

EUROPEAN TERRITORIAL COOPERATION OBJECTIVE

# Cross Border Cooperation Programme Lithuania-Poland

2007 - 2013

PROGRAMME MANUAL



European Union

September 11, 2009

List of Abbreviations .....	4
Main terms used in the Programme Manual .....	4
1 Introduction.....	5
1.1 Legal framework.....	5
1.2 European territorial cooperation objective.....	6
1.3 Cross-border cooperation concept .....	6
2 Information about the Programme.....	7
2.1 The strategic goal and main objectives of the Programme.....	7
2.1.1 Overall strategic goal of the Programme.....	7
2.1.2 Specific objectives of the programme.....	7
2.2 Programme area .....	8
2.3 Programme priorities and supported activities .....	9
2.3.1 Priority 1. Competitiveness and productivity growth of the cross-border region	9
Priority 2. Cross-border cohesion and enhanced overall quality of the cross-border area ....	11
2.4 Programme funding .....	13
2.5 Programme management .....	13
3 General requirements for projects.....	14
3.1 Types of projects.....	14
3.1.1 Open call operations .....	14
3.1.2 Strategic projects.....	15
3.1.3 Small project fund.....	15
3.2 Funding of projects .....	16
3.3 Cross-border cooperation of the projects.....	17
3.4 State aid regulations.....	18
3.5 Expected project outputs and results.....	19
3.6 Partnership .....	22
3.6.1 Requirements for partnership.....	22
3.6.2 Eligible partners.....	22
3.6.3 The Lead Partner principle.....	23
3.6.4 The Partnership agreement .....	24
3.7 Eligible expenditure .....	25
3.7.1 General requirements.....	25
3.7.2 Revenue of the projects.....	27
3.7.3 Salary .....	28
3.7.4 Travel expenditure .....	29
3.7.5 Works, services and supplies .....	29
3.7.6 Other costs .....	32
3.7.7 Preparation costs .....	33
3.8 Project set up.....	34
3.8.1 Start date of the project.....	34
3.8.2 Project activities.....	34
3.8.3 Infrastructure projects .....	34
4 Application and selection.....	35
4.1 Call for proposals.....	35
4.2 Preparing an application .....	36
4.3 Submitting an application .....	37
4.4 Selection procedure.....	38
4.4.1 Assessment of administrative compliance and eligibility.....	38
4.4.2 Quality assessment.....	40
4.4.3 The assessment report.....	42

4.4.4	The role of national Advisory Committees.....	43
4.4.5	The Decision-making.....	43
4.4.6	Final approval of Application form .....	44
5	Project implementation .....	44
5.1	Signing of subsidy contract.....	44
5.2	First Level Control.....	45
5.3	Reporting and compensation of expenditure .....	47
5.4	Monitoring of project implementation.....	48
5.4.1	Changes in project implementation .....	48
5.4.2	Irregularities and recoveries.....	49
5.5	Other duties and commitments .....	51
5.5.1	Public procurement .....	51
5.5.2	Publicity requirements .....	52
5.5.3	Documentation requirements .....	53
5.5.4	Durability and ownership of the project outputs.....	54
5.6	Project closure.....	54
6	Annexes .....	54

## List of Abbreviations

CBC – Cross Border Cooperation;  
 ERDF – European Regional Development Fund;  
 ICT – Information and communication technology;  
 JMSC – Joint Monitoring and Steering Committee;  
 JTS – Joint Technical Secretariat;  
 MA – Managing Authority;  
 NA – National Authority;  
 NGO – Non-governmental organisation;  
 R&D – Research and development;  
 RCP – Regional Contact Point;  
 SME – Small and medium size enterprise;  
 SPF – Small project fund.

## Main terms used in the Programme Manual

**Adjacent areas** – regions adjacent to Programme area. 20 percent of Programme funds can be spent on activities implemented by the projects in these areas.

**Cross-border cooperation** – international cooperation between regions along land or maritime borders separated by a maximum of 150 kilometres and directed to enhancing the cross-border contact with the aim of better use of the potential of border regions.

**Eligible expenditure** – expenditure incurred and paid by Project Partners in implementing project activities which meet all the Community, National and Programme requirements for the expenditure to be co-financed by the funds committed to the project.

**Infrastructure project** - Project having work component covering not less than 60 percent of the total project costs.

**Main Programme area** – area including the regions on the both sides of the Lithuania – Poland border. Minimum 80 percent of Programme funds can be spent to co-finance the project activities implemented by partners from Main Programme area.

**Open call operations** – type of projects to be implemented by the Cross-Border Cooperation Programme Lithuania – Poland the financing of which are subject to competition procedure followed by the open call for proposals based on common requirements and assessment according to the selection criteria.

**Overhead costs** – project expenditures which are indirectly related to the project activities and objectives but are necessary for project implementation and eligible for co-financing by the Programme funds.

**Programme** - Lithuania – Poland Cross-Border Cooperation Programme implemented in the framework of European Territorial Cooperation Objective as provided by the Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999

**Programme area** = eligible area – is a territory covered by main Programme area and adjacent areas.

**Programme website** – [www.lietuva-polska.eu](http://www.lietuva-polska.eu)

**Small project** – type of project to be implemented under the special instrument in the Programme – Small Project Fund (SPF), the size of the project grant is between €10.000 and €100.000, all activities described in the Cross-Border Cooperation Programme Lithuania – Poland can be supported.

**Small project fund (SPF)** – type of projects to be implemented by the Cross-Border Cooperation Programme Lithuania – Poland financing of which is subject to a competitive procedure carried out by the organisations acting as fund managing institutions selected on a competitive basis after the open call for proposals based on common requirements and assessment according to the selection criteria.

**Strategic projects** – type of projects to be implemented by the Lithuania – Poland Cross-Border Cooperation Programme which are of a strategic importance to both Lithuania and Poland in the cross-border context.

## 1 Introduction

### 1.1 Legal framework

This Programme Manual is intended to establish rules and procedures to follow in implementation of Cross Border Cooperation Programme Lithuania – Poland (the Programme) which is funded by the European Regional Development Fund (ERDF). This Programme shall be implemented in the framework of the European territorial cooperation objective.

The legal basis for implementation of this Programme Manual is:

- Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999 (General Regulation);
- Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999 (ERDF Regulation);
- Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund;
- Regulation (EC) No 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European grouping of territorial cooperation (EGTC Regulation);
- Commission Decision C (2007) 6530 of 20 December 2007 approving the Cross-border Cooperation Programme Lithuania – Poland (Programme document).

## **1.2 European territorial cooperation objective**

The European territorial cooperation is one of the three objectives of the EU Cohesion Policy which is aiming at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas.

According to the General Regulation the aims of economic and social cohesion and reduction of disparities between various regions are implemented through the achievement of the following three objectives:

- Convergence objective;
- Regional competitiveness and employment objective, and
- European territorial cooperation objective.

The European territorial cooperation objective shall be aimed at

- strengthening cross-border cooperation through joint local and regional initiatives;
- strengthening transnational cooperation by means of actions conducive to integrated territorial development linked to the Community priorities;
- strengthening interregional cooperation and exchange of experience at the appropriate territorial level.

## **1.3 Cross-border cooperation concept**

According to the General Regulation the cross-border cooperation, means the cooperation between regions which are located along all internal and certain external land or maritime borders of the European Union member states separated, as a general rule, by a maximum of 150 kilometres.

Cross-border cooperation as well as other objectives of European Territorial cooperation objectives is supported by the ERDF mainly focusing on development of cross-border economic, social and environmental activities through joint strategies for sustainable territorial development.

