of funds; - timely preparation of LP financial report and its submission to the financial controller, preparation of | <ul style="list-style-type: none"> - project book-keeping in the project partner organisation; - working in close cooperation with LP main financial manager. |

| | | |
|---|--|---|
| | financial part of the progress report'; - good knowledge of English. | |
| Can tasks of project coordinator and financial manager be carried out by the same person? | Yes. | Yes. |
| Additional requirements if (main) project coordinator and/or (main) financial manager are subcontracted | - appoint a contact person from LP organisation for the project who ideally will be available during project implementation and at least six months after the project end date or longer if it is necessary for a smooth closure of the project; - describe in the application form how information flow and supervision of subcontracted main project coordinator and/or main financial manager will be ensured by the LP organisation. - | - appoint a contact person from project partner's organisation for the project who ideally will be available during project implementation and at least six months after the project end date or longer if it is necessary for a smooth closure of the project. |
| Additional staff to the project coordinator and/or financial manager if necessary for project management | Yes, can be appointed or subcontracted but only in duly justified cases. ! Subcontracting is not allowed in case if flat rate is applied for BL1 | Yes, can be appointed or subcontracted but only in duly justified cases. ! Subcontracting is not allowed in case if flat rate is applied for BL1 |

The LP has to inform the JS within five working days, if the (main) project coordinator and/or (main) financial manager has been changed and **update information in the project application and "Supplementary information" in eMS.**

7.1.4 Internal project monitoring

Internal project monitoring must be done by the project. Project management group or project steering group must observe general progress of the project by reviewing information on the following:

- **Achievement of the project objective.** What is the progress in the achievement of the project objective on the basis of output and result indicators defined by the Programme?

- **Effectiveness and efficiency of resources.** Does the project proceed according to the initial plan presented in the application form? Do results correspond to the committed expenditure?
- **Quality of the management and coordination.** Are the management and coordination procedures efficient and are resources these processes sufficiently devoted? Do project partners follow deadlines? Is communication flow effective? Do project partners have common understanding on the project objective, outputs and results?
- **Quality of project results:** Are project main outputs and results in line with initially agreed main quality characteristics? Are produced outputs and results being used by target group effectively? If not, what can be improved? Are arrangements in place which will enable effective use of the project outputs and results after the end of the project?

Project activities shall be coordinated and jointly implemented by all project partners - joint solutions, methods, approaches shall be applied in the project.

Based on the work plan in the application form, LP and project partners may decide to prepare more detailed work plan for internal use where all activities are listed, deadlines and responsible persons are indicated, etc.

All of the project partners have to secure audit trail when implementing project activities from the very beginning of the project implementation. Evidence of the implemented activities must be ensured.

7.1.5. Processing of personal data of natural persons.

In order to ensure compliance with legal framework and to ensure fulfilment of functions, Programme implementing bodies process natural person data in accordance with the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).

As during the Project implementation project partners are obliged to keep and provide all the required information on Project implementation, including natural person data, to Programme implementation bodies, partners are also obliged to ensure that processing and movement of such data complies with the requirements set in the above mentioned regulation.

7.2 Project changes

The work plan and project budget should be planned as thoroughly as possible. However, during the project implementation it may become evident that the work plan or project budget needs to be revised.

The LP is responsible for preparing the request for changes on behalf of all of the project partners and its submission via the eMS to the JS. Changes are divided into minor and major changes. Generally, projects may have one consolidated request of major changes during project reporting period.

- **Minor project changes.** Minor changes have a minor impact on the project implementation, project outputs and/or results. **Minor changes require prior approval**

of the JS (except cases described in details in Table No 7 Description of minor changes). Changes that do not require prior approval by the JS should be consulted with JS via e-mail (to latlit@varam.gov.lv or to e-mail of respective project manager) and must be reported via progress reports.

- Major project changes.** Major changes have a significant impact on the project implementation, project outputs and/or results. In general, major changes require prior approval by the MA/JS or the MC before they are implemented by the project. MA/JS takes decision on the project changes related to modification of project activities, budget, partnership and duration. MC takes decision on changes which affect **project duration**, achievement of the Programme output and result indicators or would be an exceptional case on the Programme manual rules. If major changes are needed, LP must inform the JS as soon as possible during the project implementation, but not later than one month before the project end.

7.2.1 Minor project changes

A list of minor changes that can be introduced during the project implementation is detailed below:

Table 7 Description of minor changes

| DESCRIPTION OF THE CHANGE | RESTRICTIONS | TO DO LIST |
|---|---|---|
| 1. MINOR CHANGE OF PROJECT PARTNER DATA | | |
| 1.1. Contact data of the LP or project partners | | |
| Name or contact details of LP/project partner manager, financial manager or communication manager has changed. | None | <ul style="list-style-type: none"> Inform JS and update information immediately via eMS. |
| 1.2. Other technical changes | | |
| Change of title translation, address of institution, change of authorised representative etc. | Changes do not affect legal status or cause structural change of partner institution | <ul style="list-style-type: none"> Inform JS and update information immediately via eMS Relevant documents should be uploaded in the eMS. |
| 2. BANK ACCOUNT OF THE LP | | |
| The bank account of the LP has changed. | None | <ul style="list-style-type: none"> Update information immediately via eMS. |
| 3. WORK PLAN ADJUSTMENT | | |
| 3.1. Rescheduling project activities | | |
| Minor adjustments in rescheduling project activities or output delivery (e.g. in the application form project planned to organise two seminars in the first reporting period. Due to x reasons organisation of the second seminar is moved to the second reporting period). | <ul style="list-style-type: none"> Changes do not have considerable impact on the project outputs and their delivery schedule. | <ul style="list-style-type: none"> Communicate minor changes via progress reports. |

| DESCRIPTION OF THE CHANGE | RESTRICTIONS | TO DO LIST |
|---|---|--|
| 3.2. Quantity of project communication elements | | |
| Change in quantity of planned communication elements (both printed and electronic) (e.g. <i>project planned to produce 1000 booklets for the participants of the seminars. As the participation interest in the seminars is higher than expected, project produced additional number of booklets</i>). | <ul style="list-style-type: none"> Change in quantity of planned communication elements (units of brochures/leaflets/ booklets etc.); Change allows to reach planned target group; Principles of sound financial management are met; Minimum communication requirements cannot be excluded; Total costs planned for communication elements cannot be exceeded. | <ul style="list-style-type: none"> Consult with JS in advance via e-mail and Communicate minor changes via progress reports. |
| 3.3. Minor changes in project activities | | |
| 3.3.1. Minor adjustments in planned activities /deliverables affecting their substance (e.g. <i>due to specific reasons number of planned seminars are increased/decreased, number of trained persons are decreased, number of planned items changes, new items are introduced, minor change in technical/construction works</i> etc.) | <ul style="list-style-type: none"> Need for changes is strongly justified and principles of sound financial management are met; Changes do not cause a decrease of quality of respective activity's results and overall project results, as well as do not negatively impact project outputs and their delivery schedule; Total sum of BL must not be exceeded. | <ul style="list-style-type: none"> Request minor changes in the eMS Changes require prior approval of the JS and After JS approval update application form via eMS. Changed building/technical documentation should be submitted via eMS or delivered to the JS as part of changes procedure (if relevant). <p><i>NOTE! In case technical documentation for planned (re)construction works is changed, Project partners are responsible for creation and submission of technical documentation in line with national legal acts.</i></p> |
| 3.3.2. Other minor adjustments in planned activities/deliverables (e.g. <i>number of persons/meetings for project management and implementation purposes changes, technical specification for item changes, within BL 3 and BL4 inclusion/exclusion of expenditure item is needed, for example, accommodation costs, translation costs or other logically</i> | <ul style="list-style-type: none"> Need for changes is strongly justified and principles of sound financial management are met; Changes do not cause a decrease of quality of respective activity's results and overall project results, as well as do not negatively impact project outputs and their delivery schedule; | <ul style="list-style-type: none"> Consult with JS in advance via e-mail and Communicate minor changes via progress reports. |

| DESCRIPTION OF THE CHANGE | RESTRICTIONS | TO DO LIST |
|---|---|--|
| <i>interconnected costs to the planned expenditures are missing etc.).</i> | <ul style="list-style-type: none"> ➤ Inclusion of cost item is directly relevant for ensuring achievement of concrete project activity/deliverable; ➤ Total sum of BL must not be exceeded. | |
| 4. CHANGES IN PROJECT BUDGET | | |
| 4.1. Changes in costs between planned items | | |
| Changes in costs between planned items within one BL (<i>e.g. costs for planned translation services is higher than expected, but savings for room rent for seminars are available etc.</i>). | <ul style="list-style-type: none"> ➤ Quality of related outputs and results must not be decreased; ➤ Budget changes can be applied within BL3, BL4, BL5 and BL6; ➤ Total sums of BLs must not be exceeded. ➤ Reallocation of lump sum costs for Preparation is not allowed. | <ul style="list-style-type: none"> ➤ Communicate changes via progress reports. |
| 4.2. Changes regarding BL1 if real costs method is applied | | |
| 4.2.1. Change in existing sub-budget lines. Changes in amount of units, unit rates, type, amount of employees workload, changes in costs between planned items in case real costs method is applied under BL1 (<i>e.g. staff costs for person from full-time to hourly rate is changed, workload for project manager from 70% to 50% and for project assistant from 50% to 70% is changed etc.</i>). | <ul style="list-style-type: none"> ➤ Total sums of BL can not be exceeded; ➤ Principles of sound financial management are met. | <ul style="list-style-type: none"> ➤ Communicate changes via progress reports. |
| 4.2.2. Change of number of employees and change of sub-budget lines. Changes in number of employees, creating new or merging existing sub-budget lines in case real costs method is applied under BL1 | <ul style="list-style-type: none"> ➤ Need for changes is strongly justified and principles of sound financial management are met; ➤ Total amount of costs planned for the BL must not be exceeded. | <ul style="list-style-type: none"> ➤ Request minor changes in the eMS; ➤ Changes require prior approval of the JS and ➤ After JS approval update application form via eMS. |
| 5. CHANGES IN PROJECT DUE TO CHANGE IN BUILDING/TECHNICAL DOCUMENTATION | | |
| Changes in building/technical documentation which do not affect information provided in the project application form (<i>meaning that description of respective activity, deliverable and its target size is not changed, for example, in the</i> | <ul style="list-style-type: none"> ➤ Information in the project application form is not affected. | <ul style="list-style-type: none"> ➤ Consult with JS in advance via e-mail and ➤ Communicate changes via partner reports. ➤ NOTE! In case technical documentation for planned (re)construction |

| DESCRIPTION OF THE CHANGE | RESTRICTIONS | TO DO LIST |
|--|--------------|---|
| activity it is planned to create a walking path 500 m long and 2 m wide, during the project it is concluded that technical solutions (for example, instead of provision stairs to/from walking path, it is decided to construct descent road to/from walking path) for constructing the path need to be changed but description and indicators mentioned in the activity is not amended etc.). | | works is changed, Project partners are responsible for creation and submission of technical documentation in line with national legal acts. |

7.2.2 Major project changes

A list of major changes that can be introduced during the project implementation via project changes procedure is detailed below. Any changes not listed in the table 8 are subject to the decision of the MC.

