

National Complementary Requirements

**Territorial Cooperation Programmes
and the ENI CBC Med Programme**

2014 – 2020

Funds and Programmes Division

April 2020

Introduction

The scope of this document is to guide Maltese beneficiaries with regard to the eligibility of expenditure incurred under Territorial Cooperation Programmes and the ENI CBC Med Programme for the programming period 2014-2020. It should not replace the Manuals of the respective Programmes but rather it should complement such documentation. As a general rule, the stricter rules should apply; therefore if the Maltese requirements are more comprehensive, all Maltese entities should ensure that the claims for reimbursement include the requirements at Programme level as well as national level. This is being done to ensure that the process leading to the disbursement of funds is as transparent as possible and that the requests for reimbursement are compiled accurately so as to avoid any recovery of funds.

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Section 1: Brief overview of the Territorial Cooperation Programmes and the ENI CBC Med Programme for the programming period 2014-2020

Further to its participation in the 2007-2013 Programmes, under the 2014 – 2020 period, Malta is currently participating in the new Territorial Cooperation Programmes and the ENI CBC Med Programme, which are financed by the European Regional Development Fund (ERDF) and the European Neighbourhood Instrument respectively. These include the following:

1) The Italy-Malta Cross-Border Cooperation Programme 2014-2020

The Italy-Malta Programme is a cross-border Programme, which covers the islands of Sicily and Malta. This Programme aims to reinforce sustainable growth at the cross-border level with a particular focus on the Research & Innovation sectors, fostering of competitiveness of small and medium-sized enterprises, protecting the environment as well as promoting actions which mitigate the effects of climate change whilst also addressing the area's natural and anthropic risks.

This programme is co-financed by the European Regional Development Fund (ERDF) and has a total ERDF budget of €43,952,171 for the 2014-2020 period. It covers the following thematic objectives:

- Strengthening research, technological development and innovation;
- Enhancing the competitiveness of SMEs;
- Preserving and protecting the environment and promoting resource efficiency.

The beneficiaries include Local Authorities, Regional Authorities, District Authorities, SMEs, Graduates, Universities, Research Institutes, NGOs, Innovative Clusters, Micro Enterprises, Port Authorities, Public Administration and Entrepreneurs. The project partnership has to be composed of at least two beneficiaries i.e. one from each member state.

2) The Interreg MED Programme 2014-2020

The Interreg MED Programme 2014-2020 is a Transnational European Cooperation Programme for the Mediterranean area, which encourages cooperation between Mediterranean regions in ten EU Member States, namely: Croatia, Cyprus, France, Greece, Italy, Malta, Portugal, Slovenia, Spain, and UK (Gibraltar), as well as Albania, Bosnia and Herzegovina, and Montenegro as Candidate/Potential Candidate (Instrument for Pre-Accession Assistance-IPA) Countries. Other IPA countries may join the programme at a later stage.

The main objective of the Interreg MED Programme is to promote sustainable growth in the Mediterranean area by fostering innovative concepts and practices and a reasonable use of resources and by supporting social integration through an integrated and territorially based

cooperation approach. This programme focuses on the following three priorities of the Europe 2020 strategy:

- Smart growth: developing an economy based on knowledge and innovation;
- Sustainable growth: promoting a more resource-efficient, competitive and greener economy;
- Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.

For the 2014-2020 period, the Interreg MED Programme has a total budget amounting to €265 million, composed of €224 million ERDF, €9 million (IPA) and national co-funding. The programme shall finance projects that address innovation, low-carbon strategies and energy efficiency, the protection and promotion of Mediterranean natural and cultural resources, and enhancement of Mediterranean governance.

The Managing Authority for this Programme is based in the Provence-Alpes-Côte d'Azur Region, France. Further information is available from the Programme's website: <http://www.interreg-med.eu/>

3) The Interreg Europe 2014-2020 Programme

The Interreg Europe Programme is the successor of the IVC Programme and it focuses on the following four priority axes related to the Europe 2020 strategy:

1. Strengthening research, technological development and innovation
2. Enhancing the competitiveness of SMEs
3. Supporting the shift towards a low-carbon economy in all sectors
4. Protecting the environment and promoting resource efficiency.

The Interreg Europe programme has a budgetary allocation of €359 million and is designed to support policy-learning among the relevant policy organizations with a view to improving the performance of regional development policies and programmes. It allows regional and local public authorities and other players of regional relevance across Europe to exchange practices and ideas on the way public policies work, and thereby find solutions to improve their strategies for their own citizens. Public bodies and bodies governed by public law from all 28 European Member States are eligible for a co-financing rate of 85%, whereas private non-profit bodies may receive 75% co-financing.

Private non-profit bodies cannot take the role of a Lead Partner under this Programme.

The eligible Interreg Europe cooperation area covers the whole territory of the European Union with its 28 Member States, including insular and outermost areas. In addition, Norway and Switzerland are full members of the programme and organizations from these countries are welcome to participate in projects (organizations from Switzerland cannot be Lead Partner). Partners from other countries can participate at their own costs.

Further information may be accessed from the Programme website <http://www.interregeurope.eu/>

4) The Interact III Programme

The Interact III Programme aims at increasing the effectiveness of territorial cooperation programmes by setting up information and communication networks, defining information frameworks and flows, sharing information and stimulating exchange of experience and good practice. The Managing Authority of the Interact III Programme is based in the Slovak Republic, whereas the INTERACT Point in Valencia is responsible for the South Western area of the EU, including Malta. Website: <http://www.interact-eu.net/#home>

5) ENI CBC Med Programme

In addition to the above-mentioned Programmes, Malta also participates in the new ENI CBC Med Programme, which will continue to strengthen cooperation in the Mediterranean area during the period 2014-2020, building on the multilateral cross-border cooperation "Mediterranean Sea Basin Programme", which is part of the new European Neighbourhood Policy and of its financing instrument (ENPI) for the 2007-2013 period. It includes the European Union and partner country regions placed along the shores of the Mediterranean Sea.

Maltese partners may participate in joint projects together with partners from Cyprus, Lebanon, Israel, and the Palestinian Authority and also with partners from regions within Egypt, France, Greece, Italy, Jordan, Portugal, Spain and Tunisia. Over €209 million have been granted by the European Union to the ENI CBC Mediterranean Sea Basin Programme for the period 2014-2020.

Further information is available from the Programme's website: www.enpicbcmed.eu.

Section 2: Role of the Funds and Programmes Division (FPD), Ministry for Foreign and European Affairs
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1) National Coordinator/Contact Point

As the national coordinator of the Territorial Cooperation Programmes, the Territorial Cooperation Unit (TCU) within the FPD is involved in all stages of Programme / project implementation. To this end, the FPD serves as the main contact point for these Programmes: from application stage to project closure. In this regard, once the calls are issued, the FPD organizes several information sessions and seminars to promote such calls and to provide any prospective applicants with relevant information. Bilateral meetings with prospective / interested applicants may also be held upon request. Further to the selection of the projects in collaboration with our foreign counterparts, the FPD meets with the respective partners in order to provide information on the procedures and guidelines to be followed throughout the project lifetime. During implementation, the FPD follows closely the progress made, also by means of bilateral meetings held as required.

2) Monitoring Committee / Selection Committee Member

In view of its role as the national coordinator of such Programmes, the FPD also represents Malta on the Monitoring Committees and Executive Committees pertaining to each respective Programme.

During the process of evaluating the projects, FPD might ask for further documentation in order to be in a better position to assess the participation of Malta-based partners in a particular project. These might include, but not exclusively, the following:

- i. Declaration that the Project remit falls within the mandate of the beneficiary, i.e. the project partner;
- ii. VAT Status Form (Refer to Vat Form - Annex 1) ; and
- iii. Copy of the final application form (including partner declaration, and letter of support where applicable).
- iv. Confirmation of their legal status.