The main directions for cooperation (which are also reflected in this Programme) foreseen by the ERDF Regulation and financed by the ERDF are:

- encouraging entrepreneurship, in particular the development of SME's, tourism, culture, and cross-border trade;
- encouraging and improving the joint protection and management of natural and cultural resources, as well as the prevention of natural and technological risks;
- supporting links between urban and rural areas;
- reducing isolation through improved access to transport, information and communication networks and services, and cross-border water, waste and energy systems and facilities;
- developing collaboration, capacity and joint use of infrastructures, in particular in sectors such as health, culture, tourism and education.

## 2 Information about the Programme

### 2.1 The strategic goal and main objectives of the Programme

#### 2.1.1 Overall strategic goal of the Programme

**The overall strategic goal** of the programme is to foster the sustainable development of the border region through enhanced economic, social and territorial cohesion of the areas on both sides of the border.

The Programme shall attempt to contribute to the better integration of the two countries into the wider European political and economical space in so doing preserving their national identity and addressing the challenges of the Lisbon and Gothenburg strategies. The Programme shall facilitate the socio-economic cohesion of the border regions, promote their sustainable development, secure clear environment, increase competitiveness and ensure social welfare by jointly addressing identified weaknesses, sharing knowledge and experiences and applying the synergy effect.

The Programme shall address issues that need intervention on both sides on the border. It is also important that the programme becomes an integral part of Lithuanian and Polish regional policies contributing to the achievement of their strategic goals and objectives. In addition, attempts shall be made to focus on the needs and interests of the local population, improvement of their living environment and welfare and ensuring that people may benefit from tangible results of the programme, which is not always the case of large national programmes.

#### 2.1.2 Specific objectives of the programme

It is expected that the broad range of activities aimed at the improvement of physical, road/railway and environmental infrastructure and technologies, tourism, socio-economic cohesion, business support, innovation, employment promotion measures shall be financed from the Structural Funds/Cohesion Fund programmes on national basis. This will clearly have a substantial positive impact on the overall strategic goal of this Programme.

Being small and specific, this Programme shall concentrate on solving the problems and exploring the opportunities of a clear cross-border character, focusing on support of cross-border synergies, networks, partnerships, people-to-people contacts and institutional cooperation. The aforementioned overall strategic goal will be achieved by drawing together the people from both sides of the border through a range of economic, social and environmental activities, which shall be aimed at the following **two specific objectives** of this Programme:

1. **to establish a region geared to the needs of competing in a global economy.** Economic growth is a clear prerequisite for enhanced economic and social cohesion in the cross-border region targeted by the programme. Hence this objective emphasises the need to increase the competitiveness of the border regions and improve access to markets across the border.
2. **to achieve sustainable development of a region which is forward looking and attractive in terms of its quality of life, social equity, environment and its communication links.** A long-term sustainable economic growth is unlikely without

enhanced social and territorial cohesion of the cross-border region, which could be achieved by a progressive integration of local, social and environmental development aspects. Hence this objective emphasises the need eliminate the physical obstacles to cross-border cooperation, strengthen the cross-border social cohesion, cultural identity and environmental quality of the border regions.

These two objectives cover two closely linked and inseparable yet clearly distinct aspects of sustainable development: economic growth and economic, social cohesion. The second specific objective emphasises that both for the EU and domestic purposes cohesion is a major development priority: it is not acceptable that some parts of the countries or some groups of the population do not fully participate in the wealth generation process and therefore are excluded from its benefits. Therefore a balanced and inclusive development will be aimed at and special measures shall be taken in that sense because competition usually favours the stronger parts of the country and of the population.

Every project to be financed under the Programme must contribute to achieving strategic and specific objectives of the Programme.

Projects selected for financing are expected to bring value added, something that would not have been possible without the programme financing. In addition, the organisations involved in the project activities cannot replace their statutory tasks with the programme financing.

## 2.2 Programme area

The Programme covers Lithuanian-Polish border regions together with areas adjacent to the border regions.

On the Lithuanian side 2 counties and 3 adjacent areas shall be eligible under the the Programme:

- Marijampolė County (municipalities of Marijampolė, Kalvarija, Kazlų Rūda, Vilkaviškis district and Šakiai district);
- Alytus County (municipalities of Alytus district, Lazdijai district, Varėna district, Alytaus town and Druskininkai)
- Tauragė County *as an adjacent area* (municipalities of Tauragė district, Šilalė district, Jurbarkas district and Pagėgiai)
- Kaunas County *as an adjacent area* (municipalities of Kaunas city, Kaunas district, Kaišiadorys district, Prienai district, Jonava district, Kėdainiai district, Raseiniai district and Birštonas);
- Vilnius County *as an adjacent area* (municipalities of Šalčininkai district, Širvintos district, Švenčionys district, Trakai district, Ukmergė district, Vilnius district and Elektrėnai).

Please note that Vilnius city municipality is not included in the programme area, although it is a part of Vilnius County, as it is the wealthiest of all Lithuanian municipalities, its socio-economic statistics are well over the national (and a border region) averages and that it receives the bulk of both national and foreign direct investments.

The regions eligible for the participation in the Programme on the Polish side are the following regions:

- Białostocko-Suwalski Subregion (powiats augustowski, białostocki, bielski, hajnowski, moniecki, sejneński, siemiatycki, sokólski, suwalski and cities Białostok and Suwałki);
- Elcki Subregion (powiats ełcki, giżycki, gołdapski, olecki, piski and węgorzewski );
- Łomżyński Subregion *as an adjacent area* (powiats grajewski, kolneński, łomżyński, wysokomazowiecki, zambrowski and city of Łomża);
- Olsztynski Subregion *as an adjacent area* (powiats bartoszycki, kętrzyński, lidzbarski, mragowski, nidzicki, olsztyński, szczycieński and city of Olsztyn).

The activities carried out under the Programme in adjacent areas as well as activities outside the Programme area and the European Union (in duly justified cases and only if it is for the benefit of the Programme area) are possible subject to some limitations (see Chapter 3.2).

### 2.3 Programme priorities and supported activities

The Programme shall finance projects which contribute to the following 2 priority areas and more specific sub-priorities:

- **Priority 1. Competitiveness and productivity growth of the cross-border region**
  - Modernisation of small-scale economic infrastructure
  - Promotion of business environment
  - Development of sustainable cross-border tourism and preservation of cultural/historical heritage
- **Priority 2. Cross-border cohesion and enhanced overall quality of the cross-border area**
  - Development of new and strengthening of existing co-operation and social and cultural networks
  - Improvement of living environment

Each operation has to be designed to implement the objectives of only one of the sub-priorities.

#### 2.3.1 Priority 1. Competitiveness and productivity growth of the cross-border region

##### **Sub-priority 1.1. Modernisation of small – scale economic infrastructure**

This sub-priority shall fund infrastructure projects of a clear cross-border character and/or important for the whole programme area, as well as preparatory activities for such projects (development plans, joint strategies, feasibility studies, design documentation) and other activities necessary in this relation. In supporting the small scale infrastructure the priority shall be given to improvement of the existing infrastructure rather than creating a new one in new territories.

The sub-priority shall focus on improvement of region's accessibility development of local road and communication networks leading to or going through the border. The emphasis under this sub-priority shall be placed on the development and restoration of the infrastructural linkage between bordering areas (local roads, local and regional logistic centres, energy networks, communication networks, etc.) leading to the promotion of transit activities, increasing accessibility of the region and potentially to growing interest in this region among investors. In this regard it is intended to use the opportunities offered by information and communication technologies (ICT).

Another important area is improvement of border crossing permeability which would facilitate cooperation and everyday contacts across the border.

Initiatives improving scope and quality of transport services and better connection of the bordering areas as well as promotion of environmentally friendly transport shall also be supported.

The modernisation of cross-border economic infrastructure is impossible without joint planning; hence investment into elaboration and implementation of joint spatial and regional development plans and strategies, sectoral activity plans (communication, energy, etc.) shall also fall under the sub priority.