Table 8 Description of major changes

| DESCRIPTION OF THE CHANGE | RESTRICTIONS | TO DO LIST |
|---|--|--|
| 1. PARTNERSHIP CHANGE | | |
| 1.1. Withdrawal of project partner(s) without a replacement | | |
| A project partner(s) withdraws and no other organisation(s) is taking over the implementation of planned activities and budget. | <ul style="list-style-type: none"> ➤ Project partnership corresponds to the eligibility criteria – at least one Latvian and one Lithuanian project partner remains in the project; ➤ Activities, which are removed from the work plan, as well as the role of the withdrawn project partner, is not crucial for the achievement of the project objective, outputs and results and still can be achieved as initially planned. Otherwise, activities have to be taken over either by existing project partners or by inviting a new organisation to join the partnership. | <ul style="list-style-type: none"> ➤ Submit a request for change via the eMS; ➤ Submit an updated project application form, partnership agreement via the eMS after decision on approval of changes is made. |
| Decision is taken by the MA. | | |
| 1.2. Replacement of the project partner | | |

| DESCRIPTION OF THE CHANGE | RESTRICTIONS | TO DO LIST |
|---|---|---|
| <p>Replacement of withdrawn project partner in order to take over the implementation of planned project activities and budget.</p> <p>Withdrawal of the project partner is when:</p> <ul style="list-style-type: none"> ■ The partner has not started the implementation of the planned project activities. In this case the activities and budget will be fully taken over; ■ The project partner has implemented part of the planned project activities but due to unforeseen circumstances cannot continue the implementation of the project. In this case a new project partner will take over remaining activities and budget. | <p>In both cases the pre-condition of the change is that the withdrawn project partner is not continuing its participation in the project.</p> <p>The replacement can be done either by involving a new organisation, or by giving responsibilities of the withdrawn partner to an existing project partner(s).</p> <p>The following should be observed:</p> <ul style="list-style-type: none"> ■ Changes in partnership do not affect the project objective and results; ■ Eligibility criteria for the new partner are observed. ■ Project partnership corresponds to the eligibility criteria – at least one Latvian and one Lithuanian project partner remains in the project; | <ul style="list-style-type: none"> ■ Submit a request for change via the eMS. ■ Submit a letter of consent of new project partner. ■ Submit an updated project application form, partnership agreement via the eMS after decision on approval of changes is made. ■ Submit partner declaration form: <ul style="list-style-type: none"> - for a new project partner (in case of NGO – additional supporting documents shall be submitted according to the provisions of the Programme manual Section 6.1. “Application”), <p>OR</p> <ul style="list-style-type: none"> - for existing project partner(s): to submit a new partner declaration reflecting the changes of the project budget. |
| Decision is taken by the MA. | | |
| 1.3. Structural or legal changes of project partner organisation | | |
| <p>Legal changes (title, legal status, etc.) of the project partner organisation occur.</p> | <ul style="list-style-type: none"> ■ Eligibility criteria for the partnership are observed. <p>! <i>Change of title of project partner organisation which has no impact on its legal status has to be officially communicated via email to the JS as soon as it happens but request for changes can be submitted later together with other project changes.</i></p> | <ul style="list-style-type: none"> ■ Submit a request for change via the eMS; ■ Submit an updated project application form, partnership agreement, partner declaration via the eMS after decision on approval of changes is made. ■ Submit a copy of the official document stating the structural or legal change. |
| Decision is taken by the MA. MC takes decision in case respecting of eligibility criteria for the partnership is questioned. | | |

| DESCRIPTION OF THE CHANGE | RESTRICTIONS | TO DO LIST |
|--|--|---|
| 2. REALLOCATION BETWEEN BUDGET LINES | | |
| Reallocation between budget lines and/or partners up to 30% of the total eligible project budget. | <ul style="list-style-type: none"> ➤ Budget changes are only possible with condition that the total amount of ERDF co-financing to the project is not exceeded. ➤ Reallocation of lump sum costs for Preparation is not allowed. | <ul style="list-style-type: none"> ➤ Submit a request for change via the eMS; ➤ Submit an updated application form, partnership agreement via the eMS after decision on approval of changes is made. ➤ If project budget is reallocated between project partners, and as a result PP's budget is increased, the updated partner declarations of the partners with increased budgets must be submitted via eMS after decision on approval of changes is made. ➤ If budget changes are introduced in the infrastructure part and are related to changes in costs estimations, technical projects, etc., the relevant documents should be uploaded via eMS or delivered to the JS. |
| Decision is taken by the MA. | | |
| 3. CHANGE IN THE PROJECT ACTIVITIES | | |
| <p>Only activities that do not alter the objective of the project can be changed:</p> <ul style="list-style-type: none"> ➤ increase/decrease in the number of existing project outputs and/or results; ➤ extend/reduce the range of the existing project activity; ➤ create new project output and/or activity; ➤ hand over activity to other project partner. | <ul style="list-style-type: none"> ➤ Change may not alter objective of the project; ➤ Changes foster more efficient achievement of the project objectives and results; | <ul style="list-style-type: none"> ➤ Submit a request for change via the eMS; ➤ Submit an updated application form, partnership agreement via the eMS; ➤ If changes are introduced in the infrastructure part and are related to changes in costs estimations, technical projects, etc., the relevant documents should be submitted via eMS or delivered to the JS. |

| DESCRIPTION OF THE CHANGE | RESTRICTIONS | TO DO LIST |
|---|--|--|
| | | <i>NOTE! In case technical documentation for planned (re)construction works is changed, Project partners are responsible for creation and submission of technical documentation in line with national legal acts.</i> |
| Decision is taken by the MA. MC takes decision on changes which affect achievement of the Programme output and result indicators or would be an exceptional case from the Programme manual rules. | | |
| 4. PROLONGATION OF THE PROJECT DURATION | | |
| The project duration can be prolonged if the requested prolongation is justified and the project can be successfully finished within the requested end date. | <ul style="list-style-type: none"> ➤ Project can be prolonged by necessary number of months if justification is provided; ➤ The project implementation cannot be longer than 31 December 2020. | <ul style="list-style-type: none"> ➤ Submit a request for change via the eMS; ➤ Submit an updated application form, partnership agreement via the eMS after decision on approval of changes is made. |
| Decision is taken by the MA. If project requests to prolong project duration by more than six months or total project duration exceeds 24 months, decision is taken by the MC. | | |
| 5. CHANGES OF REPORTING PERIODS | | |
| 5.1. Change of reporting periods during project implementation | | |
| The project partner may request to change chosen reporting period (from 3 to 6 months or vice versa) | <ul style="list-style-type: none"> ➤ Only once during project implementation; ➤ Project duration can not be affected. | <ul style="list-style-type: none"> ➤ Submit a request for change via the eMS. |
| Decision is taken by the MA. | | |
| 5.2. Merging of reporting periods during project implementation | | |
| The project partner may request to merge reporting periods | <ul style="list-style-type: none"> ➤ In case 3 months reporting period is chosen, merging of reporting periods is allowed only once during project implementation not exceeding 6 months reporting period (with an exception of the final reporting period which can be shorter or longer than 3 or | <ul style="list-style-type: none"> ➤ Submit a request for change via the eMS. |

| DESCRIPTION OF THE CHANGE | RESTRICTIONS | TO DO LIST |
|---|--|---|
| | 6 months depending on the project duration). | |
| Decision is taken by the MA. | | |
| 6. CHANGE OF THE VAT PAYER STATUS | | |
| VAT payer status of project partner has changed | Total project budget cannot be increased. | <ul style="list-style-type: none"> ➤ Submit a request for change via the eMS. ➤ Submit an updated application form via the eMS; ➤ Submit updated partner declaration, partnership agreement via the eMS after decision on approval of changes is made. |
| Decision is taken by the MA. | | |

Procedure for handling changes

LP must fill in a request for change and submit it via the eMS. "Guidance how to implement the project via the Electronic monitoring System (Part I)" is available on the Programme website www.latlit.eu. Changes are considered as approved only when the decision by JS or MA is sent to the LP (except for minor changes which do not require prior JS or MA approval as set in the Table N. 7 Description of minor changes).

Request

All project partners have to submit information to the LP about necessary project changes till the deadline agreed within the partnership. The LP has to review submitted changes to check if they have no impact on project objectives, are clearly described and sufficiently justified and are in line with the allowed changes described in the Programme manual. If needed, the LP asks for additional clarifications from project partner. If necessary, assigned JS staff member has to be consulted.

The LP must submit request for change via eMS.

When filling in the request for change via eMS, the following information should be provided:

- Initially planned in the application form: title of activity/cost item, work package and the budget line, deliverables;
- Requested changes: description of necessary changes, their purpose, if relevant – sources from which changes will be covered (work package, budget line and cost item);
- Justification of changes;
- Impact of requested changes – how proposed changes will help to achieve project objective in more efficient way and will foster cooperation.

Assessment

JS reviews the received request for change, its compliance with Programme requirements and Subsidy contract and provides feedback to the LP if information is sufficient to take a decision.

If information is not sufficient, the JS asks to update request for change via the eMS.

Decision and Addendum of the subsidy contract

Decision is taken by the JS, MA or the MC.

The MA/JS sends a decision on approval or disapproval of requested changes to the LP. In case of approval, updated relevant project documents have to be uploaded via the eMS within the set deadline. After updated documents are checked by the JS, addendum to the subsidy contract, if necessary is prepared by the JS and sent to the LP for signing.

7.3 Project reporting and payments

7.3.1. Project reporting

During the project implementation all projects shall report on their progress regularly. Reporting shall be done via eMS and detailed “**Guidance how to implement a project via the Electronic Monitoring System (Part II)**” is available on the Programme website www.latlit.eu.

The project reporting covers both the project activities and outputs and the financial implementation. The report serves as the basis for the regular payments made to the project and is used for monitoring of project's progress. In addition, report is used to communicate minor project changes to the JS in cases if prior approval of changes by the JS/MA/MC is not requested (see - Table No 7 Description of minor changes).

If project partner has no costs to report, project partner report still has to be formally submitted (so called zero costs report) in set deadline.

In general, expenditure included in the report must have been paid out (“gone out of the bank account”) before the end of the respective reporting period and within the project duration except:

- preparation costs as a lump sum and preparation costs for development of technical documentation which may be paid before the start date of the project;
- the following costs for the last reporting period - for financial control in Lithuania and for personnel costs if flat rate is not applied under BL1 which must be paid within 10 working days after the end of the last reporting period;
- **costs connected with the salary payments (if real costs method is applied) have to be reported within the reporting period when the last payment connected with the salary is made (e.g. in case if salary payment to employee is made in reporting period No 1 but relevant taxes are paid during reporting period No 2 all the costs connected with the salary payment should be included in the report for reporting period No 2);**
- costs connected with the organisation of event (e.g. under BL4 “External expertise and services”) and with the participation in event (e.g. BL3 “Travel and Accommodation”) have to be reported within the reporting period when the event took place, but they cannot be reported retrogressively; in case the final settling of accounts (final advance statements are finalised) takes place in next reporting period, costs for participation in event (e.g. BL3 “Travel and Accommodation”), can be reported during the next reporting period;
- costs which are withdrawn by the FC from respective partner report for additional clarification and indicated in the FC certificate as “costs under clarification” could be reported in the next reporting period if found eligible by the FC;
- item costs that should be distributed according to actual usage (“wear and tear”) could be reported proportionally (partly or fully) within the reporting period when items have been partly or fully distributed.

Project reporting consists of:

➤ **each project partner report**

At the end of each reporting period each project partner must submit its partner report with all supporting documents to the FC via eMS. The FC will verify compliance of expenditure and activities with the legal framework of the Programme. The FC can clarify any issues and may deduct any expenditure that is considered ineligible. The FC confirms eligible expenditure in a form of the FC certificate, which is available in eMS for the relevant project partner, the LP and all relevant programme bodies.

➤ **a consolidated progress report**

After FC has issued FC certificates for all project partners, LP prepares a consolidated progress report and submits it to the JS via eMS. Consolidated progress report must include information on achievement of all project activities and incurred (paid out) expenditure during the respective reporting period. If there will be questions about any part of the consolidated progress report during the review, the JS will contact the LP project manager for clarification or additional information.

➤ **final report**

Together with the last consolidated progress report a separate final report must be submitted. Final report must include information on the achievement of the project objective, main output(s) and results.

LP must submit project progress reports to the JS via eMS **according to the reporting periods and deadlines for submission** as stipulated in the eMS. **The reporting period is three or six months**, as chosen by the project and stipulated in the eMS. Depending on the total duration of the project lifetime the last reporting period can vary covering shorter and longer period than 3 or 6 months. In case the project is prolonged, reporting periods could be set according to the MA/MC decision on project prolongation.

Timeline for reporting and payment schedule is included in the table below:

Table 9 Timeline for reporting and payment schedule

| Activity | LP and project partners submit their reports to the FC | FC verification and issuing of FC certificates | LP prepares and submits the consolidated progress report or final report to the JS | MA makes the 1st payment (70% of reported eligible ERDF costs) to the LP | JS assesses the consolidated progress report or final report | MA makes the 2nd payment of (30% of reported eligible ERDF costs) to the LP |
|--|---|--|---|--|---|---|
| Deadline | 2 weeks from the end of the reporting period | 2 months after the partner report is submitted via eMS | 2 weeks after the FC has issued FC certificates | 2 weeks after the consolidated progress report or final report is received | 2,5 months after the consolidated progress report or final report is received | 2 weeks after the consolidated progress report or final report is approved by the JS |
| Total max time passed since the end of the reporting period | 2 weeks | 2,5 months | 3 months | 3,5 months | 5,5 months | 6 months |

If during verification of the report by the FC and the review of JS, project partner or LP is asked to clarify or provide additional information about any part of the report, check of the report will be put on hold. Therefore it is in the best interests of the project to submit correct and complete reports and to reply to questions of FC and the JS within deadlines.

