

## Fact Sheet 01: General rules on eligibility

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Version 1	16.11.2021	-	n/a

### CORE MESSAGE

In order to receive funding, all of the costs you report must not only be 'correct', meaning calculated and entered accurately in your organisation's book-keeping system. They must also be 'eligible', which means that they live up to a number of rules governing EU expenditure. This fact sheet covers the general principles that apply to all reported expenditure.

### Only approved activities are funded

Only costs that are directly linked to the budget and the activities in the approved application can be reimbursed. Expenditure incurred for activities which are not specifically covered or logically linked to activities in the approved application is ineligible. If you wish to carry out other activities, you must apply to the programme to change your application (see Fact Sheet 25).

### All costs are co-financed at 60 % and 50 %

Project partners incur project related costs and report those to the programme. The programme will, subsequently, reimburse 60% of the costs for partners located in an EU Member State (ERDF funding) and 50% of the costs for Norwegian partners (Norwegian funding). The remaining part is covered by the partner. In-kind contributions are **not** eligible in the North Sea Programme.

### Only partners included in the application can receive funds or provide co-financing

Only partners included in the application can receive funding and/or provide co-financing to the project. The only exception from this general rule is cases where national funding is granted to project partners for the purpose of co-funding. Sub-contractors that have been selected according to the relevant procurement rules are not partners and should not be named in the application.

## Funding is reimbursed and never paid in advance

Costs must relate to activities that have already taken place. It is not possible to report costs that have been paid in advance for activities that will be delivered or carried out at a later stage, unless such advance payments are proportionate to total contract value and the norm in the market concerned. It is the partner's responsibility to provide evidence of this e.g. during control or audit. Similarly, no advance payments are made to projects by the programme.

## All costs must relate to the eligible period

All project costs must be incurred within the eligible period, as defined in the latest signed version of the project contract. The start date is defined as the date of project approval. See the guidance for each call for project proposals to find the start date for the call you are applying for. The end date is defined by the project in the application.

During implementation: each claim for payment to the programme may only contain expenditure paid within the project's eligibility period.

The end date (project closure) marks the end of activities. After this date the project has three months to prepare and submit its final report. No costs except costs in relation to drawing up the final reports on activities and expenditure (this includes costs for Control) are eligible after the project closure date. This means that no new costs can be incurred after the project closure date, but invoices relating to activities taking place prior to the project closure date can be paid after the project closure date.

## In general, funding is only available for partners and activities located in the North Sea programme area

As a general rule, all partners must be located in the North Sea Programme area. There is a list of the NUTS regions included in the Interreg Programme covering the North Sea Programme, which can be found on the programme website. However, there are exceptions to this general rule (see Fact Sheet 17). Moreover, all activities should also take place inside the North Sea Programme area, but there are also a number of exceptions to this rule (see Fact Sheet 17).

## The programme only reimburses costs that a partner has incurred in order to implement the project

To be considered eligible, costs must be clearly linked to project activities, be real (reflecting only the actual costs paid for project activities by the partner), and be defrayed (based on invoiced costs that have already been paid). All partners must keep evidence of this for all costs.<sup>1</sup> Fact Sheet 13 contains guidance on the types of evidence to keep and how long it has to be kept.

## If a project receives any income in relation to the project activities these must be deducted from the costs claimed

In general, all revenue generated by project activities must be deducted from the costs declared. Common examples include entrance fees for events, charges for books and publications, etc.

## Activities included in the project can only receive one EU grant

If a partner claims costs from the North Sea programme, they cannot receive support for the same costs from any other EU fund or EU instrument. If a partner is involved in related projects or the funded project forms part of a larger initiative, it must be made clear in the project application which activity/ies are funded by which fund/ programme. Likewise, during implementation separate project accounts must be maintained, which clearly show the activities funded by the North Sea programme.

## Sound financial management

All projects must always demonstrate cost effectiveness and good value for money during implementation. All purchases of services and products must be made at the lowest possible cost for the quality level required to meet project objectives.

## The relationship between programme rules and national rules

All projects must comply with relevant European Union laws, programme rules and national laws in the country of each partner (“applicable law”).<sup>2</sup> National rules only apply when eligibility rules are not available for a particular type of cost in either the regulations or the programme rules. If, however, national rules are stricter than EU or programme rules, the national rule should be applied.<sup>3</sup>

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<sup>1</sup> The only exceptions to this rule are project preparation costs (paid as a lump sum), office and administration costs (paid at a flat rate). These exceptions are covered in Fact Sheets 3 and 8).

<sup>2</sup> Article 2 of Regulation (EU) No 2021/1060 (the Common Provisions Regulation).

<sup>3</sup> This is known as the hierarchy of rules laid down in Article 18(3) of Regulation EU No. 1299/2013 and repeated EU Regulation 1059/2021 governing the 2021-2027 Interreg period.

## Shared costs

All partners in a project contribute to the joint development and implementation of the project. For this reason, the North Sea Programme accept shared costs. Costs categorised as shared varies from project to project, however, one common expenditure type is the overall project management. Cost for the joint project management is initially paid by the lead partner but the co-funding of this expenditure should be proportionally match-funded by the individual partners.

Costs categorised as shared in a project partnership are not reported as shared costs to the programme. This means that while the costs that constitute shared costs can be claimed by the partners that incurred the costs, the arrangements for calculating and keeping track of the shared costs are handled outside of the programme reporting setup. The normal eligibility rules apply to this type of costs, i.e. only incurred, paid and documented costs can be reimbursed by the programme.

Shared costs are often subject to discussions and sometimes disagreements in the partnerships and **it is essential that this subject** is addressed in the partnership agreement. The agreement should address both how the costs are shared and paid but also what happens if a partner is unable to cover their part of the shared costs.

## What costs are ineligible according to the regulations?

Costs that are defined as ineligible according to EU regulations can never be reported. The following types of expenditure are not eligible<sup>4</sup>:

- I. Fines, financial penalties and expenditure on legal disputes and litigation
- II. Costs of gifts (in any amount)
- III. Costs related to changes in currency exchange rates
- IV. Value added tax ('VAT'), except:
  - for operations the total cost of which is below EUR 5 000 000 (including VAT);
  - for operations the total cost of which is at least EUR 5 000 000 (including VAT) where it is non-recoverable under national VAT legislation<sup>5</sup>
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## References

- Interreg regulation (EU) no 1059/2021 Article 37-44
- Common Provisional Regulation (EU) No. 1060/2021

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<sup>4</sup> Interreg regulation 2021/1059 Article 38(3)

<sup>5</sup> Common Provisional Regulation EU No. 2021/1060 Article 64(1(c))