The above listed documents shall be provided as explained in the following points. Note that, in exception of the VAT Status Form template, no standard templates exist for the requirements listed below.

i. Declaration that the Project remit falls within the mandate of the beneficiary

Applicants must be publicly mandated to carry out the task of the project; hence, the project's remit must fall within the mandate of the entity. In this regard, a declaration by the Ministry, under whose portfolio the applicant falls, is required, explaining how the proposed project fits within the entity's remit. This should be endorsed by the Permanent Secretary within the respective Ministry. Local Councils should ensure that this information is signed by the respective Mayor, and endorsed by the Permanent Secretary representing the Local Councils. In the case of private (both profit and not-for-profit) entities / NGOs / VOs, a declaration must be provided by the entity's legal representative e.g. CEO or equivalent.

ii. VAT Status Form

Applicants are requested to liaise with the Office of the Commissioner of Revenue regarding their respective VAT status. The standard format of this declaration shall be enclosed with the FPD's request for further information for your perusal. Please provide the filled and signed declaration to FPD within the stipulated deadline.

iii. Copy of the application form

A soft copy of the submitted final application form is to be provided to FPD.

iv. Confirmation of legal status

Bodies governed by public law¹, / private non-profit bodies / NGOs / VOs / private organisations are to provide their statute / legal framework.

Private non-profit bodies have to provide their legal framework as well as their registration as Voluntary Organisations. Therefore, voluntary organisations should have been set up and registered with the Commissioner for Voluntary Organisations in order to be able to participate in such projects. In this regard, applicants shall be asked to indicate the respective VO number prior to the selection of the respective project/s.

Private profit-making entities should provide their Memorandum (and Articles, if applicable) of Association, or equivalent, and the Certificate of Registration with the Registrar of Companies, in the case of limited liability companies.

¹ Bodies governed by public law are defined as "bodies that have all of the following characteristics:
(a) they are established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character;
(b) they have legal personality; and
(c) they are financed, for the most part, by the State, regional or local authorities, or by other bodies governed by public law; or are subject to management supervision by those authorities or bodies; or have an administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities, or by other bodies governed by public law".

v. Proof of financing

Beneficiaries must ensure that they have the financial capacity to implement their project activities irrespective of any advance payments. In this regard, the following information, which is specified according to the status of the entity, might be requested according to the table below, whenever further reassurance is deemed to be necessary during the evaluation process:

	Information that may need to be submitted to FPD with regard to point v above	IT - MT	INTERREG MED	INTERREG EUROPE	ENI / CBC
Private Individuals / Self Employed	Last year tax return and annexed income statement submitted; copy of VAT registration certificate; clearance certificates for VAT, IRD and SCC from the Office of the Commissioner for Revenue indicating that there are no pending dues; declaration by the individual's accountant / lawyer attesting that liquid funds are available to match the private financing; If private part is to be financed by a loan, bank sanction letter is to be provided.	√	√	X	√
Private Companies	Audited financial statements of years n-1 and n-2 but if n-1 year audited accounts are not available, management accounts are requested (where n is current year); clearance certificates for VAT, IRD and SCC from the Office of the Commissioner for Revenue indicating that there are no pending dues;	√	√	X	√

	Declaration by accountant / lawyer that funds are available to match the private financing; If private part is to be financed by a loan, bank sanction letter is to be provided.				
Startups - 1st year of business	If in the first year of business, existing management accounts at application date; cashflow and revenue projections for next year certified by CPA; Declaration by accountant / lawyer that funds are available to match the private financing; If private part is to be financed by a loan, bank sanction letter is to be provided; clearance certificates for VAT, IRD and SCC from the Office of the Commissioner for Revenue indicating that there are no pending dues (if available).	√	√	X	√
Startups - 2nd year of business	If in the second year of business, audited financial statements of n-1; if these are not available, management accounts will be requested; Declaration by accountant / lawyer that funds are available to match the private financing; If private part is to be financed by a loan, bank sanction letter is to be provided; clearance certificates for VAT, IRD and SCC from the Office of the Commissioner for	√	√	X	√

	Revenue indicating that there are no pending dues.				
VO s / NGO s Category 1 (where the total revenue does not exceed 20,000eur over three consecutive years)	Management Accounts submitted of years n-1 and n-2 in line with Schedule 2 of LN492.2001; Declaration by treasurer and another signatory that funds are available to match the private financing; If private part is to be financed by a loan, bank sanction letter is to be provided.	√	√	√	√
VO s / NGO s Category 2 (where the total revenue is over 20,000eur but less than 200,000eur)	Management Accounts submitted of years n-1 and n-2 in line with Schedule 2 of LN492.2001; Declaration by treasurer and another signatory that funds are available to match the private financing; If private part is to be financed by a loan, bank sanction letter is to be provided; In case of NGOs to provide also clearance certificates for VAT, IRD and SCC from the Office of the Commissioner for Revenue indicating that there are no pending dues (if available).	√	√	√	√

<p>VO s / NGO s Category 3 (where the total revenue exceeds 200,000eur)</p>	<p>Audited financial statements of years n-1 and n-2 but if n-1 year audited accounts are not available, management accounts are requested (where n is current year) in line with Schedule 2 of LN 492.2001; Declaration by treasurer and another signatory that funds are available to match the private financing; If private part is to be financed by a loan, bank sanction letter is to be provided; In case of NGOs to provide also clearance certificates for VAT, IRD and SCC from the Office of the Commissioner for Revenue indicating that there are no pending dues (if available); Moreover, following the submission of a project proposal, FPD retains the right to consult with the Commissioner of VO s to a certain that compliance with national laws by is being observed.</p>	√	√	√	√
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Local Councils	<p>Audited financial statements of years n-1 and n-2 but if n-1 year audited accounts are not available, management accounts are requested (where n is current year); Joint Declaration by Mayor and Executive Secretary of the local council, stating that the local council commits to its co-financing obligations; Where the audited accounts do not provide evidence of sufficient liquidity, a bank guarantee should be presented; Moreover, following the submission of a project proposal, the MA retains the right to consult with the Director of Local Government to check that the co-financing as declared by Local Council is available/likely to be met. This assessment by the Director of Local Government will be made on the basis of the information provided by the Applicant.</p>	√	√	√	√
Government / Public Entities	Nil				
Entities governed by public law (public equivalent)	<p>For entities not financed by the State, audited financial statements of years n-1 and n-2 but if n-1 year audited accounts are not available, management accounts are requested (where n is current year); clearance certificates for VAT, IRD and SCC from the Office of the Commissioner for</p>	√	√	√	√

	Revenue indicating that there are no pending dues; Declaration by accountant / lawyer that funds are available to match the private financing; If private part is to be financed by a loan, bank sanction letter is to be provided.				
Partners providing co-financing	Depending on whether partner is an individual / private company / startup / NGO - refer to above.				

3) Timely submission of the documentation

The above may be submitted by email on the following email address: territorialcoop.fpd@gov.mt. It is important that all the above is provided within the deadlines stipulated in the FPD's request for such information. Should this not be the case, the FPD might not be in a position to support the partner's participation in the project in question during the evaluation process.

4) Approbation/Designation body

The First Level Control (FLC) system may vary per Member State (e.g. centralised / decentralised control system). For the 2014-2020 programming period, Malta has adopted a decentralised control system whereby the partners participating in a project shall select their respective controller, who may be either internal or external to the entity.

The FPD is the body responsible for issuing the designation letter to the controllers selected to carry out the FLC on expenditure incurred by Maltese partners. All auditors, even internal ones, should be totally independent from the project activities and finances and qualified to carry out the work. Furthermore, external controllers should be selected in accordance with established procedures pertaining to general procurement principles. It is important that each Maltese partner has enough budget allocated for auditing fees, to be able to engage an external/internal controller.

Upon selection of the controller (refer to annex RFQ Auditor-Controller – Annex 2) the FPD should be informed of the outcome of the respective selection exercise and hence the proposed

controller. The partner fills out a checklist (annex 3²) on the proposed controller that shall be signed by both partner and controller and submit to FPD together with the proposed controller's CV. FPD shall then consult with the list of Maltese Registered Auditors³ in order to ensure registration of same controller. Should the proposed controller satisfy all the requested criteria and should s/he be on this list of the Maltese Registered Auditors, the FPD shall designate the first level control function pertaining to the project in which the partner would be participating, to such controller. It is only after receiving this certificate and by signing the Letter of Engagement (annex 4⁴) with the partner that the controller can start as a first level controller within the framework of the project, and the first expenditure can be reported and certified. In order to avoid any delays in the verification of expenditure, it is recommended that the process to engage the first level controller starts within two months of the official project start date.