In addition, the FC and the JS will verify the report in the order of submission, therefore it is important to submit report in time - according to the deadline for its submission.

7.3.2. Payments to the projects

Payments to the projects are made on a reimbursement basis and no advance payments from the Programme are available.

Consolidated progress report or final report, approved by the JS, serves as a basis for MA to transfer the ERDF co-financing to the LP account. Payments will be done in two separate payments to the LP for costs reported via consolidated progress report or final report (timeline indicated in the table 9 above):

In case ineligible costs are detected during the approval of the consolidated progress report or final report, they will be automatically deducted from the total reported eligible costs, therefore the 2nd payment could be paid less than 30% of the total requested ERDF co-financing.

If ineligible costs exceed 30% of the requested ERDF co-financing, the 2nd payment will not be made and the difference will be deducted automatically from the amount of total eligible costs reported in the next consolidated progress report or in case of final progress report – the recovery procedure will be initiated. *For deduction of costs in public procurement, Guidelines for determining financial corrections to be made to expenditure financed by the Union under shared management, for non-compliance with the rules on public procurement (Commission Decision of 19.12.2013 C(2013) 9527 final) applies.*

In case reported costs for infrastructure works in the final report constitute more than 25% of total reported costs, reimbursement of the ERDF co-financing will be made in one payment by the MA to the LP for the particular reporting period within 2 weeks after the approval of the final report by the JS and certification of costs by the MA.

The LP shall transfer the received ERDF co-financing to the project partners within maximum one month and after transfer to each project partner shall upload proof (bank account statement) to the eMS within 5 working days after the transfer is made.

7.4 Closure and durability of the project results

All activities of the project have to be closed within project duration stated in the subsidy contract.

With regards to the project closure, it is important to be aware of the following:

- All outputs co-financed by the Programme must comply with the applicable Programme information and communication requirements (see chapter 8 “Information and communication requirements”);
- The ownership of the project outputs (infrastructure and/or productive investments, produced during the project implementation must remain with the LP or project partners according to requirements set in subsection “Durability and ownership of project results” in this chapter;
- The LP and project partners must assign a contact person for 5 (five) years after the final payment of the ERDF co-financing has been made to the LP from the Programme.

The LP and project partners (each for its part) are at all times obliged to retain all files, documents and data about the project on standard data storage media in a safe and orderly manner for control and audit purposes **at least for five years** after the final payment has been made by the MA to the LP. Documents shall be kept either in the form of the originals, or certified true copies of the originals, or on commonly accepted data carriers including electronic versions of original documents or documents existing in electronic version only.

The following documents/information should be available at LP and project partners (for their parts) premises for control and audit purposes:

- Subsidy contract including application form, partner declarations, if applicable, addendums to subsidy contract, if applicable;
- Partnership agreement, with amendments, if applicable;
- Relevant project correspondence;
- Project partners FC confirmations (including checklists/control reports), if not available in eMS;
- Book-keeping lists/overviews;
- Bank account statements proving reception and transfer of the ERDF co-financing;
- Invoices, contracts, acceptance acts;
- Bank account statements/proof of payment for each invoice;
- Documentation related to personnel costs (if real costs method is applied): calculation of hourly rates, information on actual annual working hours, labour contracts, orders, timesheets, payroll documents and time records of personnel working for the project, etc.;
- Public procurement documents, including contracts;
- Proof of outputs and activities: studies, training programmes, minutes of meetings, signed participant lists, agendas, documents related to project partners business trips, etc.;
- At least one sample of each prepared promotion material (brochures, souvenirs, etc.);
- Record of assets that confirms physical availability of equipment/ purchased in the framework of the project;
- Other project documentation confirming implementation of the project;
- Proofs that publicity rules have been respected.

The procedure for certification of conformity of these documents held on commonly accepted data carriers with the original documents must be in line with provisions set in the national legislation and shall ensure that the versions held comply with national legal requirements and can be relied on for audit and control purposes. Where documents exist in electronic form only, the computer system used shall meet accepted security standards that ensure that the documents held comply with national legal requirements and can be relied on for audit purposes.

Durability and ownership of project results

Without prior consent of the MA, neither the LP nor project partners are allowed to transfer ownership, titles, industrial and intellectual property rights for outputs of the project related to investment in infrastructure, **durable equipment items** and/or productive investment during the project duration and at least five years after the final payment to the project has been made.

LP and project partners are obliged to repay the ERDF co-financing if within five years of the final payment to the LP or within the period of time set out in *de-minimis* rules, the respective partner is subject to any of the following:

- a cessation or relocation of a productive activity outside the Programme area;
- a change in ownership of an item of infrastructure which gives to a firm or a public body an undue advantage;

- a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives¹⁶.

For projects comprising investment in infrastructure or productive investment the period for repaying ERDF co-financing is ten years after the final payment to the LP, if the productive activity is relocated outside the European Union.

These conditions only apply to the outputs that have a character of investment or productive investments. Outputs such as training material, etc. are not affected by the requirements of the retention of ownership.

¹⁶ CPR Article 71

8. INFORMATION AND COMMUNICATION REQUIREMENTS

Information and communication activities are an integral and mandatory part of the project implementation. It is necessary to communicate the information about the project in order to:

- Disseminate information on the project activities, results achieved and good practices implemented
- Ensure transparency of the use of the EU funding;
- Ensure the widest possible awareness for general public and involvement of target group about the project activities.

Therefore, sufficient resources for information and communication activities should be planned within the project. All partners are obliged to be involved in the project communication. Relevant communication activities have to be planned by all project partners according to the project aims and target group. All information and communication materials and tools must be directly related to the project activities and objectives.

! *If information and communication requirements are not observed or are partly observed, related project outputs (events, purchases, publications, etc.) may be considered as ineligible or partly ineligible and the respective ERDF co-financing may be reduced. Depending on the type of non-compliance with requirements, for first non-compliance a warning may be expressed. In case it is not possible to quantify the financial amount of ineligible costs the following principles shall be applied to determine the amount of financial correction:*

| Type of mistake | Amount of correction |
|---|----------------------|
| Publicity requirements have not been fulfilled, but the publicity elements can be added | 0-10% or warning |
| Technical mistakes related to publicity requirements (mistakes with colours, size or similar) | 10% |
| Elements of the publicity requirements missing | 25% |
| No publicity requirements have been fulfilled, and no corrective measures are possible | 100% |

Any document, relating to the implementation of a project which is used for the public or for participants, including any attendance or other certificate, shall carry Programme logo acknowledging support from the European Regional Development Fund to the project.

Any publication containing opinion must include the following disclaimer, stating that the European Union is not responsible for the information provided: *“This document has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of <name of the PP> and can under no circumstances be regarded as reflecting the position of the European Union”.*

It is highly recommended, that all publications produced by the project would be also made available on the project website and social media channels.

Use of the Programme logo

The use of the Programme logo is obligatory and shall always be clearly visible and placed in a prominent position in all information and communication materials and tools (including electronic), project documents including attendance or other certificate or project outputs. At no case other logos used in addition to the Programme logo, shall be larger than the logo of the Programme. Also, the European Union emblem (EU flag) shall have at least the same size as the biggest of the other logos. When information or communication measure relates to a project or several projects co-financed by more than one EU Structural Fund, the reference to ESI Funds may be used.

The Programme logo consists of the following five elements:

- Interreg logo;
- The EU emblem and title “European Union”;
- Programme name;
- Reference to the fund “European Regional Development Fund”;
- The graphic symbol representing the colours of the national flags of Latvia and Lithuania.



Whenever possible, the Programme logo must be used in the full colour. Otherwise, the grey scale version of the Programme logo can be used. The black and white Programme logo version should only be used when it is not possible to use full colour grey scale version.

The Programme logo as well as more detailed information on its use as well as requirements for the project communication set-up are included in the Interreg V- A Latvia – Lithuania cross border cooperation programme 2014-2020 Communication guidelines which are available on the Programme website www.latlit.eu.

Informative poster

All project partner organisations must display at least one informative poster (minimum size A3) at a location readily visible to the public in their premises, for example, at the entrance area of the building. The poster must include the Programme logo, the project title, the main objective of the project, and information on the financial support of ERDF.

Project partners, placing temporary or permanent plaques or billboards, as described in the section “Infrastructure” below are not obliged to display an informative poster.

Websites

Information about the project (a short description of the project, its objectives, results, received ERDF funding, electronically available outputs) has to be published together with the Programme logo on each project partner website, if such website exists. If the project creates a new website, it must contain links to the Programme website www.latlit.eu and the official EU website <http://www.europa.eu>. The Programme logo must be placed in a prominent place on the front page of the new website and be visible without readers having to scroll down the page.

Programme website

LP is responsible for regular upload of the project information (description, aims, results, videos,

pictures, events, etc.) to the special section of the Programme website www.latlit.eu. This section should be regularly updated and maintained during the whole project implementation period by the LP.

Social media

The project is encouraged to communicate the project results by using various social media accounts (e.g., Facebook, Youtube, Twitter, Instagram etc.) due to their interactivity and possibility to reach wider public. Links to the existing social media accounts of the project should appear in the project section of the Programme website.

Articles and press releases

The project is encouraged to promote opportunities and benefits provided by the Programme to wider public by publishing articles in mass media and releasing information for mass media. The project partners are highly recommended to prepare press releases at least at the beginning and the end of the project. Articles and press releases should highlight the major activities of the project, events and results. Distribution of information to international media is encouraged.

It is recommended to send out at least two press releases during the project implementation - one in the beginning and one at the end - to the national/regional and/or local media in Latvia and/or Lithuania and to the JS staff member responsible for the communication and to prepare them in Latvian and / or Lithuanian and/or in English.

Events

Public events, organised by the project, have to be aimed at dissemination of the project results and they have to be interesting for target groups and media. The information about the upcoming public events of the project has to be entered in the calendar on the Programme website as soon as it is possible, but not later than two weeks prior to the event. The information about other events (e.g., working meetings), has to be sent to the assigned JS staff member via eMS not later than two weeks before event.

The EU flag and/or movable stands or roll-ups etc. of the projects, containing the Programme logo has to be displayed at all public events, financed by the project. The Programme logo has to be on the event documents (agenda, list of participants, hand-outs, presentations, etc.). Programme logo has to be placed in a clearly visible place.

The projects are encouraged upon request by the MA/JS to participate in the Programme organised events (e.g Programme Annual events, European Cooperation Day, Balts Unity Day). The projects are also invited to plan and organise their own activities for the European Cooperation Day and/or Balts Unity Day. More information about the European Cooperation Day can be found on the website <http://www.ecday.eu/>.

The programme developed list of participants which is highly recommended to be used during the events. It can be downloaded from the Programme website www.latlit.eu.

Infrastructure, equipment and other purchases

For planned investment works, equipment and other purchases made projects have to follow communication requirements set by the Programme (please see table 10). In addition to that evidence of each information material or item (e.g., souvenirs, publications, etc.) produced or purchased must be attached in the eMS to the respective progress report and partner report. A sample must be kept by the LP, project partner organisation for control and audit purposes.

Table 10 Communication requirements for Infrastructure, equipment and other purchases

| TYPE OF ACTIVITY | | COMMUNICATION MEASURE | TO DO | RESTRICTIONS |
|----------------------------------|--|--|---|--|
| 1. Investment works | 1.1 Investment works exceeding EUR 500 000 in one site | Has to be put a temporary billboard of significant size visible to the public should be put. | During (re)construction phase. | Cannot be removed for at least five years after the final payment to the project has been made |
| | | Has to be put a permanent plaque or a billboard containing the Programme logo, the project title, ERDF financing and other information described in the Communication guidelines (together occupying at least 25%) | No later than three months after the completion of the infrastructure or (re)construction works | Cannot be removed for at least five years after the final payment to the project has been made |
| | 1.2. Investment works less than EUR 500 000 in one site | Has to be put a permanent plaque or a billboard , containing minimum general, no project specific information, of significant size, which has to be visible to the public. Programme provides project partners with free plaques for marking investment works | No later than three months after the completion of the infrastructure or (re)construction works | Cannot be removed for at least five years after the final payment to the project has been made |
| 2. Equipment and other purchases | | It is highly recommended to label items with stickers with the Programme logo | After purchase and would remain labelled after the project implementation | None Recommendation character |
| 3. Equipped room | | Has to be displayed of an informative plaque | After purchase | Cannot be removed for at least five years after the final payment to the project has been made |
| 4. Specialized cars | | Have to be labelled with stickers with the Programme logo | After purchase | Cannot be removed for at least five years after the final payment to the project has been made |

9. PROJECT BUDGET

The project budget is the total amount of financial resources planned for project implementation. It is defined in the application form and approved by the MC when selecting projects for funding and stipulated by the MA in a subsidy contract.