Environmental aspect will be taken into account while selecting projects for funding. Hence it must be ensured that the negative impact on the environment of the projects improving the infrastructure is kept to minimum and application of environmentally friendly solutions shall be strongly supported.

The following list presents the examples of indicative activities which can be considered for funding nevertheless these activities are not limited to those presented in the list:

- investment into cross-border transport, border crossing, energy, ICT infrastructure, technologies and networks and preparatory activities;
- preparation and implementation of cross-border infrastructure development plans as part of broader strategies;
- joint actions in improving scope and quality of cross-border transport systems;
- promotion of environmentally friendly transport and public transport;
- elaboration and implementation of joint spatial development plans, regional and sectoral development studies, programmes and strategies;
- strengthening of administrative capacities for strategic development and planning, support to the monitoring of implementation of joint strategic planning documents

### **Sub-priority 1.2. Promotion of business environment**

The purpose of this sub-priority is increase the economic potential of the region through the promotion of the cross-border business integration and economic cooperation among the firms across the border.

The Programme under this sub-priority shall fund projects offering mainly non-investment activities promoting the co-operation, building of new contacts and exchange of experiences, implementation of joint initiatives aiming at business promotion, economical diversification, scientific and technological cooperation, improvement of the investment climate and SME conditions.

The support shall be offered to projects promoting innovation, common implementation of new technologies, intensifying business co-operation and clusterisation process. The sub-priority is intended to support improvement of the effectiveness of research and development initiatives undertaken by universities and other R&D institutions to make it more business orientated.

The examples of indicative activities are presented below does not constitute by no mean the final list of projects to be funded:

- co-operation and networking between business institutions and entrepreneurs;

- joint development and implementation of specialised programmes to meet business needs, exchange business knowledge and experience, improve R&D and business linkage;
- joint initiatives in support of SMEs;
- implementation of cross-border projects and activities in the areas of innovation and introduction of new technologies;
- elaboration of bilateral business catalogues, data basis, strategies

### **Sub-priority 1.3. Development of sustainable cross-border tourism and preservation of cultural/historical heritage**

The sub-priority shall focus on funding the projects related to the development and improvement of quality of joint tourism products and services and their diversification, joint tourism marketing, promotion of the region's common image, improvement/establishment of small-scale tourism related cross-border infrastructure and renovation of cultural/historical heritage objects of cross-border importance. On the other hand, promotion of tourism activities shall be accompanied by promotion of ecological tourism, rational use of natural resources, decentralising of tourism activities, as well as raising awareness among the tourists. This should result in development of the sustainable tourist sector and consequently in new job opportunities.

The examples of indicative activities are presented below does not constitute by any means the final list of projects to be funded:

- development of sustainable cross-border small-scale tourism infrastructure and networks;
- elaboration of joint tourism products;
- joint actions in promotion and diversification of tourism products, in particular eco tourism products;
- uptake of Environmental Management Systems and Audit Schemes in tourism industry (ISO 14.000, EMAS, Eco-labels, green purchases etc.);
- renovation of cultural/historical infrastructure and heritage objects of cross-border importance;
- elaboration of joint cultural and historical studies and research activities, establishment of common databases of cultural and historical objects;
- exchanges of experience in renovation of architectural historical monuments/objects

Priority 2. Cross-border cohesion and enhanced overall quality of the cross-border area

### **Sub-priority 2.1. Development of new and strengthening of existing co-operation and social and cultural networks**

This sub-priority shall aim at lasting cross-border cultural co-operation, which involves social partners and citizens which involves exchange of the local communities, enhancing of cooperation of people, especial young people, from both sides of the border (including cultural and education exchange), that would strengthen social cohesion, sense of common trust, knowledge and understanding of each other and therefore create basis for future cooperation.

It is also foreseen to support the creation of social networks and cultural exchange promoting cultural diversity of the region.

The activities helping the large minority population across the border to preserve their cultural identity, maintain traditions and close contacts with their historical fatherland as well as better integration of the minority population across the border shall be also funded under this sub-priority.

In order to achieve sustainable benefits in cross-border cooperation, the projects under this sub-priority should not be limited to bilateral visits and exchange of experiences, but involve joint or coordinated policy preparation and implementation, adjustment and coordination while preparing joint strategies and development plans. It is equally important to coordinate the preparedness to respond to civil or environmental disasters, fight against organised crime and corruption. The activities supported should contribute to the build of trust and confidence of local/regional authorities and NGOs on both sides of the border, and increase scope efficiency of joint actions.

The examples of indicative activities are presented below does not constitute by any means the final list of projects to be funded:

- community networking and joint cross-border cultural events of durable character;
- youth cooperation (competitions, exchanges, summer camps);
- joint activities targeted at better integration of minority populations;
- joint initiatives targeted at the improvement of policy coordination;
- joint planning and management of activities and measures for emergency situations (civil, technological, natural catastrophes and accidents, pollution, etc.);
- competence building and co-operation between various level local and regional authorities and NGOs, promotion of joint initiatives

### **Sub-priority 2.2. Improvement of living environment**

Investment in this area would have two important dimensions. First one shall cover employment, education and social care. The sub-priority shall cover activities orientated towards the improvement of employment conditions and attractiveness, prevention of brain drain and workforce from the region, promotion of equal opportunities, improvement of adaptability of employees to meet market needs, enhancement of qualifications, skills and self-confidence. Equally importance shall be placed on the reduction of unemployment in Polish border regions and improvement of employment opportunities across the border.

On order the education system of the border regions would be better adjusted to quickly respond to needs and changing requirements of the labour market the Programme shall support new forms of education, life-long learning, readjustment of education systems and joint education initiatives.

As the welfare of region's inhabitants largely depends on sufficient and well functioning health and social care systems the programme shall contribute to the development of such systems from the cross-border perspective (e.g. coordinated operation of medical/rescue services, competence building and cooperation of services and professionals, provision of social care).

This sub-priority shall cover limited investment into educational/social infrastructure and cross-border community infrastructure thereby giving people in border regions the opportunity to actively take part in the development of their communities. Such investment must have a

direct positive effect on the quality of life of population in the region as well as induce social cohesion.

Another important dimension shall cover environmental protection. Emphasis under the sub-priority shall be placed in particular on the preservation and joint management of natural resources and protected areas, reduction of air, water and soil pollution, decrease of the greenhouse effect through the reduction of pollution sources, diminishing of discharge of untreated or insufficiently treated wastewater, improving quality of waste management, etc.

Particular attention shall be placed on the promotion of clean and renewable energy sources, and sustainable consumption (e.g. eco-labelling). In this regard focus shall be placed on efforts to increase public information and awareness. Small-scale investments into environmental infrastructure could be supported provided they are not covered from other programmes and demonstrated clear cross-border impact.

The examples of indicative activities are presented below does not constitute by any means the final list of projects to be funded:

- joint actions targeted at the improvement of employment opportunities and cross-border employment;
- joint actions aimed at the integration of socially vulnerable groups into the labour market;
- joint education initiatives, elaboration of new education forms and programmes;
- joint actions at the improvement of health and social care services, co-operation between these services and professionals;
- establishment/improvement of cross-border health, social and educational infrastructure and establishment of common public services, databases, registers, strategies, etc.;
- joint monitoring and management of natural resources and protected territories, ecological corridors;
- joint actions directed at decreasing pollution from economical activities (e.g. farms, tourism infrastructure);
- joint initiatives in the promotion and use of biomass energy resources, geothermal, hydro, wind and solar energy;
- joint actions to improve environmental risk management
- development/improvement of small-scale environmental infrastructure of cross-border character.