In case of a change in the first level controller, a new request for approbation must be filled in and submitted to the approbation body, i.e. the FPD. The new controller will not be authorised to act as the partner's first level controller until the new certificate is issued by FPD.

By way of information, in addition to both desk-based and on-the-spot checks carried out by the selected controller, the FPD may also carry out physical spot checks, based on its risk analysis assessment exercise on the projects financed under such programmes in order to verify the results delivered. The outcome of such checks will be forwarded to the respective entity for its comments and eventual endorsement. If, however, no feedback is received by the FPD within the stipulated timeframe, the report will be considered as approved.

Furthermore, second level controls by the Internal Audit and Investigations Department (IAID), which constitute an additional check on expenditure on a sample range of operations, may also take place. Controls may also be carried out by the Managing Authorities, Audit Authorities of the respective programmes, the European Commission, the European Anti-Fraud Office (OLAF), and the European Court of Auditors (ECA).

² Interreg Med partners should refer to Annex 3a, whereas Interreg Europe partners should refer to Annex 3b.

³ <https://accountancyboard.gov.mt/>

⁴ Interreg Med partners should refer to Annex4a, whereas Interreg Europe partners should refer to Annex 4b.

Section 3: Legal Framework for Eligibility of Expenditures

Before incurring any expenditure in connection with Territorial Cooperation projects, all partners should ensure that the expenditure is eligible under the respective programme. Certain expenses might not be considered eligible under a particular programme as decided by its Monitoring Committee. Project partners are therefore urged to go through the respective programme manuals and the first level control guidelines thoroughly and to make sure that the expenditure outlined in the Application Form reflects the information provided in the Manual of the respective programme. Apart from such manuals, project leaders should refer to the following Regulations⁵ and their amendments, if applicable:

- Regulation (EU) No 1303/2013 - Common Provisions Regulation;
- Regulation (EU) No 1301/2013 - ERDF Regulation;
- Regulation (EU) No 1299/2013 - European Territorial Cooperation Regulation;
- Regulation (EU) No 481/2014 - Eligibility of expenditure for cooperation programmes;
- EU Directives on public procurement and LN352/2016 (published in October 2016);
- Commission Decision of 19.12.2013 on the setting out and approval of the guidelines for determining financial corrections to be made by the Commission to expenditure financed by the Union under shared management, for non-compliance with the rules on public procurement;
- Commission Implementing Regulation (EU) No 897/2014 - Specific provisions for the implementation of cross-border cooperation programmes financed under Regulation (EU) No 232/2014 of the European Parliament and the Council establishing a European Neighbourhood Instrument;
- 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 Regulation (EU) No 232/2014 - Establishing a European Neighbourhood Instrument.

Before engaging in any commitments, project partners should always refer to the contract signed between the Managing Authority of the programme and the Lead Partner, often referred to as the ‘Subsidy Contract’ or ‘Grant Agreement’, and to the Partnership Agreement, which is agreed upon and signed by the Lead Partner and all the partners participating in the project. It is recommended that Maltese partners obtain a certified true copy of the Subsidy Contract, which should be retained in the project file, together with the original copy of the Partnership Agreement. Project Leaders should also obtain and refer to the final version of the approved application form and the respective work packages. It is important to note that only expenditure which has been detailed in the approved budget and work packages, as per the final approved application form, is eligible for funding.

⁵ Note that Regulations may be updated periodically.

Section 4: General Principles

a. Entity's Eligibility to participate

The first thing that an entity should do when deciding whether to join a project partnership or to develop a project idea is to check its eligibility to participate in the Programme and to confirm that the project idea is in line with the respective Operational/ Cooperation Programme. It is of utmost importance to study the project idea and to assess the entity's role as well as the benefits that both the entity, the country, as well as other regions and countries participating in the project (in case of transnational programmes) would be getting through the eventual achievement of the project targets. Before submitting any proposal, an applicant should be familiar with the Programme and national regulations, the Operational/ Cooperation Programme, the Manual of Procedures and any other documents related to the Programme in question.

b. Lead Partner Principle

Given that Territorial Cooperation Projects consist of a number of partners, it is necessary that the Lead Partner principle, which obliges the Lead Partner to undertake the overall responsibility of ensuring that the project is implemented successfully, is meticulously followed. The Lead Partner is the central point of contact with the Programme managing structures and will be carrying out the major responsibilities. In this regard, the Lead Partner usually takes on the responsibility for the management, communication, implementation and co-ordination of activities amongst all the partners on the project.

It should also be noted that the success of a project, more often than not, depends on the Lead Partner. Any partner deciding to join a partnership is advised to make the necessary research on the Lead Partner to ensure reliability and to have the necessary guarantees especially since payments and reimbursements will be handled by this leading entity. If, on the other hand, an entity is interested in being the Lead Partner of a project, the necessary resources, including human resources, should be in place from the very beginning.

It is important to point out however, that the Lead Partner is the leader only in terms of the project's administrative and generic financial matters and that every partner has equal status on content issues. All partners are therefore responsible for implementing the project on their own territory and for ensuring that the funds are disbursed efficiently, correctly (i.e. in line with the rules of the Programme as well as national rules and regulations) and within the stipulated timeframe, as outlined in the application and partnership agreement. All partners are also responsible for the compilation of their own claims on a regular basis for reimbursement purposes, as outlined in the manuals / financial guidelines of the respective programmes, ensuring that the physical deliverables are kept in place in good working condition for a period of at least 5 years following the final payment to the beneficiary, in line with Article 71 of Regulation 1303 / 2013. It should be noted that according to this Article, "Member States may

reduce the time limit set out in the first subparagraph to three years in cases concerning the maintenance of investments or jobs created by SMEs.”

With specific reference to the ENI CBC Med Programme, partners should refer to Article 39.3 of ENI CBC IR (Regulation 897/2014) which states that ‘any project including an infrastructure component shall repay the Union contribution if within five years of the project closure or within the period of time set out in state aid rules, where applicable, it is subject to a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives. Sums unduly paid in respect of the project shall be recovered by the Managing Authority in proportion to the period for which the requirement has not been fulfilled’.

c. Budgetary allocation and financing

It is important to note that as a general rule, the funds are received on a reimbursement basis, i.e. any advance payments granted under Territorial Cooperation Programmes is not automatic. However, it should be noted that the ENI CBC Med Programme works on a pre-financing principle. Financing from the ERDF may amount to up to 85% of the total budgetary allocation⁶ whereas the EU funding rate in connection with the ENI CBC Med Programme may cover up to 90% of the eligible cost of the project. The remaining amount has to be provided by each partner participating in the project through other means of financing (either internal or external).

Proper budget costing at application stage is therefore essential so as to ensure that the project budget share reflects the real local market costs. Preparatory ground work should be carried out in order to determine whether the budgetary amounts in the application form are correct; project partners must be aware that budget shifts might be very restricted throughout the project life.

In view of the above, financial planning, ensuring that adequate cash flow is available for the implementation of the project, is very important. Public entities should always follow MFIN Circular 5/2014 (attached), which outlines the procedure to be followed by government departments in order to secure the co-financing element of the project. All other entities are to ensure the availability of funds to cover the project’s financing.

d. Activities and timely implementation of the deliverables

It is very important that the entity is committed to implement the deliverables according to the schedule and timeframes outlined in the Application Form. If the disbursement and performance targets are not met by every project on a programme level, decommitment of funds at programme level might apply, which, in turn, might affect the project’s activities and results.