9.1. General rules applicable to the project budget

Sound financial management

The project budget has to be used in line with sound financial management principles, namely in accordance with the principles of economy, efficiency and effectiveness¹⁷:

- **Principle of economy** requires that the resources used by the organisation in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price;
- **Principle of efficiency** concerns the best relationship between resources employed and results achieved;
- **Principle of effectiveness** concerns the attainment of the specific objectives set and the achievement of the intended results.

Sub-contracting between project partners and subcontracting of employees

Project partners financially contributing to the project and receiving ERDF co-financing from the Programme are not allowed to subcontract directly each other and employees who already work for the project based on employment contract in order to carry out project activities.

Avoiding conflict of interests and corruption

There is a conflict of interest where the impartial and objective exercise of the functions of any person involved in the project is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with another person.

Double financing

The project can receive Programme funding for the same activities only once during the Programme period.

All costs that were already co-financed from any EU funds or were fully covered by other international, national, regional and/or local funds are not eligible as this is considered double-financing.

Competition and public procurement

The purchase of goods and services is subject to public procurement procedures that have to be in line with **national public procurement rules, EU rules, where applicable**.

The public procurement procedures aim at a more efficient and transparent use of public funds as well as at increasing competitiveness. The main principles of public procurement (equal treatment, non-discrimination, transparency, free movement and competition) as well as sound financial management principles (economy, efficiency and effectiveness) must be respected throughout the entire process of public procurement and also applied to purchase of goods and services below the threshold values.

The public procurement rules have to be followed by all project partners apart from their legal status, i.e. NGOs as well. NGOs in Lithuania have to follow Rules for non-purchasing

¹⁷Regulation (EU, EURATOM) No 966/2012 of 25 October 2012

organisations from Lithuania participating in implementation of 2014-2020 ETC programmes, approved by the Order No. 1V-561 of Minister of the Interior on 17 July 2015. NGOs in Latvia have to follow Cabinet of Ministers Regulations No 104 Rules for the procurement procedure and the application of customer funded projects, approved on February 28, 2017.

In case national legislation on public procurement is stricter than the EU legislation, national legislation must be applied.

The EU legislation on public procurement is available on the Programme website www.latlit.eu.

In case of questions on application of the national public procurement rules, the Procurement Monitoring Bureau of the Republic of Latvia (www.iub.gov.lv) and Public Procurement Office under Government of the Republic of Lithuania (www.vpt.lt) shall be contacted.

Geographical eligibility

Eligibility of costs is geographically bound to the Programme area. In duly justified cases and only if it is for the benefit of the Programme area, project partners can travel and implement activities outside the Programme area. These costs are eligible only in case they are specified in the application form or prior approved by the MA / JS during project implementation and are vital to the success of the project.

1. Activities that **are not** considered as activities outside the Programme area: Activities and events with the participation of project partners and having promotional and/or capacity building character (e.g. seminars, workshops, trainings, exhibitions, thematic conferences, Programme events, etc.) implemented outside the Programme area do not fall within the scope of activities which are treated as activities implemented outside the Programme area¹⁸ but in case these activities are not planned in the project application project partners would have to consult the JS before such trips, to avoid problems during verification of project partner reports by FC. In addition, project partners are allowed to cover travel and accommodation costs to the **following activities organized in Latvia and Lithuania** but outside the Programme area without prior approval by the Programme:

- a. Events organized by the MA/JS and other Programme management bodies, INTERACT and EC outside the Programme area;
- b. Meetings with the FC and with Programme management bodies which are located outside the Programme area;
- c. Project management meetings, including meetings with project partners, Steering group meetings etc.

2. Activities that are considered as activities outside the Programme area:

In case if project partner organizes event outside the Programme area, then all costs connected with the organisation of event (e.g. travelling, external expertise, equipment etc.) fall within the scope of activities implemented outside the Programme area. Thus, relevant amount of costs should be specifically indicated in the application form or prior approved by the MA/JS during project implementation and reported in the project partner report as outside the Programme area. **In case, in the project participates a partner which is considered to be as outside the Programme area, then respective partner's whole budget should be included in the project application and reported in the project partner report as activities outside the Programme area (needed for statistical purposes).**

¹⁸ expenditure incurred outside the Programme area shall be eligible if, according to the ETC regulation Article 20 (3), the total amount allocated to activities and events outside the Programme area does not exceed 20 % of the support from the ERDF at Programme level

9.2 Eligibility of costs

The eligibility of costs is defined in the Programme manual, subsidy contract and relevant EU and national legislation. The main preconditions for **eligibility** of costs incurred (paid out) by the projects are the following:

- Costs are directly related to the project and planned in the application form;
- Costs must be paid out ("gone out of the bank account") before the end of the respective reporting period and within the project duration with exceptions stated under subsection 7.3.1 "Project reporting". The earliest date when costs can be paid out is on the next day after the project is approved by the MC,
- Calculation is based on real costs with the exception for preparation costs as a lump sum, BL2 "Office and administration costs" and BL1 "Staff costs" (if flat rate method applied). It means that only costs incurred (paid out) by project partners, accounted for the project and proved by delivery of works, services or supplies within the project duration can be considered as eligible project costs. Advance payments to the external service providers are eligible only after the partial or full delivery of the purchased goods or services. In case up to 1/3 of total contract amount is paid as advance payment, then proof of partial or full delivery of goods or services is not required;
- Costs are essential for the project's implementation, they have incurred (paid out) by the project partners and would not have been incurred (paid out) without the project;
- Costs are in compliance with the sound financial management principles (economy, efficiency and effectiveness);
- Expenditure has actually been paid out. Expenditure is considered to be paid out when the amount is debited from the project partner organisation's bank account. The bank statements usually prove the payment. The date when the invoice was issued, recorded or booked in the accounting system does not count as a payment date. Exception to this rule is applied for BLs where project partners have chosen flat rate method and preparation costs as lump a sum;
- Expenditure is reported under the correct BL;
- Expenditure does not exceed in the application form indicated: a) eligible project budget; b) each project partner budget;
- Eligibility of costs is geographically bound to the Programme area, with exceptions mentioned in section 9.1. "General rules applicable to the project budget" subsection "Geographical eligibility".

The following costs are considered **ineligible**:

- Fines, financial penalties and expenditure on legal disputes and litigation;
- Costs of gifts, except those not exceeding EUR 50 per gift related to promotion, communication, publicity or information;
- Costs related to fluctuation of foreign exchange rate;
- Interest on debt;
- Recoverable value added tax;
- Charges for national financial transactions (e.g. bank transfers within Latvia and Lithuania);
- Consultant fees or other service costs between project partners for services and works carried out within the project;
- Costs related to subcontracting project partners or employees of project partner organisations, who already work for the project based on an employment contract;
- Costs that were already supported from any EU funds or by other international, national, regional and/or local funds;
- In-kind costs;
- Lessor's margin in case of lease of equipment.

9.3 Description of budget lines

The project budget shall be planned under the following BLs:

- 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”.

9.3.1 Staff costs

Expenditure on staff costs consist of gross employment costs of staff employed by the project partner organisation, which are engaged in the project activities. Staff costs can be reported either by:

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

Each project partner may choose the relevant staff costs reporting method or project partnership can choose to have one method. Staff costs reporting method cannot be changed during project implementation.

9.3.1.1 Real costs method

Staff costs include costs of employees in line with the employment/work contract or an appointment decision and costs of natural persons working for the project partner organisation under a contract other than an employment/work contract and receiving salary payments as a form of remuneration.

Please note that the employment/work contract, or an appointment decision or contract with the natural persons working for the project partner organisation under other than an employment/work contract are hereinafter referred to as employment document.

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

- Full-time;
- Part-time:
 1. Part-time with a fixed percentage of time dedicated to the project per month;
 2. Part-time with a flexible number of hours worked on the project per month;
 3. Contracted on an hourly basis.

Budget line specific rules

- Staff costs must relate to activities which the project partner organisation would not carry out if the project was not undertaken;
- Overheads and any other office and administration costs cannot be included under this BL;
- Daily allowances and any other travel and accommodation costs cannot be included under this BL;
- In case the staff member is working part-time for the project and part-time for other tasks in the project partner organisation, the actual salary rate for the respective position in the project would have to be used, when calculating his/her costs in the

project budget. Unjustified different hourly rates/ remuneration in the frame of the same responsibilities must be avoided;

- Staff member, who is working for the project and remunerated from staff costs, cannot conclude any service contracts that are financed within the same project;
- Staff costs cover real costs paid out based on a payslip or a document of equivalent probative value;
- The following costs are eligible components of staff costs:
 1. Salary payments fixed in the employment document or by law;
 2. Any other costs directly linked to the salary payments, incurred (paid out) by the employer, (such as employment taxes and social security, including pensions or holiday payments, etc) both 1) fixed in the employment document or 2) deriving from legal obligations in accordance with the legislation and standard practices in the country and/or organisation despite the fact that they are not explicitly stated in the employment document. Organisation's standard practices shall refer to all staff of the organisation and no special rules can be made for project employees;
- The salary payments must relate to responsibilities specified in a job description of the individual staff member;
- Taxable benefits linked to salary payments are eligible as long as they are in line with the employment policy of the project partner organisation, e.g., bonus payments, health insurance, relocation benefits.¹⁹ They must be directly linked to the salary payments related to the project and figure on the payslip;
- Overtime is eligible in exceptional cases, provided it is in conformity with the national legislation and the employment policy of the project partner organisation and directly related to the project, and it is actually paid to the staff member;
- Staff costs must be calculated individually for each staff member.

Calculation of staff costs and audit trail

Depending on the assignment (full-time, part-time) to work in the project, staff costs of each individual are calculated as follows:

| | |
|---|--|
| Full-time | <p>An individual dedicates 100% of his/her working time to the project.</p> <p>Staff costs = total of the gross employment cost</p> <p>The following main documents must be available for control purposes:</p> <ol style="list-style-type: none"> 1. Employment document; 2. Job description providing information on responsibilities related to the project; 3. Payslips or other documents of equivalent probative value; 4. Proof of payment of salaries and the employer's contribution; 5. Other documents that could be relevant according to national legislation. <p>No submission of project time sheets is required.</p> |
| Part-time assignment with a fixed percentage of time worked on the project per month | <p>An individual dedicates a fixed percentage of his/her working time to the project.</p> <p>Staff costs = fixed percentage of the gross employment cost in line with a fixed percentage of time worked on the project</p> <p>The following main documents must be available for control purposes:</p> <ol style="list-style-type: none"> 1. Employment document; |

¹⁹ Extra bonuses or changes to salaries due to running of an EU project should be evaluated against sound financial management principles (if they are justified by e.g. special qualifications, changes to the task description, etc.)

| | |
|--|---|
| | <ol style="list-style-type: none"> Document setting out the percentage of time to be worked on the project per month (if not specified in the contract); Job description providing information on responsibilities related to the project; Payslips or other documents of equivalent probative value; Proof of payment of salaries and the employer's contribution; Other documents that could be relevant according to national legislation. <p>No submission of project time sheets is required.</p> |
| Part-time assignment with a flexible number of hours worked on the project per month | <p>An individual dedicates a flexible share of his/her working time to the project.</p> <p>Staff costs = part of the gross employment cost depending on the number of hours actually worked on the project</p> <p>The basis for calculating staff costs is an hourly rate established based on the monthly working time (number of hours per month) fixed in the employment document:</p> <p><i>Hourly rate = monthly gross employment cost/monthly working time fixed in the employment document expressed in hours</i></p> <p><i>Staff costs = hourly rate * number of hours worked on the project per month</i></p> <p>The following main documents must be available for control purposes:</p> <ol style="list-style-type: none"> Employment document (including information on the monthly working time); Job description including information on tasks related to the project; Payslips or other documents of equivalent probative value; Data from the project partner organisation working time registration system - providing information on the total number of hours worked per month. The time registration system must cover 100% of the actual working time of the individual; Project time sheets; Proof of payment of salaries and the employer's contribution; Other documents that could be relevant according to national legislation. |
| Contracted on an hourly basis | <p>An employee is contracted on an hourly basis and dedicates a certain number of hours to work on the project.</p> <p>Staff costs = part of the gross employment cost depending on the number of hours worked on the project</p> <p>The staff costs are calculated on the basis of an hourly rate fixed in the employment document:</p> <p><i>Hourly rate = fixed in the employment document</i></p> <p><i>Staff costs = hourly rate * number of hours worked on the project</i></p> <p>The following main documents must be available for control purposes:</p> <ol style="list-style-type: none"> Employment document (including information on the hourly rate); Job description providing information on responsibilities related to the project; Payslips or other documents of equivalent probative value; |

| | |
|--|---|
| | <ol style="list-style-type: none"> 4. Data from the project partner organisation working time registration system providing information on the total number of hours worked per month. The time registration system must cover 100% of the actual working time of the employee; 5. Project time sheets if employee also fulfills tasks not related to the project implementation. 6. Proof of payment of salaries and the employer's contribution; 7. Other documents that could be relevant according to national legislation. |
|--|---|

As a general rule: if employee is assigned to the project on part-time assignment with a flexible number of hours worked on the project or on hourly basis and employee is assigned to work only with project management/implementation and does not implement any other tasks in the partner organisation, it is considered that employee works in the project on full time basis and no project time sheets should be prepared and submitted to the FC.