## **2.4 Programme funding**

71.688.850 EUR shall be provided to finance the programme activities by the ERDF.

## **2.5 Programme management**

The Management of the Programme follows the provisions set out for the management of the European Territorial Cooperation Objective programme in accordance with the General Regulation. The managing structure of the Programme is made up of:

- Joint Monitoring and Steering Committee (JMSC) – representing the stakeholders of the Programme management authorities and the regional authorities of the Programme area. JMSC is the main decision making body of the Programme deciding of main

provisions of the Programme implementation and funding of projects and monitoring of implementation of the Programme;

- Managing Authority (MA) – the Regional Policy Department of the Ministry of the Interior of the Republic of Lithuania. The Managing Authority is responsible for successful implementation of the Programme;
- Certifying Authority – the Ministry of Finance of the Republic of Lithuania. This authority is responsible of certifying the use of Programme funds in line with the provisions of the EC regulations (The National Fund Department), receive the payments made by the Commission and make the payments to the Lead Beneficiary (The State Treasury Department);
- Audit Authority - the Internal Audit Division of the Ministry of the Interior of the Republic of Lithuania. Audit Authority is responsible for system audit of the Programme and sample audits of the projects implemented and submitting to the EC a closure declaration;
- National Authority (NA) – the Territorial Cooperation Department of the Ministry of Regional Development of the Republic of Poland. National Authority is responsible for ensuring the programme implementation provisions on the Polish side of the Programme area;
- Joint Technical Secretariat (JTS) – performing the operational management of the Programme, the assessment and monitoring of projects on behalf of the MA and other bodies if necessary;
- Regional Contact Points (RCP's) – 2 RCP shall be appointed on the Polish side of the border in order to provide an effective programme promotion and information system. They shall be located in the Podlaskie and Warminsko-Mazurskie Voivodeships, established by the Marshall Offices of the respective Voivodeships.

The detailed functions of the Programme bodies are described in the Programme document.

### **3 General requirements for projects**

#### **3.1 Types of projects**

Three types of operations shall be financed during implementation of the programme:

- open call operations;
- strategic projects;
- small project fund (SPF).

##### **3.1.1 Open call operations**

This is the major type of projects to be financed from the Programme. The projects shall be selected on a competitive basis through regular open calls for proposals. The detailed description of the application and selection process is provided in Chapter 5.

The calls for proposals shall be launched on the regular basis following the decision of the JMSC.

Each call for proposal subject to the decision of the JMSC shall be:

- not limited to any priorities and sub-priorities of the Programme, or
- limited to selected priorities and sub-priorities of the Programme;
- open-ended i.e. submission of applications not limited in time, or

- closed-ended i.e. applications submitted up to the certain deadline.

Information on each call for proposals shall be published in the Programme website managed by JTS as well as local press through out the Programme area indicating all the above mentioned and other necessary details.

The minimum grant size for open call operations shall be €100.000 per project, the maximum size is not limited, however the recommended maximum size is €3.000.000 per project. The projects having works as a part of its activities (work component covering more than 60 percent of the total project costs) shall be referred to as infrastructure projects. Applications where the work component (i.e strictly construction/renovation works) is below 60 % and are located on whole programme area should be discussed by JMSC, which will make decisions on case by case basis.

### 3.1.2 Strategic projects

The operations solving essential problems, important for the stable development of the whole cross-border area and having a strong political backup at the national and/or regional level can be considered of strategic importance. Strategic projects must have a clear cross-border impact, be ready for implementation and address the objectives of the programme priorities and eligibility rules.

A list of such projects may be established and approved by the JMSC. Strategic projects shall be financed without competition with other applications submitted through the open calls for applications. The co-financing rate for these projects shall be 85 %. The recommended maximum size of ERDF grant for strategic project is 5.000.000,00 Euro.

The Programme website shall maintain database which shall be open to all wishing to propose ideas for strategic projects.

Strategic projects should have a considerable and sustainable impact on economic and social cohesion of the Programme regions, be of significant (strategic) importance for the border regions. These projects should be characterized (among other things) by the high complexity of aspects and stakeholders involved. Strategic projects should be developed and implemented in very close cross-border cooperation. Strategic Project partners must have a profound discussion and experience on the proposed project ideas. Strategic projects partners should have 'big-picture thinking' of the suggested issues with a clear image of the problems to be solved. The envisaged results of the strategic project must really connect the territories, people or systems on both sides of the border.

### 3.1.3 Small project fund

In order to facilitate the implementation and selection of small projects and to bring the decision making closer cross-border region the financing of projects can be organised under Small Project Funds (SPF). The management of SPF shall be delegated to a regional/local level public or non-profit organisation(s) (or consortium), involving representatives from both Lithuania and Poland. The managing institution(s) for SPF shall be nominated by the JMSC according to the prepared Application form.

The selected managing institution(s) shall be responsible for administering of open calls for applications, organising evaluation and selection of applications and monitoring of project implementation. For that purpose, the selected managing institution(s) shall prepare fund management guidelines, guidelines/manuals for applicants, simplified application form and Rules of procedures of SPF Steering committee which shall be presented for the JMSC for approval together with the application for the Management of SPF. Further requirements with regard to these documents shall be set by the MA/NA/JTS. The expenditure incurred in preparation of these documents shall be eligible as the preparation costs following all other eligibility requirements.

The objectives of SPF and projects implemented under SPF shall be in line with general priorities and sub-priorities of the Programme as well as the objectives of each project financed through the SPF. The same partnership, eligibility and implementation requirements shall apply for SPF management. The fund administration costs shall not exceed 10 percent of the total SPF budget and be considered in the SPF managing institution(s) budget.

The selected managing institution shall not be able to apply in the open calls and strategic projects.

The grant size for projects under the SPF shall be not less than €5.000 and up to €100.000. The SPF rules of procedure shall be approved by the JMSC. Projects funded through the SPF shall be “soft” (with a limited supply and works element). Nevertheless small infrastructure projects, i.e. redecoration, modernization of objects, aiming at cross-border cooperation can also be financed. The part of supply/works element in the SPF project can not exceed 60 percent of the project budget.

It is important to note that in projects implemented under the Small Project Fund in-kind contribution of the partners is eligible in the form of unpaid voluntary work. These costs can constitute the whole or part of the partner’s contribution of a value equivalent to no more than € 1.500. The in-kind contribution shall be reflected in project budget under the salaries category. The value of the unpaid voluntary work shall be determined taking into account the time spent and the hourly or daily rates of remuneration for equivalent work.

Up to 18 percent of the Programme funds shall be provided to the Small Project Fund(s). In the beginning it is intended that up to 9 percent of the Programme funds will be allocated for the SPF for the period until 30 June 2011.