⁶ The co financing rate may be lower, depending on regulations at programme level and in cases where State Aid Regulations apply.

e. Environmental issues and permits

It is recommended that any permits, required for the project implementation, are obtained prior to the submission of the project proposal, thus avoiding unnecessary delays as a result of lengthy administrative procedures or last minute hitches. It is important to note that this is a **requisite** under some Programmes and therefore, especially if this is explicitly stated in the Programme's Manual and / or the call for project proposals, compliance with this requirement is crucial for eligibility purposes during the selection phase of projects. In addition, it is highly recommended that applicants should consult the respective authorities (e.g. Planning Authority, Heritage Malta, Superintendence of Cultural Heritage, Transport Malta, etc.) to avoid being faced with enforcement requests once the project has started its implementation phase.

f. Procurement procedures

Applicants should be proactive and carry out important preparatory work on necessary documents e.g. tender dossiers, before the project approval, so that should the project be approved, there would be fewer delays of an administrative nature during project implementation. This would also give applicants sufficient time to clarify any questions or difficulties with experienced and technical persons and to conform fully with relevant public procurement legislation.

g. Procurement⁷

All Partners, including non-public entities, shall follow the principles of transparency, equal treatment and non-discrimination whenever a good / service is procured. In this regard, reference to the EU public procurement guidelines should be made as well as the Programme manuals, the Legal Notice 352 / 2016 and any internal rules of the partner organisation. The strictest rules must always be applied. Preferably, direct orders are to be avoided and requests for quotations / tenders should be sought in all instances. In the case of any direct orders, the appropriate approvals should be sought and obtained. In addition, care should be taken during the drafting of the specifications, avoiding any specifications that are too narrow and / or tailor made, and / or mentioning a specific name brand. Also, extensions to contacts should be stipulated in the respective contract and the appropriate approvals should be sought.

Public entities should adhere to the procurement regulations issued by the Department of Contracts as per Legal Notice 352 / 2016 (or any subsequent amendments).

In addition to the above, all project partners are urged to liaise with the Department of Contracts in view of any updates in the legislation and relevant instructions, especially those regarding compilation of tender dossiers and e-tendering procedures.

⁷ Reference to the guidance notes and Circulars available on the following link are to be followed:
<https://eufunds.gov.mt/en/EU%20Funds%20Programmes/Financial%20Control%20Unit/Pages/Circulars.aspx>

All relevant procurement documentation, i.e. starting from the call for quotation and ending with receipts, are to be included in the claim file for re-imbursement purposes.

All First Level Controllers should review any procurement processes undertaken in connection with the project/s thoroughly, ensuring that the proper requirements have been adhered to. Any identified irregularities, for instance split tenders, narrow specifications, irregular extensions, collusive bidding, etc should be dealt with in the respective claim/s for reimbursement purposes.

h. Treatment of revenue

In accordance with Articles 61 and 65 of Regulation (EU) No 1303/2013, if a project generates net revenue (e.g. through services, conference participation fees, sales of brochures or books), it must be deducted from the eligible expenditure in full or pro-rata depending on whether it was generated entirely or only partly by the co-financed operation. The ERDF funding is calculated on the basis of the total cost after deduction of any net revenue.

With specific reference to the ENI CBC Med Programme, reference is to be made to Article 4.8 of the Rules on Eligibility of expenditure of the Joint Operational Programme.

i. Value Added Tax

According to Article 69 of Regulation EU 1303 / 2013 of the European Parliament and of the Council (17 December 2013), Value Added Tax shall not be eligible for reimbursement purposes except where it is non-recoverable under national VAT legislation⁸.

j. VAT Receipts

VAT receipts should always be provided by the service provider except in the following circumstances:

- a) A tax invoice is provided instead;
- b) The supplier is based overseas and hence the due VAT amount is to be paid in Malta at the current, local percentage rate, following the normal procedure established by the Office of the Commissioner for Revenue. In such cases, a declaration from the supplier, confirming receipt of funds, would have to be provided.

⁸ Entities such as Ministries and Departments that operate their day-to-day operations through the DAS should not consider VAT as an eligible expense for reimbursement purposes under the projects. Other entities could be considered as being VAT eligible, however this would depend on the status of the respective organization, as endorsed by the Office of the Commissioner for Revenue (refer to Annex 1 – VAT Status Form).

k. State Aid requirements

EU State Aid rules apply to projects, which involve financial support from the public sector to private entities or to public / public equivalent organisations carrying out an economic activity. State aid rules apply also if the assistance distorts trade or threatens competition within the Community.

In the selection phase of projects, FPD requires the intervention of the State Aid Monitoring Board (SAMB) in order to make sure that the project does not have any state aid implications or otherwise. If any do exist, the project might be selected under certain conditions e.g. lower co-financing rate or even altogether disqualified.

With specific reference to the ENI CBC Med Programme, one should refer to the Note on State Aid Assessment, as updated by the Programme.

l. Horizontal principles

In terms of Council Regulation (EC) N° 1299/2013 Article 8(7), projects should comply with policies on sustainable development, equal opportunities and non-discrimination, and gender equality.

With specific reference to the ENI CBC Med Programme, Section 2.6 of the Joint Operational Programme should be referred to with regards to these principles.

m. Double-Financing

It is important to note that any activity, which is already supported by another national or EU subsidy/grant, cannot be considered eligible as it would result in double-financing. To this end, applicants should declare (in the partners' declaration) that the respective expenditure has not been claimed, and will not be submitted for reimbursement purposes, under any other Programme. Additionally, partners should note that most Programmes oblige the project partners to stamp the *original* documents pertaining to expenditure of the respective project with a rubber stamp specific to the project, thus declaring that the expenditure was incurred within the remit of the project itself.

For audit purposes, this practice shall be applied for all projects undertaken by Malta-based partners under all Programmes.

n. Fraud

The FPD has a zero tolerance policy towards fraud, corruption and mismanagement of funds and it is strongly committed to prevent and detect any such incidences. To this end, all partners, first level controllers and service providers are urged to do their utmost to prevent fraud from happening by putting in place proportionate measures to detect it and to come forward with any suspicion of fraud in relation to the Programmes and projects.

In case of suspicion of any mismanagement or potential corruption, the FPD may be informed by means of an email on fpd.mfea@gov.mt. Any such report will be treated confidentially and the FPD shall revert on the matter within 10 working days. The FPD will inform the respective Managing Authority of any fraud identified as a result of its obligations as the National Contact Point of the above-mentioned Programmes.

o. Conflict of Interest

A conflict of interest could arise as a result of economic interest, political or national affinity, family or emotional reasons, or any other shared interest, especially in terms of any procurement carried out in connection with the project. All beneficiaries should ensure that all the necessary measures to prevent any conflict of interest, which could affect the impartial and objective performance of the project, are in place. For instance, it is recommended that procurement evaluation boards are composed of several officers, enabling the evaluation to be carried out by more than one person and therefore mitigating against conflicts of interest. It is also being recommended that the members of evaluation boards sign a declaration of impartiality and confidentiality to avoid cases leading to a conflict of interest.

Any situation constituting or likely to lead to a conflict of interest during the performance of the agreement must be brought to the attention of the FPD, in writing, without delay. All beneficiaries shall be responsible to immediately undertake any necessary steps to rectify such situations. The FPD reserves the right to check that the measures taken are appropriate and may demand that additional measures are taken, as necessary, within a certain timeframe.

Section 5: Reporting Procedures

a. Project Reports

Partners and all appointed FLC representatives, are to ensure that accurate and complete project reports are meticulously compiled and recorded throughout the whole lifetime of the project. Reports are to be compiled on a specifically designed template, as per each respective programme, and are intended to give a snapshot on progress (physical and financial) and any risks or issues needing mitigation and / or resolution. Project reporting is to be carried out as requested by the project timeframes and signed copies of the reports need to be kept in the project's file for referencing.

Furthermore, the work shall be properly documented and accessible to ensure an efficient review of the work in a way that any other controller/auditor can perform again the control only using the control file.

b. Audit Trail

Partners need to keep in mind that a proper project history (financial, documentary and physical) is to be kept at all times. This should be done in line with the respective programme audit trail that allows reconciliation of amounts spent and certified with individual expenditure records and supporting documents at various levels (e.g. activity and project level). The opening of a specific bank account is highly recommended. Separate line items or accounting codes in the partner's accounting system should be provided for every specific project. Copies of the nominal ledgers might also be requested, as necessary.

c. Claims for Reimbursement

Partners should submit claims for reimbursement on a regular basis as stipulated in the Manual / financial guide of the respective programme. Territorial Cooperation projects comply with the de-commitment rule: any funds which are not disbursed within the stipulated timeframes are lost and referred back to the European Commission. It is therefore very important that project implementation and disbursements are kept within the timeframe stipulated in the Application Form and that the expenses are claimed on a regular basis according to the requirements of the respective programme. Similarly, annual performance targets apply for Territorial Cooperation Programmes, hence the importance of ensuring that the deliverables are implemented on time.

d. First Level Control (FLC) check for Audit Certification Purposes

Controllers carrying out the FLC verifications for reimbursement purposes, shall seek to examine the following documentation, which shall be appropriately filed, during a desk-based and/or on-the-spot audit exercise:

Project Documentation:

- Copy of application form submitted in the case of partners while the original application form in the case of Lead Partners;
- Signed Partnership Agreement/s between Partner/s and Lead Partner;
- Signed Subsidy Contract (or certified true copy in the case of partners) between Lead Partner and the Managing Authority;
- Addenda to the Project Agreement and letter/s stipulating any changes to the project, if any;
- Feasibility studies and technical studies (where applicable).