9.3.1.2 Flat rate method

Project partners can choose to use a flat rate for calculating and reporting staff costs. The calculation is done automatically in the application form, partner report and progress report forms.

Eligible staff costs are calculated as a flat rate of **15%** of total eligible direct costs of project partner. Direct costs are all costs spent by project partner for project implementation, except BL2 "Office and administration costs" and preparation costs as a lump sum.

When using the flat rate, the project partner does not need to document that the expenditure has been incurred (paid out) (filling in Programme timesheet forms is also not necessary), or to prove that the reported amount using the flat rate would correspond to the real staff costs. Regardless, in order to ensure proper verification of costs reported under BL3 and BL6, information on employees involved in the project management/implementation should be provided to FC upon request.

- If the flat rate for calculating and reporting staff costs is used, costs that are eligible and described under section "Staff costs/Real costs method" cannot be reported under any other BL.
- **If the flat rate method is chosen, external project management costs** (project manager, coordinator, assistant, financial managers, procurement and public relation specialists, etc.) **are ineligible.**

9.3.2 Office and administration costs

Office and administration costs cover operating and administrative expenses of the project partner organisation implementing project activities.

The project partners shall use the flat rate for calculating and reporting office and administrative costs. The calculation is done automatically in the application form, partner report and progress report forms.

Eligible costs under BL2 "Office and administration costs" are calculated as a flat rate of **15%** of eligible staff costs or 0% can be chosen in case expenditure for "Office and administration costs" are not needed.

When using the flat rate, the project partner does not need to document that the expenditure has been incurred (paid out), or to prove that the reported amount using the flat rate would correspond to the real costs for office and administration.

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;
- Insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances);
- Utilities (e.g. electricity, heating, water);
- Office supplies;
- General accounting provided inside the project partner organisation;
- Archives;
- Maintenance, cleaning and repairs;
- Security;
- IT systems (operating/administrative IT services of general nature that support delivery of the project. This includes maintenance costs of IT systems, e.g. costs related to the maintenance of a computer used by the project manager to administrate the project);
- Communication (e.g. telephone, fax, internet, postal services, business cards);
- Bank charges for opening and administering the account or accounts where the implementation of an project requires a separate account to be opened;
- Charges for transnational financial transactions.
- Costs related to organization of internal one partner (without participation of other institutions) meeting.

9.3.3 Travel and accommodation costs

Travel and accommodation costs of employees of the project partner organisations and related to their participation in project meetings, seminars or events and supported by the documentary evidence for travel. 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.

Budget line specific rules

- Travel and accommodation costs must be clearly linked to the project and be essential for effective implementation of the project activities;
- Costs must be definitely borne by the project partner organisation. Direct payment by a staff member of the project partner organisation must be supported by a proof of reimbursement from the employer;
- The sound financial management principles (economy, efficiency and effectiveness) should apply to the choice of transport and accommodation. In line with the result-oriented policy approach effectiveness should be the leading principle. As the second principle, cost - efficiency should be ensured, taking into account the entire cost of the mission (travel cost, staff costs related to the travel, etc.);
- Any expenditure item defined as travel costs, accommodation costs, costs of meals or visa costs that is already covered by a daily allowance, cannot be eligible in addition to the daily allowance, i.e. no double-financing is allowed;
- Travel and accommodation costs of external experts and service providers cannot be included under this BL; they must be planned and reported under BL4 "External expertise and services costs";
- Registration fees or attendance fees to the events cannot be included under this BL; they must be planned and reported under BL4 "External expertise and services costs";
- Daily travels of project personnel from home to office and back are not eligible;

- In well-justified and documented cases, the project partners have a possibility to cover travel and accommodation costs of guests/target group (e.g. speaker of a conference, teacher (if not reported under BL4 “External expertise and services costs”), member of a project steering group outside of the project partner’s organisation, etc.) and driver of the project partner organisation and report them under this BL;
- Travel and accommodation costs must be justified by activities carried out within the project, e.g. participation in project meetings, project site visits, seminars, conferences, etc.;
- Travel and accommodation costs related events outside the Programme area are eligible according to rules described in section 9.1. “General rules applicable to the project budget” subsection “Geographical eligibility”;
- Costs for airplane and train tickets in the first class or business class, unless it can be proven that this option is less expensive than the trip in the economy class, are not eligible;
- Costs for accommodation in case when the organizer of a meeting/seminar/conference provided the participants with hotel accommodation are not eligible;
- Maximum daily rates for hotel and subsistence should be respected, in accordance with the national legislation or, when it does not exist, internal policy of the project partner organisation;
- Travel and accommodation costs should be properly documented in line with the national legislation. In exceptional cases national rules concerning missing/lost documents may be accepted;
- In case planned travel does not take place due to unforeseen circumstances (e.g. illness), justification according to national law should be provided in order for these costs to be eligible.

The following documentation must be available for control purposes:

1. Agenda or similar document of the meeting/seminar/conference;
2. Paid invoices (e.g. hotel bills, travel tickets);
3. Proof of payment;
4. Travel reports, route sheets and other documents which are required by national legislation.

9.3.4 External expertise and services costs

Under this BL, the 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 have to be reported.

The following costs are eligible under this BL:

- Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- Training;
- Translations;
- IT systems and website development, modifications and updates;
- Promotion, communication, publicity or information linked to a project;
- Financial management;
- Services related to the organization and implementation of events or meetings (including rent, catering or interpretation) **but except organization of internal one partner (without participation of other institutions) meeting.** Please note that costs for lunch are eligible for a minimum six hours meeting and costs for dinner can be included for events taking place more than one day;
- Participation in events (e.g. registration fees);
- Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;

- Intellectual property rights;
- Costs for financial control checks;
- The provision of guarantees by a bank or other financial organisation where required (by EU or national law or the programme manual);
- Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
- Insurance for equipment and infrastructure;
- Other specific expertise and services needed for the project.

Budget line specific rules

- The work by external experts and service providers must be essential to the project and specified in the application form;
- All costs are subject to applicable public procurement rules and each project partner organisation is responsible for ensuring that these rules have been respected;
- Costs for external services are eligible if quality of produced outputs is ensured;
- Subcontracting project partners or directly 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;
- 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;
- External expertise and services purchased for the purpose of the project control, audit, and communication should be included under this BL;
- All costs of external expertise and services that are linked to an investment in infrastructure should be included under this BL.
- Advance payments to the external service providers are eligible only after the partial or full delivery of the purchased goods or services. In case up to 1/3 of total contract amount is paid as advance payment, then prove of partial or full delivery of goods or services is not required.
- Costs of renting rooms owned by the project partner, who organizes project events, are not eligible.
- Costs related to organization of internal one partner (without participation of other institutions) meeting are not eligible under this BL but can be covered under BL2 "Office and administration costs";
- Wages/compensation for professional artists and authors are not eligible, with exception if activities are essential for implementation of the project and costs have been specified in the approved Application form under BL4 "External expertise and services costs".

In general, the following main documents must be available for control purposes:

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

- information and publicity materials (e.g. press articles, leaflets, CDs, website print-outs, brochures, small promotion materials such as pens, etc.);
- 5. In case of organisation of meetings and events:
 - meeting/event agenda,
 - memo/minutes/report of the meeting/event, if available,
 - list of participants with signatures for each day (a standard form of a “List of participants” for reporting on events must be used which is published on the Programme website www.latlit.eu),
 - photos from major meetings/events,
 - as recommendation - evaluation summary from training/skills raising events/workshops/consultations based on individual participant’s assessment sheets,
 - handouts (obligatory to be provided for control purposes if preparation of handouts is paid under BL “External expertise and services costs”);
- 6. Proof of payment;
- 7. Act of delivery and receipt (if required);
- 8. Other documents that could be relevant according to the national legislation.

9.3.5 Equipment costs

Purchase, rent and lease of an equipment is eligible under BL5 “Equipment costs” only in case it is necessary for reaching project results and is indicated in the application form. 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 project partner 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. Investments in equipment should form a part of an overall cooperation strategy implemented by the project partners.

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.

Budget line specific rules

- Costs of equipment are eligible if they are planned in the application form and approved by the Programme;
- The equipment has not been supported from any EU funds or by other international, national, regional and/or local funds;
- All costs are subject to applicable public procurement rules and each project partner organisation is responsible for ensuring that these rules have been respected;
- Equipment should be aimed at public use; its ownership and the way of use cannot be changed - according to the rules stated in section 7.4. “Closure and durability of the project results” subsection “Durability and ownership of project results”);

- **Purchases** must comply with the applicable EU and Programme information and communication rules (see chapter 8 “Information and communication requirements”);
- Purchase cost of equipment is eligible, if it is used solely for the purpose of the project or the target group in line with objectives of the project and costs incurred (were paid out) within the project duration;
- Depreciation of the equipment purchased from project cannot be placed in the project budget;
- 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;
- Equipment cannot be purchased, rented or leased from another project partner;
- For equipment rented or leased for certain period during the project lifetime rental or leasing costs for the respective period are eligible, if necessity for renting and lease of equipment is properly justified and costs are planned in the application form;
- Expenditure for insurance of the equipment permanently installed in the project is eligible for the project duration period. Justification for equipment insurance shall be provided in the application form and costs for insurance must be planned and reported under BL4 “External expertise and service costs”.

The purchase costs of second hand equipment are eligible if the following four conditions are fulfilled:

1. The seller of the equipment must provide a declaration stating its origin, and confirm that it has not been purchased with an aid of other financial instruments (EU, national, international);
2. The price of the equipment must not exceed its market value and must be less than the cost of similar new equipment;
3. The equipment must have the technical characteristics necessary for the project and it has to comply with applicable norms and standards;
4. Purchase of second-hand equipment is planned in the application form.

In order to ensure eligibility of costs under this BL, the following main documents must be available for control purposes:

1. Evidence of the procurement process (announcement, selection, award) in line with the national procurement rules or the EU procurement rules depending on the amount of the contract;
2. Invoice providing all relevant information in line with the applicable accountancy rules;
3. Contract laying down the purchase of equipment, if relevant, with clear reference to the project and the programme;
4. Proof of payment;
5. Act of delivery and receipt;
6. Pictures of purchased equipment, including with proof that publicity rules have been respected (upon request);
7. Other documents that could be relevant according to national legislation.

9.3.6 Infrastructure and works

BL6 “Infrastructure and works” covers costs related to investments in infrastructure. This includes costs for site preparation, delivery of materials, handling, installation, renovation, (re)construction and other costs related to investments in infrastructure.

Under this BL, preparation costs for development of technical documentation (technical project, environmental impact assessment, permits for building, etc.) if required by national legislation for each infrastructure and works object are covered as real costs up to 7% of the relevant

planned in the project infrastructure and works object's costs. Costs for preparation of technical documentation are eligible only if payments for them are made not earlier than between 1 January 2014 and not later than one day before the MA decision on awarding the ERDF co-financing is taken.

Investments are financed only in case they are necessary for reaching project results and guaranteeing their durability. A cross border character and relevance of the investments in infrastructure should be evident and in line with the project objective. Investments in infrastructure should form a part of an overall cooperation strategy implemented by the project partners.