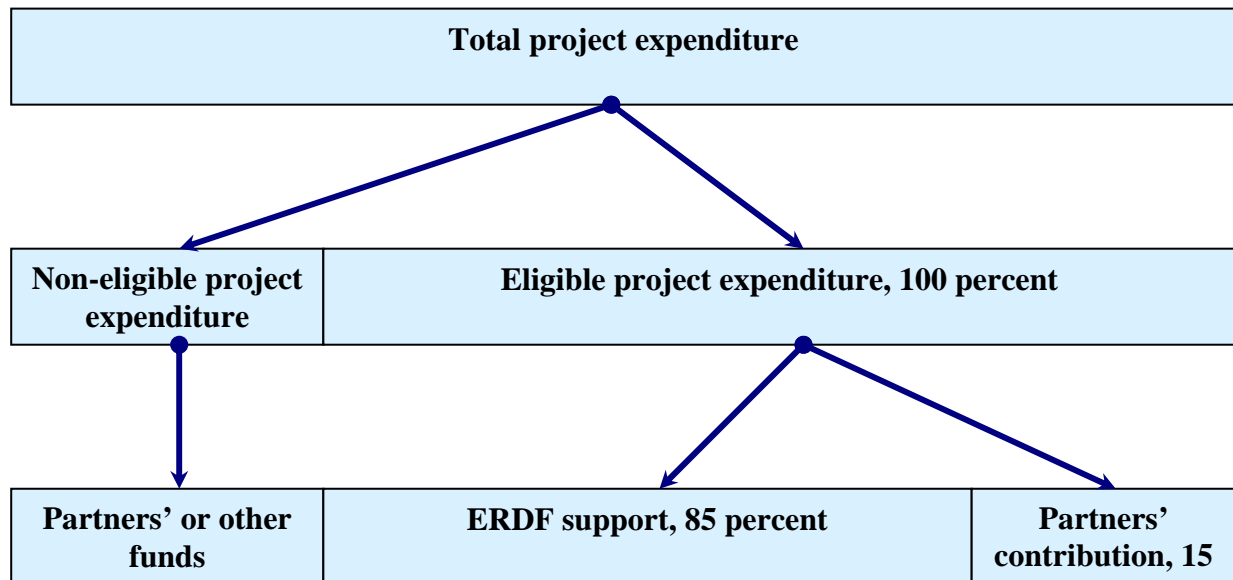
The preparation costs for SPF management can not exceed 10 percent of the total funding foreseen for the management of the SPF or € 75.000 whichever amount is less. On exceptional basis staff costs can be financed for SPF operator under the preparation costs, if they are necessary for preparation of documents and well justified.

### **3.2 Funding of projects**

The Programme is funded from ERDF. The project can be funded by the Programme provided the application is selected for funding by the JMSC and the subsidy contract is signed between the MA and the Lead Partner.

The ERDF support will be 85 percent of all eligible project expenditure. The remaining 15 percent of expenditure must be partners' participating in the project contribution (partners' contribution).

***Sources of project funding.***



There may be certain national arrangements to cover all or part of the Partners' contribution (co-financing of the Project Partner participating in the project). The information on these arrangements can be found on the Programme website.

No pre-financing is foreseen for the open call projects as well as strategic projects.

Normally all project expenditures must be spent in the Programme area. Nevertheless only in duly justified cases (if it is described in detail in the Application form) and if it is for the benefit of the project and the Programme's eligible territory, expenditure related to activities or parts of activities can be spent in the areas outside the Programme area.

Following the article 21 of the ERDF Regulation it will be monitored by JTS and additional limitations may be introduced in the next calls for proposals in order no more than 20 percent of total Programme funds should be spent by the partners located in the adjacent areas.

### **3.3 Cross-border cooperation of the projects**

Taking into account the cross-border nature of the Programme this cross-border cooperation must also be reflected in every project funded by the Programme. In order to have this effect the projects have to ensure at least two of the following ways of cooperation between Project Partners:

- joint development;
- joint implementation;
- joint staffing;
- joint financing.

**Joint development** of the project shall be ensured by involvement of representatives of all Project Partners in the preparation of the project, generating project ideas and elaborating the application for funding.

**Joint implementation** shall mean that every project activity is implemented in close cooperation between the partners or involving some or all of the Project Partners in every activity benefiting all the partners. Implementation of similar activities on each side of the border does not guarantee the sufficient level of the cross-border impact.

**Joint staffing** of the project shall mean that project have common staff coordinating general implementation and project administration activities and working for the benefit of the entire project and on behalf of all Project Partners.

**Joint financing** of the project shall be ensured by all Project Partners contributing to the financing of all or some of project activities.

This approach should ensure the continuous and coherent way from project idea to project results and requires that all projects should be implemented by at least two partners representing the Programme area on both sides of the border.

The fulfilment of the described above ways of cooperation shall be assessed during the project assessment stage thus, it must be clearly described in the application form and supporting documents (if any) have to be submitted together with the application form.

Besides, all projects must:

1. have a clear element of partnership, co-operation or joint activity across the border;
2. be of local/regional importance.

In addition infrastructure projects must:

1. have a clear physical impact on both sides of the border;
2. be located in:
  - Lithuania: Alytus and Marijampole Counties;
  - Poland: following districts from the Podlaskie Voivodeship: sejneński, suwalski, augustowski, moniecki, grajewski, sokólski and the City of Suwałki and the following districts from the warmińsko-mazurskie Voivodeship: węgorzewski, gołdapski, giżycki, olecki, piski and ełcki.

### **3.4 State aid regulations**

The following EU legal acts and regulations determine the rules for state aid:

- EC Treaty;
- Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation);
- Commission Regulation (EC) No 1998/2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid;

The latest applicable state aid provisions are available under:

[http://ec.europa.eu/comm/competition/state\\_aid/overview/index\\_en.cfm](http://ec.europa.eu/comm/competition/state_aid/overview/index_en.cfm).

Applicants may also consult relevant national authorities to obtain more specific information on rules concerning state aid.

In case the project aims at activities where there is no trade between the member states and/or gives the project results to common use free of charge the state aid regulations do not apply. The compliance with the state aid regulations also will be checked at the time when projects are selected for funding.

**As a general rule support provided within Cross Border Cooperation Programme Lithuania-Poland should not constitute state aid.**

### 3.5 Expected project outputs and results

In order to assess and monitor the benefits of the projects to the Programme and its progress during the implementation process each project has to contribute to system of indicators of outputs and results which are set on a Programme level. The system of indicators of the Programme is organised on two levels – outputs and results.

**Outputs on the Programme level are a project itself or tangible and immediate deliverables produced by the Project** which directly results from the activities carried out in the project. Output indicators are typically measured in physical units such as the number of seminars, number of participants, number of objects constructed etc. A list of pre-set project outputs is provided in the Application form. While filling the application form at least 1 output indicator and at least 1 result indicator have to be indicated.

No.	Output indicators
1.	No of institutions involved as partners
1.1.	- in Lithuania
1.2.	- in Poland
2.	No of cross-border structures established
3.	No of organised events
4.	No of event participants
5.	No of elaborated studies/analysis/preparatory documents
6.	No of built/reconstructed infrastructure objects

**Results are direct and immediate effect resulting from all the outputs achieved by the project. The result is the aim of the specific activities leading to producing the certain outputs.** So the output should be seen as the measure for reaching the aim. Therefore, they imply a qualitative value, which should be also measured in physical units such as the number of staff with increased capacity, the number of good practices successfully transferred or the number of policies improved. It may also in some cases be defined as the number of projects addressing a given result.

Priority 1: Competitiveness and productivity growth of the cross-border region

<b>Result</b>	<b>Indicator</b>
Modernised small-scale economic infrastructure	No of developed/reconstructed infrastructure objects
	No of towns/communities connected (covered) by new transport, public transport, energy, IT and communication networks
	No of activities related to decrease in greenhouse gas emissions
	No of activities related to increase in energy efficiency
	No of elaborated/implemented spatial/regional development strategies/plans/concepts for the CBC region
	No of kilometres of new roads constructed
	No of hectares of land used changes
	No of hectares of degraded soil
	No of hectares of forest cut as the direct project impact
	No of destroyed, affected cultural monuments by the project activities
Improved business environment	No of activities encouraging the development of cross-border business and R&D&I co-operation
	No of companies benefiting from supported business networking activities
	No of business strategies, catalogues, databases established
	No of new cross-border business/R&D&I networks/structures established
	No of companies involved in cross-border business activity (co-operation, trade, development of new products, joint venture) as a result of implemented project
Promoted cross-border tourism and improved preservation of cultural/historical heritage	No of developed/renewed cultural/historical/tourism infrastructure and objects
	No of developed joint tourism products
	No of activities supporting joint cultural, historical and tourism studies/strategies and research activities, establishment of common databases
	No of ecotourism products/services developed/improved due to supported project
	No of places for incoming tourists places created on both sides of the border due to supported project