Tendering and Contracting:

- Tender document launched on the market;
- Advertisements related to the launch of the tender, as well as in the Official Journal, where applicable;
- Official letter of appointment /approval of the Evaluation Committee
- CVs of Evaluation Committee members
- Declarations of impartiality of Evaluation Committee members
- List of bids submitted in response to the publication of the tender;
- The tender opening report;
- Any clarifications requested during the adjudication of the tender and the replies sent to all bidders;
- The Evaluation Report and relevant documentation such as minutes of meeting/s of the Evaluation Committee, evaluation committee members' declarations of impartiality, any correspondence during the evaluation process;
- Notification to the selected bidder and non-selected bidders;
- Copy of the publication of the adjudication of the tender and the Contract Award Notice {CAN}, where applicable;
- Contract drawn up and signed by the Contracting Authority and the service provider;
- Any subsequent addenda to a contract;
- Any other relevant documents related to the contracts (including employment contracts) of the project.
- CVs of engaged experts, where applicable.

Procurement procedures related to simple requests for quotations (RfQs)

- Copies of request for quotations, including those sent to potential bidders, indicating clearly the date and time when the requests were sent⁹, the exact specifications and the deadline for submission of quotes;
- Any relevant adverts including publication on the Government Gazette as applicable;
- Copies of submissions by bidders;
- Evaluation Report, signed by all evaluators, indicating clearly the reason for award;
- Relevant approvals;
- Letter of award to the selected bidder;
- Letter/s of regrets, outlining pertinent reasons, to the unselected bidder.

Payments

- Certification of works by technical supervisor, acceptance certificates / reports for supplies, services.
- Copies of the verified claims of expenditure of the project;
- Original invoices and VAT receipts, as applicable (refer to section 4k above) of costs listed in the expenditure claims;
- In addition to the above, bank statements or funds transfer reports or cheque images, confirming proof of payment, should also be filed appropriately.

Information and Publicity

- Photos or audio/visual recordings evidencing information activities or publicity undertaken in relation to the project¹⁰;
- Original adverts, brochures, leaflets or any other publicity material and promotional items produced through the project;
- Copies of handouts, documents, attendance sheets, certificates, agendas and other publications displaying EU information and publicity requirements related to any public session held during the project lifetime;
- Copies of press articles (where applicable);
- Verification of compliance with compulsory EU information and publicity requirements during on-site visits, such as billboards, posters, permanent plaques and identification stickers on physical items/equipment/infrastructure, as applicable.

Monitoring reports

- Copies of the interim progress and final reports prepared by the Partner;
- Record-keeping of timesheets (particularly in the case of employment contracts).

Others (if applicable)

- Lists of participants (conferences, meetings, etc.);

⁹ Requests to identified potential bidders should be sent concurrently. For the application of good practice, the request should be made to a minimum of three of these bidders.

¹⁰ This is especially applicable to info events, conferences, and sizeable items such as billboards, roll-up banners, posters, plaques etc. For online material or similar, printed screenshot images as well as audio/visual recordings work best.

- Progress / Performance reports of contracted employees / experts;
- Attendance sheets¹¹;
- Evaluation sheets;
- Inventory sheets (including the respective Programme logos) especially for equipment procured from project funds¹²;
- Any photos taken during meetings and events.

This is only an indicative (not an exhaustive) list of documents which the FLC controllers should ask to review. Other documents which should be part of sound financial management and therefore part and parcel of any Partner's obligations are not necessarily listed here.

In addition, beneficiaries are to ensure that their respective project deliverables are sustainable and maintained for a period of at least 5 years further to the final payment to the beneficiary, in line with Article 71 of Regulation 1303 / 2013. With specific reference to the ENI CBC Med Programme, partners should refer to Article 39.3 of ENI CBC IR (Regulation 897/2014) which states that *'any project including an infrastructure component shall repay the Union contribution if within five years of the project closure or within the period of time set out in state aid rules, where applicable, it is subject to a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives. Sums unduly paid in respect of the project shall be recovered by the Managing Authority in proportion to the period for which the requirement has not been fulfilled'*.

e. Filing

Filing is a fundamental aspect of the project implementation, since should crucial documents not be found during audits this may result in a recovery of funds. In this regard, partners should make sure that any relevant documentation, listed in Section 5d of this document, including also, but not limited to, Partnership Agreements, Subsidy Contracts, the Application Form and any amendments in this regard, the inventory, important correspondence as well as any minutes in connection with the project etc, should be filed appropriately.

f. Retention of Documents

All partners are requested to retain the project's documentation at their end at least as indicated by the respective Programme or for a two-year period from 31 December following the submission to the European Commission of the Programme's Annual accounts in which the expenditure of the claim for expenditures for the last progress report is included, in line with Article 140 of Regulation 1303 / 2013, and in the case of ENI CBC Med, Article 70 of the Implementing Regulation EU 897/2014, depending on which is stricter. Project partners should also refer and adhere to national statutory requirements in this regard. Although Article 140.3

¹¹ If attendance sheets are unavailable, confirmation of attendance is to be presented.

¹² Kindly refer to the inventory sheets attached as Annex v (Government entities) and vi (non-Government entities).

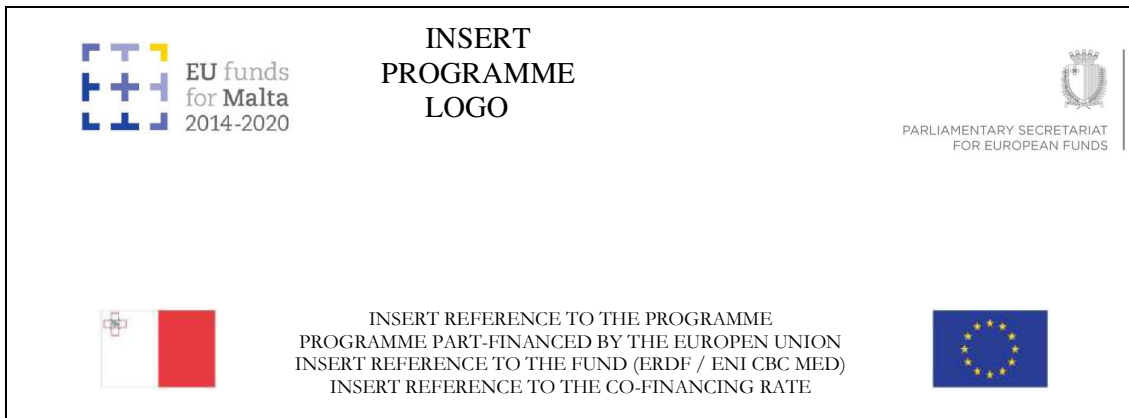
of the said Regulation states that the documents may be retained as originals or as certified true copies, it is being suggested that the original documents are retained in the project file.

Section 6: Publicity and Visibility

Publicity is an essential part of all projects funded by the European Union; projects must be publicized in order to increase public awareness about, and visibility of EU Structural and Investment Funds, as well as the respective Programme. As a general rule, expenditure on media space / coverage for individual projects will only be reimbursed if the activities are part of the approved project. Project partners are urged to keep photos of publicity actions as well as copies of all posters, adverts and other publications in the respective file. It is also necessary to include a copy and / or photos of all publicity material with the claims for reimbursement.