Budget line specific rules

- Costs for investments in infrastructure are eligible if they are planned in the application form and approved;
- Costs for infrastructure works are eligible if they have not been supported from any EU funds or by other international, national, regional and/or local funds;
- All costs are subject to applicable public procurement rules and each project partner organisation is responsible for ensuring that these rules have been respected;
- All investments in infrastructure must comply with the applicable EU and Programme information and publicity rules (see chapter 8 "Information and communication requirements");
- Investments co-financed by the Programme should be aimed at public use; their ownership and the way of use cannot be changed within five years after the project final payment. Otherwise the programme has the rights to reclaim the funding;
- Full costs of investments in infrastructure incurred (paid out) within the project duration are eligible, i.e. no depreciation is eligible;
- Documents specifying the ownership of land and/or buildings where the works will be carried out must be provided to the JS together with the application form (see section 6.1 "Application");
- All compulsory requirements set by the EU and national legislation related to the respective investment in infrastructure must be fulfilled (e.g. environmental impact assessments, building permission, etc.). 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").
- Expenditure for insurance of the infrastructure created in the project is eligible for the project duration period. Justification for infrastructure insurance shall be provided in the Application form and costs for insurance must be planned and reported under BL4 "External expertise and service costs".

The following main documents must be available for control purposes:

1. Evidence of the procurement process (announcement, selection, award) in line with the national procurement rules or the EU procurement rules depending on the amount of the contract;
2. Contract laying down the investments in infrastructure, with clear reference to the project and the programme. For contracts based on a daily fee, such fee together with the number of days contracted and the total amount of the contract must be provided;
3. Invoice providing all relevant information in line with the applicable accountancy rules;
4. Proof of payment;
5. Act of delivery and receipt (acceptance act);
6. Pictures of infrastructure objects constructed/renovated with proof that publicity rules have been respected.;
7. Other documents that could be relevant according to national legislation.

10. FINANCIAL FRAMEWORK

10.1 Requirements for accounting system

The project partners involved in the implementation of the project and receiving ERDF co-financing from the Programme must ensure:

- **Separate accounting system or project specific accounting code** to record project costs;
- **Exact reported amount** is indicated on the invoice in case the invoice is partly reported to the Programme. In addition, it is strongly recommended that project index is written or stamped on original invoices reported to the Programme.
- **Book-keeping lists/overviews** – i.e. list of all expenditures for all transactions relating to the project without prejudice to national accounting rules.

Fulfilment of the above mentioned requirements will ensure that project funding is explicitly separated from the project partner's general budget and can be clearly identified, as well as properly managed and monitored.

All project partners must ensure that all accounting documentation related to the project is available and filed separately and that all related payments of the project have a clearly distinguishable book-keeping code, even if this leads to a dual treatment of accounts. This requirement allows to file and keep original accounting documents related to the project in a centralized filing system, e.g. in project partner organisation's financial unit according to the national legislation requirements and to make the approved copies of the accounting documents, file and keep them separately in a project folder with a reference to the place where the original documents are kept. The project folder should also contain the evidence of the project outputs, where possible (e.g. copies of brochures, photos).

LP is responsible to ensure that an adequate audit trail is documented at all levels of the project, including project partners' expenditure. Therefore, the LP has an overview on:

- who paid;
- what was paid;
- who verified, and
- where the related documents are kept;
- who is the contact person of the project partner.

The LP should request that all project partners keep the documents related to the project in a safe and orderly manner at least five years after the final payment has been made by the MA to the LP. The documents are archived either as originals or as certified copies on commonly used data media (in compliance with the national legislation). If documents are retained electronically, national security standards must be met. If deemed appropriate, the LP may ask for copies of accountancy documents from the project partners.

10.2 Value added tax

Value added tax does not constitute eligible expenditure, unless it is genuinely and definitively borne by the LP or project partner. Value added tax which is recoverable by whatever means cannot be considered as eligible even if it is not actually recovered by the project partner. Only non-recoverable value added tax borne by the project partner that may not be refunded or offset by the tax authorities or by any other means may be included in the progress report.

10.3 Project revenue

The Programme differentiates between the following types of cash inflows:

- **Revenues** are cash inflows directly paid by users for the goods or services provided by a project, such as charges borne directly by users for the use of infrastructure, sale, lease or rent of buildings, or payments for services;
- **Net revenues are understood as revenues above** minus any operating costs and replacement costs of short-life equipment incurred (paid out) during the corresponding period. Operating cost-savings generated by the project shall be treated as net revenue unless they are offset by an equal reduction in operating subsidies.
- **Other cash inflows** are private and public contributions and/or financial gains that do not stem from tariffs, tolls, fees, rents or any other form of charge directly borne by the users. These in-flows are not regarded as revenues.

Project partners (except partners participating in projects with total project budget below €50 000) during project preparation should estimate any net revenue that will be generated in the project and include it in relevant section of the application form.

The estimated net revenues must be deducted from the total project budget. The ERDF co-financing will be calculated based on the total project budget after deducting net revenues.

If during quality assessment of applications, the JS identifies project partners which might generate net revenue based on the planned investments or developed services, the JS may request additional information and calculation of net revenue, if such is not provided in the application form.

If during project implementation JS identifies project partners which might generate or which generate net revenue based on the planned investments or developed services, the JS may request additional information and calculation of net revenue, if such is not provided in the application form.

Programme differentiates the following options of reporting net revenue²⁰:

- For projects with total project budget below EUR 50 000:
 - Project partners do not have to report any revenue to the Programme;
- For projects with total project budget between EUR 50 000 and EUR 1 000 000:
 - Project partners must provide simplified calculations of net revenue (reflecting potential revenue, operation costs, and replacement costs of short-life equipment directly generated only during project implementation period) together with application;
 - The eligible expenditure in application form shall be reduced by the generated net revenue, if such was calculated;
 - In case if additional revenue identified during project implementation period, but not included in simplified calculations of net revenue, updated simplified calculation of net revenues should be provided to JS together with final progress report;
 - If additional net revenue is calculated, it should be deducted from the eligible expenditure indicated in the final progress report;

²⁰ According to Commission Regulation 1303/2013 Article 61 and 65

- in case if additional revenue is not identified during project implementation period, respective statement should be provided to JS together with final progress report.
- For projects with total budget exceeding EUR 1 000 000:
 - Project partners must provide full calculation of the discounted net revenue²¹ taking into account the potential to generate net revenue over a specific reference period that covers both implementation of the project and the period after its completion together with application according to the methodology of calculation of net revenue;
 - The eligible expenditure in application form shall be reduced in advance by net revenue determined by discounted net revenue, if such was calculated;
 - Project partners which have received Programme co-financing under de-minimis rule are not obliged to report net revenue;
 - In case if additional revenue identified together with final progress report partners should submit to JS updated calculation of the discounted net revenue. Any additional net revenue not reduced in advance must be deducted from the eligible expenditure indicated in the final progress report;
 - in case if additional revenue is not identified during project implementation period, respective statement should be provided to JS together with final progress report.

JS/MA will provide methodological support concerning identification of generated revenue, simplified calculations about net revenue generation or calculation of the discounted net revenue.

All partners are responsible for keeping accounts of all their revenues in order to track down the revenues and to have the required documentation available for control and audit purposes.

10.4 De-commitment

The Programme funding is subject to the de-commitment rule. If the programme funding is not spent according to the defined schedule (known as the 'N+3 rule') the EC will de-commit the unspent funding from the Programme²².

De-commitment imposes risk on the Programme's success, therefore regular control of the Programme spending and implementation of risk-preventing counter measures is part of the Programme's management.

The payment claims to the EC are based on the projects' reported and certified expenditures, thus very much depending on projects' financial performance. In this regard, the subsidy contract will commit approved projects to follow a pre-defined spending schedule which is set out in the application form. The subsidy contract provides the legal basis for de-commitment of funding from running projects.

10.5 Irregularities and recovery of costs

An irregularity is any violation of the legislative acts of the EU, the Republic of Latvia, Republic of Lithuania and documents of the Programme that regulate the management of the Programme, resulting from the action or failure to act of any institution involved in the

²¹ According to Commission Regulation 480/2014 Section III

²² Regulation (EU) No 1303/2013 of 17 December 2013, Articles 86-88.

Programme and project implementation and that has or might have a negative influence on the general budget of the EU²³.

The ineligible costs detected by the FC during their validation procedure, or by the MA/JS during the monitoring and review of progress reports, or by the MA during the certification procedure, is not considered an irregularity, because the ineligible expenditure will be deducted from the payment of the respective progress report and will not be declared to the EC. Ineligible costs might appear in case project partners do not follow EU, Programme rules and/or national legislation – e.g. information and communication requirements, rules on eligibility of costs, public procurement rules, etc.

Any violation of the legislative acts of the EU, the Republic of Latvia, Republic of Lithuania, and documents of the Programme found in the project activities or after project closure, for which costs have been declared to the EC, will be considered as irregularity.

Possible irregularities can be identified by:

- LP and project partners;
- FC;
- Audit bodies;
- MA/JS;
- NAs.

In case of irregularities, the MA is responsible for making the recovery decision and notifying the LP, the JS, the FC and NAs about the decision. The amount of irregularly carried out expenditure is either deducted from current or last payments to the LP, or the LP is obliged to repay respective amount to the Programme.

²³ Based on definition of the “irregularity” in Regulation (EU) No 1303/2013 of 17 December 2013: irregularity means any breach of Union law, or of national law relating to its application, resulting from an act or omission by an economic operator involved in the implementation of the ESI Funds, which has, or would have, the effect of prejudicing the budget of the Union by charging an unjustified item of expenditure to the budget of the Union.

11. RESOLUTION OF COMPLAINTS

Possibility to complain is foreseen within the Programme²⁴. Lodging a complaint does not affect implementation of the decision subject to complaint.

Complaint procedure described in this section concerns complaints about decisions taken by the MA during project selection process and complaints by third parties regarding decisions taken by the Programme authorities. Complaints against the decisions of the MA taken during project implementation are subject of the subsidy contract between the MA and the lead partner.

Complaints may be lodged against:

1. MA decision taken during project selection process:

The MA takes decision based on the MC decision on selection of projects for funding or takes final decision, if project had to fulfil conditions.

If the LP does not agree with the decision of the MA, it may lodge a complaint about this decision.

2. Complaints by third parties regarding decisions taken by the Programme authorities:

Complaint by third parties meaning other actors (citizens, NGOs, etc.) who are not partners of a project or directly related to the implementation of a project in the framework of the Programme may lodge their complaint regarding decisions taken by the Programme authorities to the MA.

Submission of complaint and formal requirements

The complaint shall be prepared in English and submitted by the claimant (claimant can be LP or third party) representative with official letter to the MA. If complaint is lodged against MA decision, the complaint has to be submitted within 30 calendar days as of the day when the decision, which serves as a reason for complaining, was received.

The complaint should include:

1. Name and postal address of the legal entity (e.g. LP organisation) or natural person filing the complaint;
2. Name of the respective authority;
3. Reference number of the project or application which is a subject of the complaint, if complaint is lodged against MA decision;
4. Clearly indicated reasons for the complaint, indicating decision against which the complaint is filed, listing all elements which are being complaint and/or failures in adherence with Programme or Programme related documents. If complaint is filed against MA decision taken during the project selection process, the LP shall list all elements of the selection process which LP is complaining about, including clear reference to the Programme manual and specific documents of the call for proposals;
5. Signature of the legal representative of legal entity (e.g. LP organisation) or natural person;
6. Supporting documents, if relevant.

The relevant documentation shall be provided solely to support the complaint and may not alter the quality or content of the assessed application or other decision of the MA. No other grounds for the complaint will be taken into account during the complaint procedure.

Supplementing complaint and rejection without examination

If the complaint does not contain necessary information as referred above, the claimant is asked by the MA to supplement the complaint with the required information within 7 calendar days

²⁴ Regulation (EU) No 1303/2013, Article 74(3)

after the day on which the claimant receives the information from the MA. The term for completing the complaint is indicated in the official letter from the MA providing information about the type of shortcomings. In case the claimant does not eliminate discovered shortcomings within the above mentioned time, the complaint is left unexamined.

The complaint received after the time limit of 30 calendar days as of the day when the decision, which serves as a reason for complaining, was made is also left unexamined.

In case complaint is left unexamined, within 15 calendar days the MA informs the claimant by an official letter about the rejection of the complaint without examination, as well as electronically informs the MC.