Priority 2. Cross-border cohesion and enhanced overall quality of the cross-border area

<b>Result</b>	<b>Indicator</b>
Strengthened cooperation and social-cultural	No of activities in the field of social/cultural networking
	Number of local communities involved in joint activities
	No of people participating in joint activities and events across the border

networks	No of youth participating in joint activities and events across the border
	No of minority population reached/participating in project activities
	No of local/regional authorities involved in joint activities for emergency situations
	No of persons involved in competence-building activities
Improved living environment	No of organisations involved in activities, targeted at the improvement of cross-border labour market and employment
	Number of participants of activities targeted at unemployment reduction, employed 6 months after completion of operation
	No of institutions participating in education initiatives
	Number of people participating in new educational programmes/forms
	Number of populations served/reached by improved health and/or social care services
	No of activities developing environmental infrastructure
	No of eliminated/neutralised pollution sources/objects as a result of implemented project
	Decreased amounts of different pollutants into environment as a result of implemented project
	Number of jointly managed environmental territories as a result of implemented project
	No of objects using clean and renewable energy sources as a result of implemented project
	No of population reached by environmental public awareness and information campaigns

The outputs and results which are relevant for the project have to be identified from the above tables and the target value for each of the indicator have to be estimated and presented in the application form. The progress of the implementation of the project shall be assessed following these indicators. It should be noted that every project may indicate at least one of the preset results (and chose only from the indicators that corresponds the particular result) which best corresponds to the objectives of the project. Output and result indicators shouldn't duplicate each other.

In order to monitor and assess whether the project is in line with EC requirements for the publicity, the publicity indicators have to be listed in the table of the additional indicators. It shall be noted that each project has to meet at least minimum requirements set in the Commission Regulation (EC) No 1828/2006 of December 8<sup>th</sup>, 2006.

The recommended list of publicity indicators could be:

- No of articles in local/regional/national press;
- No of billboards / explanatory plagues /information stands;
- No of publicity materials;
- No of press releases;
- No of promotional tools etc.

### 3.6 Partnership

#### 3.6.1 Requirements for partnership

The projects to be financed by the Programme shall be implemented by **at least two and not more than 8 Project Partners** representing the Programme area in both participating countries. The origin of partner shall be determined by the official address of registration of the partner on the national or regional registry.

As a general rule only partners from Programme area can participate in the project. In duly justified exceptional cases, partners from outside the eligible programme area may be accepted if the operation would have difficulty in achieving its objectives without that partner's participation and only when it is necessary for implementation of the project activities (in case of Poland partners only from Warmińsko-Mazurskie and Podlaskie Voivodeships, in case of Lithuania – partners from whole country could participate). Before including the partner from the outside territory, Beneficiaries are recommended to consult JTS on 1<sup>st</sup> level control arrangements for these partners.

To participate in the project as Project Partners the institutions:

- have to be listed in the project application form;
- have to cooperate at least in two ways of cooperation as indicated in the paragraph No 3.3.

#### 3.6.2 Eligible partners

The partners to be eligible for the projects to be financed by the programme shall be the following bodies:

- a) national (governmental), regional and local authorities
- b) 'bodies governed by public law' as defined in Article 1(9) of Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts. This means any body
  - i) established under public or private law for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character;
  - ii) having legal personality; and
  - iii) financed, for the most part, by the State, regional or local authorities, or other bodies governed by public law; or subject to management supervision by those bodies; or having an administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities, or by other bodies governed by public law.
- c) other legal entities which have legal personality and are established under public or private law for the specific purpose of meeting needs in the general interest and not having an industrial or commercial character;
- d) associations formed by one or several regional or local authorities
- e) associations formed by one or several bodies governed by public law as defined under b).

For infrastructure projects the Lithuanian Lead partners shall be only institutions falling under a) or b) categories.

Legal entities not falling in one of the categories a) – e) can participate in projects but are not entitled to receive ERDF support and have to finance their activities from own resources.

In case of uncertainty the NA and MA are responsible for confirming the eligibility of the partners located on its territory at the request of the JTS.

Partners can not be eligible for funding in the Programme if:

- (a) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- (b) they have been convicted of an offence concerning professional conduct by a judgement which has the force of *res judicata* (i.e., against which no appeal is possible);
- (c) they are guilty of grave professional misconduct proven by any means which can be justify;
- (d) they have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established;
- (e) they have been the subject of a judgment which has the force of *res judicata* for fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the Communities' financial interests;
- (f) they have been declared to be in serious breach of contract for failure to comply with their contractual obligations in connection with a procurement procedure or other grant award procedure financed by the Community budget.

Partners are also excluded from participation in calls for proposals or the award of ERDF support if, at the time of the call for proposals and during the assessment of the applications, they:

- (g) are guilty of misrepresentation in supplying the information required as a condition of participation in the call for proposals or fail to supply this information;
- (h) have attempted to obtain confidential information or influence the Programme management authorities during the assessment process of current or previous calls for proposals.

In the cases referred to in points (a), (c), (d), (f), (g) and (h) above, the exclusion applies for a period of two years from the time when the infringement is established. In the cases referred to in points (b) and (e), the exclusion applies for a period of four years from the date of notification of the judgment.

Partners must declare in their application that they do not fall into any of the above categories (a) to (f).

### 3.6.3 The Lead Partner principle

Each project must be implemented according to the so called Lead Partner principle<sup>1</sup>. The principle implies that one of the partners is authorised by the other/others to act as a main party in preparation, application and implementation of the project. This partner is also a legal party towards the MA in signing the subsidy contract and taking the responsibility for all the commitments in relation to project activities, eligibility of expenditure, outputs and results on behalf of all the partners (see Chapter 6). Therefore the Lead Partner has full administrative and financial responsibility of the project. This responsibility also includes responsibility to recover to the Programme the ineligible expenditures incurred in the implementation of all the activities of the project by any partner, therefore the responsibility of the each partner towards the Lead Partner have to be set in separate Partnership agreement (see Chapter 3.5.4.).

In particular the Lead Partner:

- signs and submits the Application Form on behalf of partners;
- should the project be approved, signs a subsidy contract with the MA for the total amount of the subsidy;
- is responsible for the division of tasks among the partners involved in the project and ensures that these tasks are subsequently fulfilled in compliance with the Application Form and Subsidy Contract;
- ensures an efficient internal management and control system;
- makes certain that the project reports are submitted timely and correctly to the JTS;
- requests and receives payments of programme funding;
- transfers Programme funding to the partners without delay in compliance with the amounts reported in the progress report;

In order to ensure the implementation of these tasks the Lead Partner has to ensure that an efficient and reliable project management and co-ordination system is in place. Partners are strongly advised to set up structures and procedures, which would facilitate decision making in relation to project planning and implementation of project activities. For this purpose Project Lead Partner has to nominate **project coordinator and financial manager** who shall be responsible for the implementation of all project activities and coordination between partners. The project management and coordination system have to be described in detail and justified in the Application form. These or other arrangements on project management and co-ordination have to be set up *inter alia* in the Partnership agreement (see Chapter 3.6.4.).

It is recommended that the project would setup a **project steering group**. Project steering group could also include representatives from the JTS/RCP. One of the tasks of the **project steering group** could be to approve progress reports of the project before submitting it to the JTS.

### 3.6.4 The Partnership agreement

In order to clearly define the project implementation provisions among all its partners they are required to sign a Partnership agreement. The clearly distributed obligations, roles, functions and responsibilities are vital to successful implementation of the project activities and reaching of project goals.

---

<sup>1</sup> Responsibilities of the lead partners and project partners are set in article 20 of ERDF Regulation.