Project partners should, however, note that any publicity actions, which shall be implemented locally (e.g. adverts on the local press, leaflets which shall be disseminated in Malta only, etc) and which are of a considerable size (e.g. adverts, leaflets, posters, billboards etc) should include the following logos (refer to example below):

- a. Maltese and EU flag
- b. Logo of the Parliamentary Secretary for European Funds, Ministry for Foreign and European Affairs
- c. EU funds for Malta logo
- d. Co-financing text (reference to the Programme, the fund and co-financing rate should be made)
- e. Programme logo, if required by the Programme. Any third party logos should feature adjacent to the Programme logo.



Similarly, small publicity material (such as USBs, pens etc), which have restricted space, and which shall be distributed in Malta, should at least include the Maltese and EU flag as well as reference to the Programme and the pertinent co-financing rate.

On the other hand, when the publicity material is being produced on behalf of the whole partnership e.g. leaflets which are to be disseminated in all or some of the countries involved in

the respective project, Maltese project partners should adhere to the Manuals published on a Programme level¹³.

Publicity measures should aim to reach the widest target possible, especially focusing on the region receiving the funds. The applicant is therefore advised to use the Maltese language in any publicity material as much as possible, especially if it shall be mainly distributed in the Maltese islands. Such material may also be reproduced in the English language and in any of the official languages of the respective programmes. Project Leaders are also urged to make use of any 'free' publicity available such as press releases, in-house brochures, press conferences and government produced material.

Furthermore, any websites set up by Maltese partners should also display the compulsory text and logos mentioned above on their home-page as well as include a hyperlink to the website of the respective programme and to the website of the National Coordinator for Territorial Cooperation Programmes (Malta): <http://eufunds.gov.mt/>.

¹³ Programme manuals with regard to publicity may be accessed from the following links:

Interreg Europe: <https://www.interregeurope.eu/about-us/logo/>

http://www.interregeurope.eu/fileadmin/user_upload/identity/805-1_INTERREG_Guide_20151028_v17.pdf

<https://drive.google.com/file/d/0B1FUK6FWMV3GbHBMM1pXeG5ueGc/view?pref=2&pli=1>

Interreg Med: <https://interreg-med.eu/documents-tools/communication-tools/>

Italia-Malta: http://eufunds.gov.mt/en/EU%20Funds%20Programmes/EU%20Territorial%20Programmes/Documents/Italia-Malta%202014-2020/Italia-Malta%20Programme_s%20Brand%20Design%20Manual.pdf

Section 7: Main categories of eligible expenditure

The following section will outline the main categories of expenditure eligible for reimbursement purposes under such programmes together with the documentation, which should be made available to the FLC together with the claims for reimbursement. Please be reminded that in addition to the contents of this Section, beneficiaries should consult the respective Programme manual with regard to the eligibility of expenditures as well. Remember that all partners, including non-public entities should adhere to:

- (a) the principles of transparency, equal treatment and non-discrimination in case of the procurement of commercial services and goods;
- (b) national employment regulations in case of employment contracts.

It should be noted that public and public equivalent bodies should adhere to Legal Notice 352 / 2016 (and its amendments) in any procurement carried out by such entities.

Furthermore, it is recommended that private entities participating in the Italia Malta Programme promote any procurement in connection with their respective projects on the website of the Programme: www.italiamalta.eu.

As a general rule, original documents should be dated (as applicable) and that any copies should be certified as true copies as well as authenticated by the project partner. Whenever it is not possible to provide any of the documents outlined hereunder due to the nature of the respective entity, another document of equivalent value should be provided.

Project partners should ensure that all expenses incurred in connection with Territorial Cooperation projects are in line with programme and national rules (stricter rules should be applied), in accordance with sound financial management as well as good governance principles, particularly in the case of procurement, payments (invoices and receipts), VAT and state aid. In this regard, all partners should fill in the *Partner Declaration on the expenses presented in the claim for reimbursement*, which is being attached as Annex 5 and submit it with every claim.

a. Preparatory Costs

Certain projects allow for the eligibility of preparatory costs, i.e. costs which are linked to the compilation of the Application Form and with the elaboration of the project itself on the condition that the link with the project which is eventually selected for funding is clearly demonstrated. Given that the eligibility, the method to claim such costs as well as the amount allowed to be claimed may differ according to the Programme, project partners should also consult the programme guidelines / manuals. It is important that any preparatory costs are foreseen in the Application Form as otherwise it might not be possible to claim such costs.

b. Staff costs

Staff costs relating to projects are eligible and may be considered part of the expenditure incurred in connection with a project if these are included in the project's approved work packages. Staff members, who have a normal working contract with the organisation and who dedicate a number of their normal working hours to the project may claim such contribution under the respective project. However, internal staff costs are not eligible if they arise from the organisation's day-to-day duties or if they are not specifically related to the project. By way of clarification, staff costs relate to the costs of activities that the relevant partner would not carry out if the project concerned was not undertaken. Since the staff members are paid by the organisation, the hours they spend on the project may be considered equivalent to cash and may be used to contribute towards the national co-financing element of a project, subject that these staff costs are quantified (i.e, through cash flow, payslips etc). However, all partners should note that the cost of officers assigned to a project shall be considered eligible provided that this corresponds to the beneficiary's effective policy on remuneration with respect to these officers at that point in time *and* that it corresponds to the standard salary that the particular officers receive on the basis of their contract of employment. In other words, the cost of officers should comprise what is considered to be part or the entirety of their usual remuneration and related contributions. This applies to all officers whose cost will be charged to the project, whether being operational staff or administrative/support staff, and also irrespective of whether the entity is a public entity or otherwise.

It is also important to note that the thresholds on the amount of staff costs which is allowed to be claimed may vary according to the Programme. Therefore, reference to the respective programme manuals is necessary.

Payments for unfair dismissal, redundancy payments, golden handshakes and payments into private pension schemes are considered ineligible.

Under the 2014-2020 programmes, various options may be available on how to report and claim staff costs. These may include:

1. Person employed by the partner organisation, and working full-time on the project;
2. Person employed by the partner organisation, working partly on the project at a fixed percentage;
3. Person employed by the partner organisation, working partly on the project at a flexible percentage (flexible number of hours per month)
 - a. Calculation based on the contractual hours as indicated in the employment contract;
 - b. Calculation based on dividing the latest documented annual gross employment costs by 1,720 hours.
4. Person employed by the partner organisation on an hourly basis.

One should always refer to the Programme manual for detailed information in this regard.

Calculating the hourly rate

Internal staff costs are calculated on the basis of the following formula:

$$\text{Eligible staff costs} = \text{hourly rate} * \text{number of hours worked on the project}$$

$$\text{Where hourly rate} = \frac{\text{Annual Salary}}{\text{Total number of hours worked in a year (established at 1720 hours for simplification purposes¹⁴)}}$$

The number of hours worked on the project must be supported by detailed timesheets and / or staff costs calculator as requested under the respective Programme, which should clearly include a description of the tasks carried out on the project by the staff member.

According to FCU Circular 02/2019¹⁵ the project-related working time performed by a staff member who:

- is involved in multiple European Territorial Cooperation projects (potentially including ENI CBC Med projects), and/or*
 - in other EU-Funded projects (including Direct Funds managed by the European Commission) and/or*
 - performs other duties (e.g. administrative duties related to the department/Ministry he/she works in),*
- must be recorded daily in a timely manner by this staff member on a timesheet or on a time registration system.*

This requirement of registering the working time (spelled out in the preceding paragraph) is not applicable when the staff member works on the project on a full-time basis or on a part-time basis with a fixed percentage of time.

¹⁴ Certain Programmes, such as the Interreg Europe Programme, allow the application of different baselines of the total number of hours in a year. Project partners are therefore requested to consult the respective Programme manual.

¹⁵[https://eufunds.gov.mt/en/EU%20Funds%20Programmes/Financial%20Control%20Unit/Documents/Circulars/Circular%20re%20recording%20of%20working%20hours%20\(Updated\).pdf](https://eufunds.gov.mt/en/EU%20Funds%20Programmes/Financial%20Control%20Unit/Documents/Circulars/Circular%20re%20recording%20of%20working%20hours%20(Updated).pdf) & <https://eufunds.gov.mt/en/EU%20Funds%20Programmes/Financial%20Control%20Unit/Pages/Circulars.aspx>

Hence, for each day, timesheets must incorporate the entire hours worked on that day; thus, timesheets should encompass 100% of the actual working time dedicated to the specific project at hand together with time dedicated to other projects and other duties (if any) during that same day. These timesheets must include also the overall description of the tasks carried out by staff members, as already alluded to above. This description of the work carried out on the project is required just the same in the assignment letters provided for the staff members working on the project on a full-time basis or on a part-time basis with a fixed percentage of time.