Handling of the complaint

The maximum duration for the whole complaint procedure (from the receipt of the complaint till the decision by the MA on complaint) is four months.

1. Complaints regarding decision MA decision:

The MA, assisted by the JS, within 30 calendar days reviews the complaint and prepares opinion which alongside with the complaint and supporting documents is provided to the MC for final decision. If additional documents/clarifications are needed, the MA/JS asks to provide them.

The MC reviews the documentation and takes a decision, based on which the MA issues its decision.

Depending on the legal status of the claimant, the MA issues its decision in the form of administrative act (if claimant is Lithuanian organisation or Latvian NGO) or administrative decision (if claimant is Latvian public authority or public equivalent body) in accordance with national legislation of the Republic of Latvia.

2. Complaints by third parties.

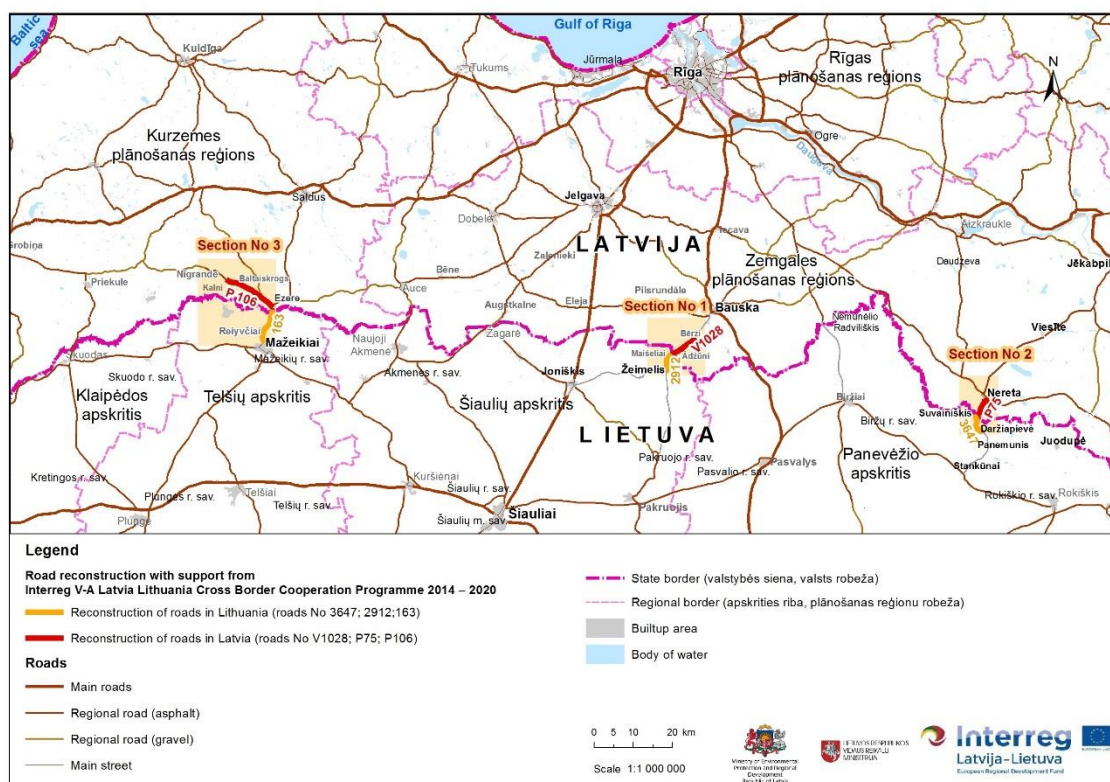
Complaints lodged by third parties about decisions taken by the Programme authorities, are answered by MA. The answer, given by MA cannot be appealed.

PART II – DIRECT AWARD PROCEDURE FOR CROSS BORDER ROAD RECONSTRUCTION

Improvement of cross border road infrastructure in the Programme area is defined as the project of strategic relevance and importance for both Member States and the Programme, and it will contribute to the socio – economic development of the whole Programme area. The aim of the project is to connect regional towns and to facilitate the labour mobility in the border areas. The project will be implemented under Programme priority II “Support to labour mobility and employment”, specific objective 2.2 “To increase job opportunities by improving mobility and workforce skills”.

Direct award procedure will be applied to the project of strategic relevance. It means that no open calls will be organised for project improving the cross border road infrastructure, as it is set up by mutual agreement between Latvia and Lithuania.

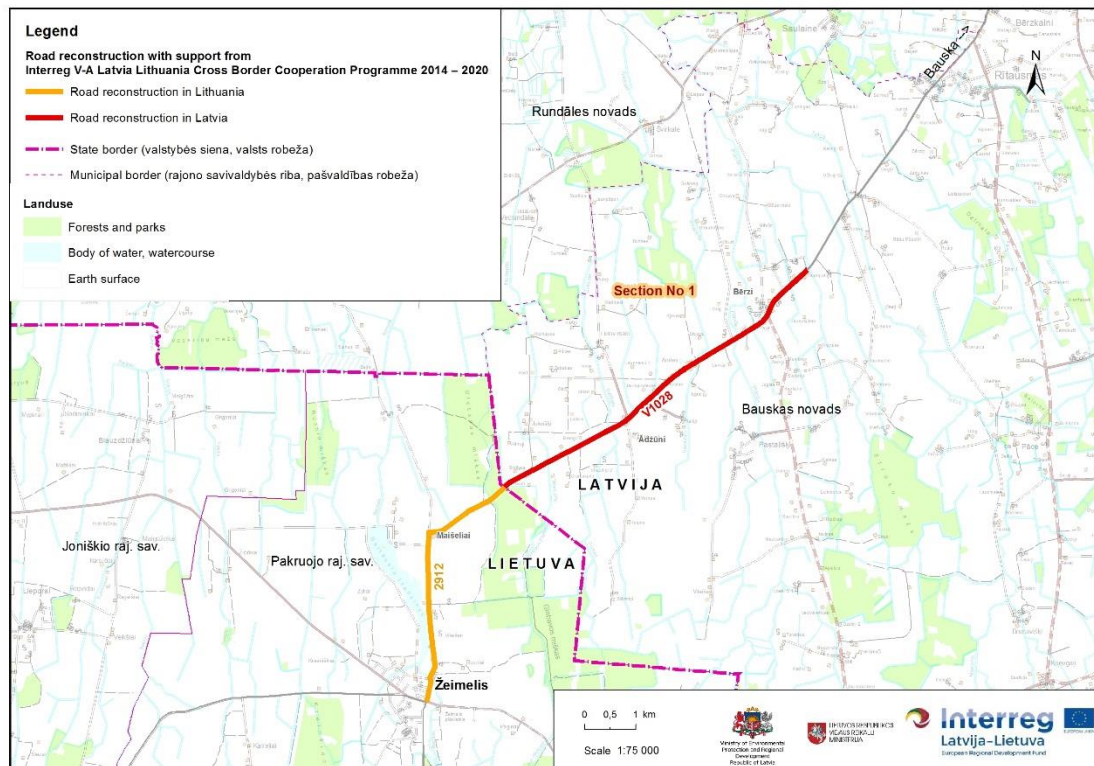
In result of the project activities, improvement of cross border road infrastructure on the following cross border road sections in Latvia and Lithuania will be done:



Section No 1:

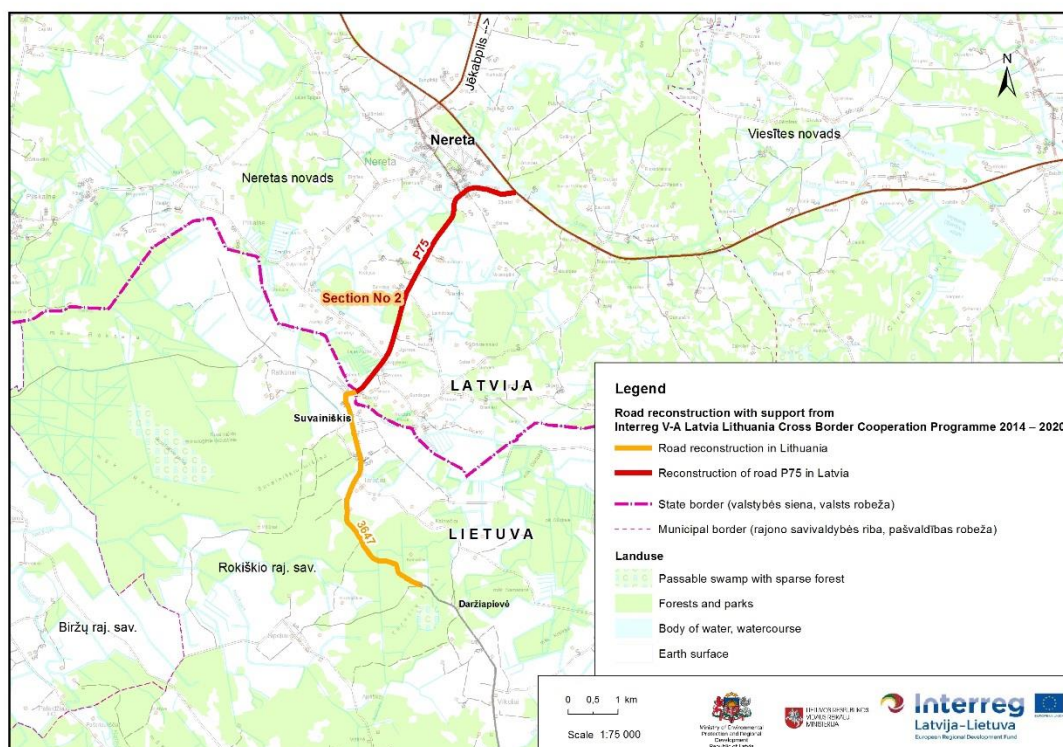
- **LV side:** Road classification code: V1028 Bauska–Bērzi–Lithuanian border; 7.44–14.625 km; length 7.185 km;

- **LT side:** Road classification code: 2912 Žeimelis–Vileišiai–Latvian border; 0.0–5.1 km; length 5.1 km.



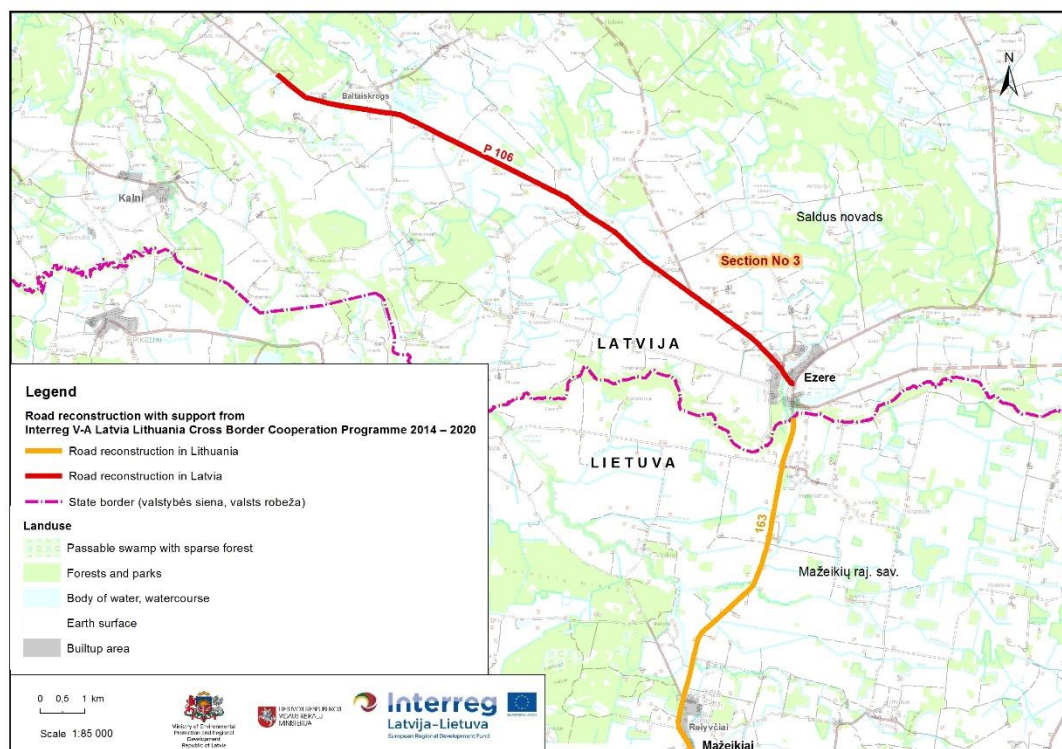
Section No 2:

- **LV side:** Road classification code: P75 Jēkabpils–Nereta–Lithuania border; 56.09–60.50 km Nereta–Sleķi 0–1.2 km; length 5.61 km;
- **LT side:** Road classification code: 3647 Pandėlys–Suvainiškis–Latvian border; 13.3–18.3 km; length 5 km.