The partnership agreement shall include the following provisions:

- functions of each partner in the project;
- the contribution of each partner to the project;
- distribution of functions and responsibilities in the project activities;
- communication arrangement between partners;
- distribution of project outputs and results;
- arrangements on decision making structures and procedures;
- arrangements enabling the Lead Partner to fulfil the commitments under the subsidy contract i.e. submitting of reports and applications for payment, observing the expenditure eligibility requirements etc;
- responsibilities of partners towards the Lead Partner to recover amounts of ineligible expenditure if born by the partner;
- arrangements regarding requirements of Article 55 of the General Regulation: responsibility for revenue generating project partners to provide additional reports to the MA via Lead partner during 5 years after the end of the project and refund revenue generated if it will be requested by the supervising institutions.

The partnership agreement has to be concluded between partners and submitted to the JTS before the signing of subsidy contract at the latest i.e. it is a precondition for signing of the subsidy contract. The model partnership agreement can be found in the Programme website. The partnership agreement has to be concluded in English. For better understanding of partnership agreement provisions, the translations of the English model version will be available in national languages.

Besides, every Project Partner has to sign **partnership declaration and** enclose to the Application form.

The aim of the Partnership declaration is to ensure that every partner has a good understanding of the project, is aware of the activities it is responsible and co-financing it is committed to provide, supports the project idea and share the same vision as to project outputs and results.

### **3.7 Eligible expenditure**

#### 3.7.1 General requirements

Project Partners are entitled to incur expenditures co-financed from the ERDF funds for the delivery of projects results which contribute to the programme objectives. These costs must be first incurred by Project Partners and later it can be partially compensated (co-financed) using the standard ERDF support rate of 85 percent by the Programme. Compensation is subject to the eligibility rules (programme and national rules), which must be observed when incurring the expenditures.

The expenditure can be eligible if incurred during the project implementation period, i.e. the certain number of months indicated in the Application Form. The start date of the project shall be not earlier than the day of the decision by the Joint Monitoring and Steering Committee and shall have to be indicated by the Lead Partner before the signature of the Subsidy Contract. However, if the project approved under the conditions, the activities could be started on the

risk of the applicant, as the Subsidy Contract shall not be signed until all the conditions set in the decision of JMSC are not fulfilled. Project start date and duration shall be defined in the Subsidy Contract. The maximum implementation period allowed for the project is 24 months, for infrastructure projects - 36 months. The implementation period of the project must in any case end by the 31<sup>st</sup> of December 2014.

These are **general requirements** for the costs to be recognized as eligible for financing which are relevant for all the categories of expenditure:

- essential for the project and directly related to the project objectives and/or delivery of the project activities;
- reasonable (cost effective) in the context of the country of the partner incurring the expenditure;
- not double-financed from any other financial instrument (e.g. EU, international, national or regional);
- not included in another budget line;
- not purchased from another Project Partner;
- respecting the national public procurement rules (or if public procurement rules are not applicable for a Project Partner - other procurement rules set on a national level).

The expenditures must be **properly justified, proved and documented**. The detailed expenditure eligibility rules are set on a national basis, partners are advised to refer to the national responsible institutions (Ministry of the Interior in Lithuania and Ministry of Regional Development in Poland).

The expenditure eligibility will be checked by the controllers nominated on a national level or selected by the individual partner (depending on a national arrangements) against the eligibility rules in this Manual, national eligibility rules as well as the project budget in the approved application form. More details on the control of projects see Chapters 5.2 - 5.3.

It is therefore advised to prepare the indicative project budget as in Application form for every partner in the partnership agreement in order to facilitate project consolidation by the Lead Partner and project monitoring and control during its implementation as the controller will be aware of the project expenditure to be incurred by the partner controlled. In case budget changes are being introduced an annex to the partnership agreement shall have to be prepared and signed by all partners.

It is also advised to start preparing the project budget from the early stages of project planning. It is a useful tool allowing better planning of the sequence and the scope of activities. The activities needed to reach the outputs and results required should serve as a basis for the calculation of project expenditures and not *vice versa*. This ensures that only understandable, acceptable activities supported by the partners and meeting their needs are foreseen to implement during the project.

It is also strongly recommended when preparing a project budget to take into account the possible increase in prices. A reasonable and justified increase in the forecasted prices is possible.

The joint payment of expenditures (cost-sharing) is possible only if costs of services or goods, equipment or infrastructure can be paid separately by involved partners according to separate invoices and the ownership or benefits of it can be clearly attributed to respective partners.

Proper documentation is needed in order expenditure could be verified by 1<sup>st</sup> level controllers, second level controllers and/or other potential Programme or EU controllers. It is also important that LP and other partners shall establish a system that will prevent the double funding of the shared costs.

The joint payment of costs shall be not eligible when related to staff and administration costs.

Each Project Partner's expenditure must be separated in partner's book-keeping system.

The lead partner and project partner must undertake all necessary precautions **to avoid conflicts of interest** and must inform the JTS without delay about any situation constituting or likely to lead to any such conflict. A conflict of interest exists where the impartial and objective exercise of the functions of any person involved in the project is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with another person.

**Value added tax (VAT)** which is recoverable, by whatever means, cannot be considered eligible, even if it is not actually recovered by the final beneficiary or individual recipient. Only non-recoverable VAT borne by the project partner that may not be refunded or offset by the tax authorities or by any other means may be included in the project progress report.

### 3.7.2 Revenue of the projects

#### **Provisions for the projects exceeding 1 000 000 EUR of the total costs:**

Special attention must be made to the projects that generate revenue. Following the requirements of the article 55 of the General Regulation, a revenue generating project means a project involving an investment in infrastructure the use of which is subject to charges borne directly by users or any operation involving the sale or rent of land or buildings or any other provision of services against payment. Eligible expenditure for such projects shall not exceed the current value of the investment cost less the current value of the net revenue from the investment over a specific reference period.

The project revenue should be calculated in the application form. Where it is objectively not possible to estimate the revenue in advance, the revenue generated within five years of the completion of the project shall be deducted – for this purpose additional reports shall have to be provided to the MA 5 years after the end of the project. Provision for 5 years to submit reports on revenues generated by the project keeping the standard form shall be included into the Subsidy Contract.

Project partners may be asked to provide additional information on the generated project revenue in accordance with the requirements of Article 55 of the General Regulation. Following the examination of the information provided, eligible project expenditure may be adjusted if necessary.

#### **Provisions for the projects not exceeding 1 000 000 EUR of the total costs:**

There may be revenues generated by the projects which request less than 1 000 000 EUR of the total costs if they do not exceed the national co-financing (15%) needed for that particular **activity** generating the revenue. The type of the activity generating revenue could be related to some trainings or camps for which the fees could be taken from the participants.

The revenue generating activities must be planned beforehand, clearly described in the application form, evaluated during project assessment and approved by the JMSC. Afterwards the generated revenues must be reported and proved not to exceed the limits. If the project generates revenue which was not foreseen in the application form, the eligible expenditure of the project shall be decreased by the relevant amount. If the project has foreseen revenue generating activities, but the factually generated revenue is exceeding the national co-financing needed for the implementation of this activity, the revenue amount by which the co-financing is exceeded should be deducted from the eligible project costs. It should be noted that the costs calculated as activity costs must be directly connected to the activity which is generating revenue without any other additional costs: e.g. for the organisation of trainings or camps the costs for the catering and accommodation of the participants or similar costs could be included, but no additional costs which are not directly connected with the activity (such as office rent for administration, etc.) can be calculated.