Note that the annual salary should include the national insurance, statutory bonuses as well as fixed allowances. Documentary evidence (e.g. payslips) in support of such fixed allowances must accompany each claim.

To claim internal staff (on a pro rata basis) as part of a project, the Project Leader must ensure that the following documentation is attached to the claim (as applicable and requested under each Programme):

- Employment contract or any other equivalent legal agreement that permits the identification of the employment relationship with the partner's organisation;
- Partner Declaration of Staff Costs (as per Annex 6)¹⁶;
- Letter of Assignment / Mission Letter (as per Annex 7);
- Detailed Timesheets¹⁷, which should include list of duties carried out(as referred to above) ;
- Pay slips in connection with period of claim;
- List of staff working on the project (Annex 8)
- Documentary evidence of fixed allowances if these are being included in the calculation of hourly rate;
- Proof of payment to the employee e.g. a copy of the relevant documentation showing the transfer of funds from the Treasury in case of public entities and bank statements in case of non-public organisations or a declaration from the persons issuing the salary and a counter declaration by the employee confirming that he/she has received the salary (Annexes 9 and 10);
- Any other document as per the Programme's Manual.

Staff Costs based on a Flat Rate or Fixed Percentage

In accordance with Article 19 of Regulation (EU) no 1299/2013, a project partner can opt to claim staff costs calculated on a flat rate basis, as established at programme level¹⁸. Article 3.3

¹⁶ This declaration is not required for claims under Technical Assistance.

¹⁷ In principle, the average number of hours which may be claimed per day should be 8, however this may be exceeded if a justification is provided with the respective staff costs claim. It is important to note that the hours spent travelling abroad as well as any time overseas which is not spent specifically on the project cannot be claimed.

¹⁸ In the case of ENI CBC Med projects, it is important to note that this option is not applicable and hence the partners involved in this Programme should consult the respective Manual.

of Regulation (EU) no 481/2014 lists the following as one of the calculation methods in this regard: staff costs related to individuals who work on part-time assignment on the operation, shall be calculated as a fixed percentage of the gross employment cost, in line with the fixed percentage of time worked on the operation, with no obligation to establish a separate working time registration system (i.e. timesheets).

By adopting any one of these two options, the beneficiaries may not be required to submit certain supporting documentation related to staff (e.g. timesheets): however an ‘employment document’ (such as a mission letter or a letter of assignment) should be presented. This has to be a unique document for that particular employee, which indicates how the percentages of this person’s time shall be distributed on all his/her monthly tasks. In addition, the following documents are also requested: employment contracts or any other legal agreements, a document identifying the real salary costs (i.e. payslips) and proof of payment. It is also important to note that certain programmes also require access to a time-registration system (for instance, attendance sheets). Access to such records might be requested by the auditors during verification / audits in connection with the projects.

c. External Expertise and services

This category usually consists of experts, controllers or other service providers who are contracted out to carry out certain tasks on the project (e.g. project coordination, website design, event organisation, interpretation, etc.). Any travel in connection with the project by these contracted experts is to be included under this budget item and not under “*travel and subsistence*”. All their relative expenses are generally paid on the basis of definite contracts and for the sole purpose of the project. The principles of transparency, competition, good governance and sound financial management are overriding.

The documentation requested for the verification of external expertise costs should include the following documents related to procurement / recruitment process:

- Public call / request for quotations / expression of interest, as applicable;
- Proof of transparency in the selection of the company / individual (e.g. copies of the newspaper adverts, quotations, tenders (depending on the thresholds), etc.);
- Evaluation Committee report outlining the selection process and final award, as per Section 5d of this document, as applicable;
- Letters of Acceptance
- Contracts / Letters of Offer;
- Invoices and receipts;
- Proof of payment to the expert / external company;
- Any other document as per the Programme’s Manual.

Furthermore, whenever external experts travel in connection with the project, apart from the documentation listed under the sections dealing with travel and accommodation, information and documentation regarding the relevance and proof of such travel is also required.

d. Travel and accommodation

Due to the nature of territorial cooperation programmes, travel is an essential part of such projects, so it is essential that travel costs are calculated correctly and that the funds are spent as economically as possible.

In the case of public entities, any travel incurred should be in line with the latest Circulars issued by the Ministry of Finance. Furthermore, as a general rule, the most economical means of transport should be used by all partners (i.e. both public and non-public entities). Also, all partners should also take into consideration the respective itinerary: whenever possible, officers should travel on the same day if flights are available. It is also essential to make sure that the amount allocated to travel in the project's budget is not exceeded and that all trips are included in the project's work packages in the Application Form.

Any travel should also be directly related to the implementation of the project. Note that any trips taken outside the project area might not be eligible for funding without an approval from the programme's Joint Secretariat or without indication in the Application Form. Such trips, even if the necessary approvals are obtained, must be kept to a minimum. As a general rule, travel costs of external speakers / external experts should be financed under the external expertise budget.

The documentation requested for the certification of travel costs should include the following:

- Agenda or invitation to the meeting if the agenda is not available;
- Quotations in connection with air tickets¹⁹;
- Boarding passes²⁰ and travel tickets (e-tickets are acceptable);
- Invoice/s issued by the travel agent and the respective receipts;
- The travel report (Annex 11);
- Any other document as per the Programme's Manual.

In exceptional circumstances, when officers must pay for certain travelling costs themselves, due to last minute changes, (e.g. flight cancellation), the officer concerned should still make all efforts to seek the necessary authorisation in writing. Following the incident, the officer has to provide supporting documentation indicating the reason why such procedure had to be resorted to, the necessary authorization and proof of payment.

¹⁹ Online quotations may be obtained as long as such quotations may be compared like with like e.g. all asking for a hand luggage, indicating the same deadline for submission.

²⁰ Original, traditional boarding passes or printed electronic boarding passes are acceptable.

e. Per Diem and Contingency costs

In the case of duty abroad, a fixed subsistence or per diem allowance should be issued. Besides the per diem, the subsistence allowance may include contingency money covering expenses related to airport/hotel transfers and local transportation to and from the airport. Public entities must follow MF Circular No. 01/2016 (as updated), whereas non-public entities are to follow the Commission's per diem rates available on: <https://ec.europa.eu/europeaid/sites/devco/files/perdiem-rate-20150318.pdf> (as updated).

Please note also that, when travelling abroad, the per diem allowances corresponding to any meals and/ or accommodation which were offered by the host of the meeting should be deducted from the amounts being claimed. In the case of foreign speakers participating in local activities held in connection with the project, the per diem amounts that are granted in this regard should correspond to the rates established by the European Commission within the Europe Aid Framework²¹.

The documentation requested for the verification of per diem costs should consist of the following:

- Copy of Funds Transfer Report and copy of Debit Advice from CBM (in case of public officers) or any other commercial bank account (representing the amount credited to the payee's account);
- A signed declaration by the person who received the per diem stating that the money has been received;
- All other receipts such as Taxi / Metro²² / Bus receipts in connection with contingency expenses;
- Subsistence statement of expenditure (Annex 12);
- Hotel invoices and receipts;
- Any other document as per the Programme's Manual.

f. Local Travel expenses

Unless specified otherwise under the respective Programme, expenses incurred for local travel [e.g. fuel expenses, scheduled bus / taxi fares] are **not eligible** for reimbursement purposes. Other local travel costs such as Gozo ferry tickets for project specific events and / or events such as Monitoring Committees / Steering Committees may be considered eligible.

g. Organisation of conferences / workshops

²¹ http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm_en

²² Metro tickets should be validated. If the ticket does not indicate the tariff that was paid, either the metro ticket receipt should be presented or related documentation on tariff paid from the official website of the concerned metro service should accompany the presented metro ticket.