Section No 3:

- **LV side:** Road classification code: P106 Grobiņa-Embute-Ezere-Lithuania border; 0–14 km; length 14.00 km.
- **LT side:** Road classification code: 163 Mažeikiai-Latvian border; 0.0–9.19 km; length 9.19 km.



1. Submission of the project application

Project partners will be invited by the MA to submit project application and supporting documents. Following the invitation to submit full project application, there will be a consultation phase organised by the JS.

2. Submission period

LP of the project will have to submit full project application via eMS within two months after the invitation by the MA will be submitted to the partners.

3. Funding

The overall amount available from the Programme for the joint cross border road infrastructure project is EUR 9 000 000 (ERDF co-financing).

4. Duration

Maximum project duration can be 36 months. The project implementation time cannot exceed the deadline of 31 December 2020.

5. Project partners

Project partners of the cross border road infrastructure project are:

- Ministry of Transport of the Republic of Latvia;
- State budgetary institution "Lithuanian Road Administration under the Ministry of Transport and Communications".

6. Application and selection procedure

6.1. Application

Application is the whole package of information and documents which has to be filled in or uploaded via the eMS by the LP on behalf of the whole partnership within the opening and closing time indicated in the MA invitation.

During project preparation project partners should follow “Guidance how to apply via the eMS” available on the Programme’s website www.latlit.eu for detailed information on how to fill in application form.

Application consists of:

- **Confirmation letter in English:**

- submitted as original in **paper (or submitted electronically signed by electronic signature)** to the JS by the LP within opening and closing time indicated in the invitation letter (post stamp or e-signature time stamp). Original documents should be sent to the address: Peldu street 25, Riga, LV-1494, Latvia, Ministry of Environmental Protection and Regional Development for the attention to: Interreg V-A Latvia – Lithuania Programme Joint secretariat (Development Instruments Department). Electronically signed document should be sent to the e-mail: latlit@varam.gov.lv;
- providing an official signature by the authorised person holding the right to sign documents on behalf of the LP organisation confirming the validity of the whole project application.

- **Application form:**

- all relevant fields are filled in the eMS in English;

- **Annexes uploaded in the eMS:**

- Lead partner declaration and/or partner declarations must be signed by the authorised representative holding the right to sign documents on behalf of the organisation and uploaded for each project partner and must confirm that the respective project partner:
 - ✓ is committed and able to participate in the project both legally and financially, and is able to deliver the required outputs as well as complies with the eligibility rules set by the Programme;
 - ✓ is not receiving any other EU funding or funding of other financial instruments for the project activities;
 - ✓ contributes financially to the project - the concrete amounts have to be specified (in accordance with the information stated in the application form in the eMS);

- **Annexes that shall be either uploaded in the eMS or submitted in paper:**

- **Full set of technical/building documentation** including approved technical/building project according to rules set by national legislation. If technical/building documentation cannot be uploaded in the eMS due to its big size or format, it can be delivered to the JS within opening and closing time indicated in the invitation letter (post stamp). Technical/building documentation is the evidence that if the project is approved the tender procedure for

(re)construction works can start immediately. Also, documents proving right invest in infrastructure for period covering project duration and according to requirements set in section 7.4. "Closure and durability of the project results" subsection "Durability and ownership of project results" in national language must be included.

- Note: For project partners who finance part of construction of roads' sections indicated in the Programme document by own resources, for purpose of ensuring achievement of Programme's output and result indicators, technical/building documentation concerning particular road sections could be submitted during project implementation phase and is not subject neither to Administrative and eligibility assessment, neither Quality assessment. However, in such case related works and relevant output and result indicators have to be described in the Application form and still have to be finalized within the framework of the project.

6.2. Assessment of application

After application is submitted via eMS, assessment procedure begins. Each application is subject to a two-step assessment procedure:

- 1) Administrative and eligibility assessment;
- 2) Quality assessment.

Administrative and eligibility assessment

Administrative and eligibility criteria are assessed on the basis of "Yes" or "No".

Table 11 Administrative and eligibility criteria

| CRITERIA | WHAT IS ASSESSED |
|--|---|
| ADMINISTRATIVE CRITERIA | |
| Application form is correctly filled in via the eMS. | <ul style="list-style-type: none"> – All relevant fields in the application form are filled in; – Application form is filled in English. |
| Confirmation letter is submitted by the LP to the JS. | <ul style="list-style-type: none"> – Submitted in as original paper or submitted electronically signed by electronic signature to the JS by the LP within the opening and closing time indicated in the invitation letter (post stamp or e-signature time stamp); – Providing an official signature by the authorised person holding the right to sign documents on behalf of the organisation confirming the validity of the whole project application (standart form is available on the Programme website www.latlit.eu). |
| Partner declarations are uploaded via the eMS. | <ul style="list-style-type: none"> – All relevant partner declarations are uploaded via the eMS. |
| Full set of technical/building documentation with other relevant documentation (according to national rules) is uploaded via the | <ul style="list-style-type: none"> – All relevant documents are uploaded via the eMS or delivered to the JS within opening and closing time indicated in the invitation letter (post stamp). |

| | |
|---|---|
| eMS or delivered to the JS within opening and closing time indicated in the invitation letter (post stamp). | |
| ELIGIBILITY CRITERIA | |
| LP and project partner are eligible organisations | - LP and project partner are organizations indicated in section 5 of Programme Manual part II – Direct Award Procedure for Cross Border Road Reconstruction |
| Co-financing rate is observed. | - All project partners contribute to the eligible project budget. - Co-financing rate has been observed and the sums indicated in section “Project budget” of the application form and on LP and partner declarations match. |
| Project duration is within set limits. | - Project duration is within set limits (max 36 months). |
| Project eligible budget is within set financial limits. | - Project requested amount of ERDF co-financing is within the set limits for the project’s selected priority and specific objective (total project(s) requested amount cannot exceed EUR 9 000 000 of ERDF). |

When carrying out of verifications of applications for compliance with administrative and eligibility criteria, the MA or the JS may request LP to submit in paper or upload via eMS the following missing or incorrect annexes of the application:

- 1) Correctly formatted confirmation letter in case it is submitted not accordance with the requirements set in 6.1. “Application”.
- 2) Lead partner and project partner declarations;
- 3) Any documentation with relation to the (re)construction works.

Requested documents shall be uploaded via eMS or submitted in paper to the JS within 5 working days from the sending of the request (via eMS) from the MA/JS.

Quality assessment

If applications have passed administrative and eligibility assessment it is subject to quality assessment. The quality assessment is carried out based on quality assessment criteria, included below. For each criterion several questions which will be assessed are identified. During quality assessment projects are assessed against operational criteria and each criterion is assessed according to the following scores: 1, 2, 3, 4 and 5.

The explanation of the scores is given in table below:

Table 12 Explanation of the scores

| | |
|-----------------------|---|
| 5 Very good | The application fulfils the given criteria to an excellent and the provided information is sufficient, clear and coherent for assessing the criteria. |
| 4 Good | The application fulfils the given criteria well, however the provided information includes minor shortcomings (e.g. the timeline provides little |

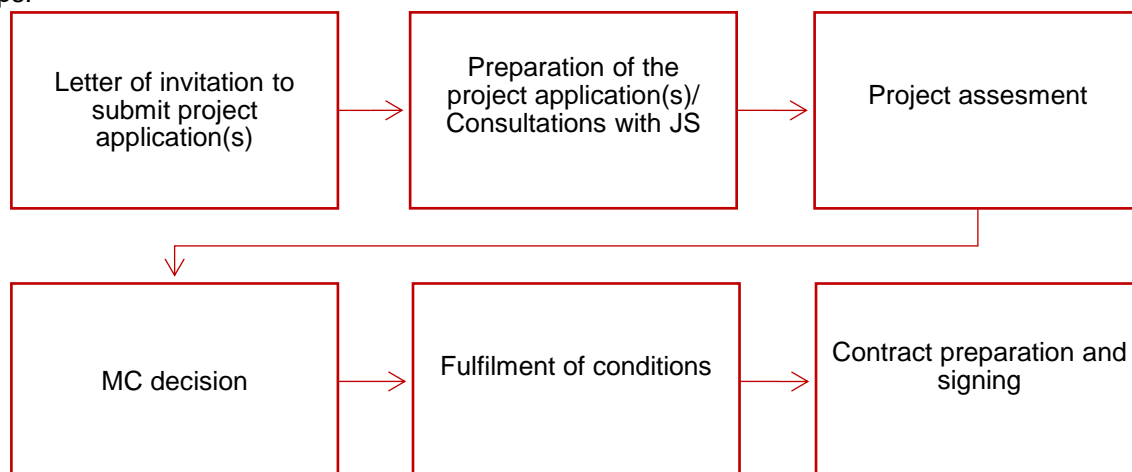
| | |
|---------------------------------|--|
| | space for unexpected delays, details are missing in the given information in minor parts of the application). |
| 3 Sufficient | The application fulfils the given criteria to a sufficient level, however some aspects of the given criteria have not been fully met or not explained in full clarity or detail (e.g. the implementation steps are not fully clear based on the description in the work plan). |
| 2 Weak | The application has serious shortcomings fulfilling the given criteria and/or the provided information is in low quality. |
| 1 Insufficient | Information required in the application form is missing, is not complete or is unclear. |

Table 13 Quality assessment criteria

| CRITERIA | WHAT IS ASSESSED |
|---|---|
| <i>Methodology, approach and durability</i> | <ul style="list-style-type: none"> ➤ There is clear linkage among project overall objective, specific objective(s), activities, outputs and results; ➤ Planned outputs and results are realistic (is it possible to achieve them with given resources – i.e. partners, budget - and they are realistic based on the quantification provided); ➤ All mandatory communication activities are included and in overall communication activities are appropriate to reach the relevant target groups and stakeholders and communication objectives; ➤ Management structures (e.g. project steering committee) and procedures are clear, transparent, efficient and effective, proportionate to the project size and needs and allow involvement of project partners in decision-making; ➤ Time plan is relevant and realisticTasks and responsibilities are clearly defined and justified among the project partners. ➤ Durability of the project outputs and results is foreseen sufficiently |
| <i>Budget</i> | <ul style="list-style-type: none"> ➤ Project budget is coherent and proportionate to the proposed work plan and the main outputs and results: <ul style="list-style-type: none"> - the project budget is reasonable and cost-efficient in regard to the project objective, activities, outputs and results; - breakdown of costs is presented, costs are in line with the workplan and costs are sufficiently described; - planned costs are eligible costs according to the requirements set in section 9.2. "Eligibility of costs" and section 9.3. "Description of budget lines"; - the need for engaging external expertise is justified and the costs are realistic; - the costs for (re)construction works are realistic. |

If during the quality assessment the application receives score "3" or less in any of the criterion, the applicant shall be requested to improve relevant sections of the application within the deadline set by the MA/JS.

Steps:



7. Additional Programme requirements

- Project(s) selected under direct award procedure may not include revenue generating activities.
- Preparation of technical/building documentation:
 - Preparation costs for development of technical/building documentation (investment project, technical project, environmental impact assessment, etc.) are directly linked to the development of the project application in the framework of the direct award procedure of the Programme. Preparation costs for development of technical/building documentation are eligible if payments are made not earlier than between 1 January 2014 and not later than one day before the MA decision on awarding the ERDF co-financing is taken. Preparation activities and costs have to be listed in the application form. The maximum amount of preparation costs is covered as real costs up to **7 %** of the relevant planned in the project infrastructure and works object's costs.
- Project partners submitting project application(s) under direct award procedure are obliged to follow rules indicated in the Programme manual:
 - General Programme information (chapters 1 – 2);
 - General principles (chapter 4);
 - Project preparation (chapter 5);
 - Project implementation (chapter 7);
 - Information and communication requirements (chapter 8);
 - Project budget (chapter 9);
 - Financial framework (chapter 10);
 - Resolution of complaints (chapter 11).

Before submitting project application, applicants are invited to consult the JS of the Programme.

The respective documents for submitting project application under direct award procedure are available on the Programme's website at www.latlit.eu under "Direct award procedure" section.