Costs related to the organisation of conferences or workshops are eligible as long as they are provided for by the project budget and are necessary for the attainment of the project's objectives and results. It is essential that the relevant public procurement regulations are followed with regard to the selection of the venue, caterers and/ or service-providers. Catering costs, coffee breaks, meals or refreshments are eligible only as long as they form part of a conference or meeting agenda. Any meals or events, which are not listed in the respective agenda, as well as alcoholic beverages and tips cannot be verified as part of the eligible cost. Project Partners should attach the documentation listed below in order for the expenses to be considered eligible for reimbursement purposes:

- Agenda and a signed attendance sheet;
- Any quotations / tenders and their documented selection process to verify transparency in the procurement process;
- Contracts [where relevant] together with invoices and receipts;
- Any other document as per the Programme's Manual.

h. Administration costs

Such costs may be claimed according to different methods, which may include flat rates or real costs according to the respective Programme. Reference to the respective programme manual should always be made.

i. Durable goods

The full cost of durable goods is eligible only if the purchase is deemed to be core equipment i.e. such equipment would constitute a core element of the project. Hence, the procurement of the equipment would be absolutely necessary for the successful implementation of the project. Furthermore, it is important that the procurement of such equipment would be approved under the respective Programme. In the case of core durable goods, the full cost, including the maintenance/service agreement (if eligible under the respective Programme) for the duration of the project, may be claimed in one amount.

The cost of supplementary equipment (e.g. required for project management but not core) is eligible (as long as exclusivity to the project is demonstrated) however depreciation should be applied. Hence, only the depreciation, which corresponds to the period covered by each progress report, may be declared²³.

In the case of equipment which is being charged totally from the project, a declaration that it is being used exclusively for the project should be attached (refer to Annex 13)

Furthermore, if the goods being purchased are supplementary goods which may be used for other purposes (e.g. PCs, laptops) the depreciation costs should be apportioned accordingly. In this

²³ ENI CBC Med project partners are requested to consult the Programme's manual.

regard, the partner should provide a declaration which includes details with regard to the method of apportionment. Examples are available in the respective Programme manuals.

The procurement of second-hand equipment is not recommended taking into consideration that any equipment bought under the projects would have to be retained in good working condition for a minimum of 5 years from the project implementation end date indicated on the Application Form.

A signed inventory, in line with MF Circular No. 14/99, listing any items bought in connection with the project, should be entirely compiled as applicable and held at the respective entity. A template is available under the General Documents section of the ETC webpage in this link: <https://eufunds.gov.mt/en/EU%20Funds%20Programmes/EU%20Territorial%20Programmes/Pages/General-Documents.aspx>. (Annexes 14 and 15 also refer).

Whenever consumables are being charged to the project, stock-taking procedures, identifying the stock which has been bought in connection with the project and how much is being used periodically during the project lifetime, should be in place. In this regard, para. 9 of the relevant International Accounting Standard - IAS 16 – Property, Plant and Equipment - provides that ‘it may be appropriate to aggregate individually insignificant items, such as moulds, tools and dies, and to apply the aggregate value’, which should then be included in the consumables list.

A template is being made available under the General Documents section of the ETC webpage in [this link: http://eufunds.gov.mt/en/EU%20Funds%20Programmes/EU%20Territorial%20Programmes/Pages/Key-Documents-and-Downloads.aspx](http://eufunds.gov.mt/en/EU%20Funds%20Programmes/EU%20Territorial%20Programmes/Pages/Key-Documents-and-Downloads.aspx). (Annex 16).

The following documents should be presented in the respective claims:

- Evidence of compliance with the applicable EU, national and internal procurement rules (refer to documentation highlighted in section 5d).
- Invoice (or a supporting document with equivalent probative value to invoices, in case of depreciation) providing all relevant information in line with the applicable accountancy rules,
- Calculation of depreciation in compliance with the applicable national schemes,
- Proof of payment.

All purchases should be made by the authorized finance office of the entity and not directly by any other officer involved (not even by using his/her own personal credit card).

j. Control costs

As outlined in previous sections, a decentralised first level control system shall be adopted under the current programmes. In this regard, all project partners are requested to submit a signed and

stamped control certificate²⁴ with their requests for reimbursement to the Lead Partner. This certificate is to serve as confirmation that the expenditure has been incurred in line with the pertinent regulations. Controls may be carried either internally i.e. by a staff member of the entity participating in the project or externally (a transparent selection process should be applied as long as he/she satisfies the criteria listed in the respective Programme manual). In the event that the controls are performed by a partner's staff member, these costs should be regarded as internal staff costs, hence are eligible as long as they were included in the approved budget and work packages in the Application Form of the project.

It is important to note that the control is carried out by the controller, who would have received the approbation/designation letter from the FPD. It is hereby reiterated that in case of a change in the first level controller, a new request for approbation/designation must be filled in and submitted to the approbation/designation body i.e. the FPD. The new controller will not be authorised to act as the partner's first level controller until the new certificate is issued by FPD.

The following documentation should be presented in the claims:

- Approbation certificate,
- Respective procurement,
- Letters of engagement / contracts,
- Invoice and proof of payment.

k. Financial charges

Bank charges for the opening and administering the account may be eligible unless stated otherwise in the programme manual. As outlined in previous sections, the opening of a separate bank account for each project is highly recommended, given that bank records must be accessible to the bodies carrying out financial checks on the projects. If this is not possible, specific line items or accounting codes in the partner's accounting system should be kept.

Charges for transnational financial transactions and the cost of guarantees provided by a bank or other financial institution to the extent to which the guarantees are required by national or Union legislation or by Programme may also be eligible. However, charges related to the distribution of the funding among national project partners, e.g. shared costs and fees, charges for national financial transactions, debt interest and losses are not eligible. Similarly, fines and financial penalties are not eligible. An exhaustive list of non-eligible expenditure is available in the respective programme manuals.

²⁴ Note that every programme has a different control certificate, which may be downloaded from the programme's website or found on the programme's online monitoring tool.

l. Legal fees

Unless the Programme manual specifies otherwise, legal consultancy fees and notarial services fees are eligible, if they are directly linked to the project and are necessary for its preparation²⁵ or implementation. However, expenditure on legal disputes and litigation is not eligible.

m. Pre-financing for EU-funded procurement

In line with Policy Note issued by the Department of Contracts (attached as Annex 17), pre-financing for EU-funded services and supplies contracts *‘should ideally be set between 40% and 60% of the contract award. The percentage should be proportional to the scope and nature of the procurement, thus, clearly reflecting the tender milestones and the set targets. Therefore, the beneficiaries are expected to take this into consideration when setting the pre-financing threshold’*. On the other hand, pre-financing for EU-funded works contracts should *‘ideally be set at 20% of the contract award; such a percentage shall be increased to 30% in the case of mobilisation and materials on order’*.

²⁵ Expenditure in relation to the project’s preparation should be claimed from under ‘preparation costs’

Section 8: List of Annexes

1	VAT Status Form
2	RfQ Auditor - Controller
3	Checklist (a – Med, b – Interreg Europe)
4	Letter of Engagement (a – Med, b- Interreg Europe)
5	Partner Declaration on the expenses, presented in the claim for reimbursement
6	Partner Declaration of staff costs
7	Letter of Assignment / Mission Letter
8	List of staff working on the project
9	Proof of payment to the employee
10	Counter declaration by the employee confirming receipt of salary
11	Travel report
12	Subsistence statement of expenditure
13	Declaration that the equipment is being used exclusively for the project
14	Inventory template for Government entities
15	Inventory template for non-Governmental entities
16	Consumables bought
17	Pre financing for EU funded projects

Section 9: Contact details

For any further information about the programmes, the Territorial Cooperation Unit within the FPD may be contacted as follows:

Dalli Carmen Director, Programmes and Projects	carmen.dalli@gov.mt
Mintoff Celia Senior Manager, Territorial Cooperation Programmes	celia.mintoff@gov.mt
Catania Maria ENI CBC Med Programme and the Interact III Programme	maria.a.catania@gov.mt
Guerreiro Isabel Interreg Med Programme	isabel.guerreiro@gov.mt
Muscat Maria Elena Italia Malta Programme	maria-elena.muscat@gov.mt
Vella Carmel Interreg Europe Programme	carmel.i.vella@gov.mt