### 3.7.3 Salary

This category of expenditure comprises costs related to salaries of the staff of Project Partners, directly engaged in project activities. The staff can be regularly employed by the partner institution or can be employed solely for project implementation period. The staff has to be directly employed by the partner institution on the basis of employment/labour contract according to the law applicable in the country of the Partner. The full salary of the permanent employee of the institution can be paid for the work in the project only if the employee is employed for project duration and only for performing project related tasks. If the staff is not engaged in project activities full time the eligible salaries are calculated as a proportion of the time spent on the project activities compared to all time worked for the partner institution during the project implementation period. The salaries must be calculated on the basis of valid employment contract.

The salaries are counted including taxes, social and pension contributions and health insurance as well as other related costs as required by laws in the country where Project Partner is located.

Salaries are proved by the following documents, such as:

- employment contracts;
- authorisation by the head of the partner institution to implement the tasks related to implementation of the project;
- timesheets filled in the form provided by the JTS;
- payslips or other accounting documents demonstrating the salary related amounts paid out.

The following salary related costs are not eligible for financing from the Programme:

- additional voluntary health insurance or pension contribution;
- additional payments to the staff working on project which are not based on the regular employment contract conditions (bonuses, premiums etc.);
- severance pay

Please note that in case staff costs are foreseen in the budget category “Salary”, there can not be any project administration / consultation services regarding project management for the same activity foreseen in other budget categories.

In-kind contribution (unpaid voluntary work) is considered as non-eligible costs, the only exception is described in Chapter 3.1.3.

#### 3.7.4 Travel expenditure

Travel expenditure are eligible to cover expenditures of employees of the partner institution if directly related to the activities implemented in the project in locations, other than usual place of residence of these employees, or necessary for project administration (e.g. travel to JTS or RCP's). These activities have to be included in the approved application form. Travel costs include subsistence allowances.

The expenses for rent of vehicle as well as use of vehicle of the partner institution for travel when it is more reasonable than using the public transport can be eligible under this category of expenditure (only rent costs of the vehicle and fuel shall be eligible in this case).

These costs have to meet the following requirements:

- the most economic way of transport should be used, economy class travel on public transport should be chosen;
- the national limits must be observed for covering the accommodation costs and subsistence allowances for the employees of the partner institution located in that country;
- each partner institution can cover travel and accommodation costs only for its employees;
- the travel and accommodation costs for limited number of persons from the target group of the project (if relevant) can be eligible if well justified;
- the travel outside the Programme area can be eligible if necessary to reach the project results and properly justified.

The travel expenditure for the guest speakers/participants can be eligible under the category Works, services and supplies.

In order to prove this expenditure the following documents should be used:

- internal decision document of partner institution on authorising the travel of its employees or members from the target group;
- ticket for the public transport used together with other evidence of travel i.e. boarding pass (electronically sent invoice with the reservation number is acceptable);
- contracts and invoices for the rent of the vehicle used for travel;
- accounting documents proving the paying out of the related amounts;
- other documents required by the internal rules of the partner institution (i.e. travel reports).

The travel expenditures which are not mentioned are not eligible under this category of expenditure.

#### 3.7.5 Works, services and supplies

The expenditure category of works, services and supplies includes costs of investment into infrastructure, provision of services and purchase of the equipment. These costs are eligible if:

- directly related and necessary to reach to project results or;
- are essential to implement project activities.

The **costs under works sub-category** can be eligible if are incurred in relation to the investment in infrastructure provided that:

- the investment in infrastructure clearly demonstrate positive cross-border effect;
- all the legal and technical preconditions for the investment are fulfilled to start the procurement procedures of works i.e. all the permissions and approvals related to construction works are available, investment project or feasibility study, technical project of construction are ready, construction permit or valid request to issue it are attached.

The examples of investment costs are:

- construction or renovation of buildings;
- construction or renovation of other infrastructure objects (roads, water sewage plants, other public facilities, etc.)

It should be noted that costs of land purchase are not eligible under this Programme in relation to investment in infrastructures or any other activities of the project.

The **sub-category of services** means contracting the external company, consultant or expert for the delivery of project activities or project results.

Examples of services costs are:

- expert/-s hired for the project implementation and co-ordination;
- expert/-s/consulting companies contracted for administration of project;
- first level controllers (if relevant according to national set up);
- external researchers;
- preparation of the investment project/feasibility study, environmental assessment, technical project for the construction works etc;
- speakers for events;
- IT and web consultants, e.g. creating and maintenance of a web page;
- translators, interpreters;
- publicity expenditure following the information and publicity requirements (company designing, editing, printing etc. project brochures/ leaflets/publications).

The project should not sub-contract its own partners or employees of partner organizations, who already work for the project based on the employment contract.

It should be stressed that the expenditure related to legal and technical preconditions for the investment under works sub-category can be eligible as preparation costs if incurred not earlier than 1 January, 2007 and not later than the day before the decision granting the subsidy for project financing is taken by the JMSC. Please note that these costs have to be fully paid within deadline indicated.

The costs of services which are related to works precondition can be also eligible when this solely is project activity and project output with no investment works foreseen to be implemented during the project. The successful preparation of the legal and technical

documents, which are necessary to implement the investment works, can lead Project Partners to applying in further calls for applications to implement the investment projects.

Two-phase projects are not allowed in the Programme. Infrastructure projects will receive extra score during the quality assessment if legal and technical preconditions were prepared under the Programmes project or under the Neighbourhood Programme Lithuania, Poland and Kaliningrad Region of Russian Federation project.

The project must break down the main planned external services in the application form and report all actually delivered and paid out external services in the progress reports. All contracts for external services must be backed up by the necessary documentation required by the national public procurement rules.

Payments for performing activities could be accepted, if they shall not exceed 10% of the eligible costs of the event. Costs related to organizational matters (e.g. transportation of artists, accommodation, catering etc.) can be included into the cost of the event.

**Performing activities** shall mean activities of a performing artist (actor, singer, musician, dancer or another individual acting, singing, delivering, reciting, interpreting or otherwise performing literary, artistic, folklore performances or circus shows) involving preparation for and participation in a public appearance. Performing artists shall not include individuals who are involved in the creation of a work or in preparation for a public appearance, but do not participate in the public performance of that work or public appearance.

The **supplies sub-category** includes purchase of goods and equipment. In case goods and equipment is needed to deliver result of a project to be used by the Project Partner during and after the end of the project for the benefit of the project target group or is a tool ensuring durability of project results for the target group the costs of purchase of this equipment can be eligible if properly justified. If these goods or equipment are needed for the delivery of project activities and are not outputs of the project itself only the depreciation costs calculated in relation to it during the project implementation period can be eligible (see Chapter 3.6.6).

Examples of such equipment are:

- IT equipment (PC, monitor, printer, incl. common software);
- special software;
- scanner;
- digital projector;
- digital / video camera;
- office furniture;
- exhibition equipment
- special measurement equipment;
- laboratory equipment;
- other specific equipment needed for carrying out the project activities.

In general the costs of transport vehicle are not eligible under this Programme except in duly justified cases when special transport vehicles (fire brigade cars, ambulances etc.) are necessary to reach project results and ensure its durability.

The purchase costs of **second-hand equipment** are eligible provided that the following three conditions are fulfilled:

- the seller of the equipment must provide a declaration stating its origin, and confirm that at no point during the previous seven years it has been purchased with the aid of other financial instruments (EU, national or other grants);
- the price of the equipment must not exceed its market value and must be less than the cost of similar new equipment and
- the equipment must have the technical characteristics necessary for the project and comply with applicable norms and standards.

It is also very important in the application form to indicate clearly the future ownership of equipment and investment objects. It should be noted that according to durability principle any equipment should be used by the Project Partners for the purpose foreseen in the approved project application form and for the benefit of target group for 5 years after the end of the project implementation period.

**Advance payments** for the services, supplies or works can be eligible only in specific cases when the delivery of it cannot start without the advance payment and advanced payment is indicated in the contract with supplier of services, supplies or works. Respective provisions on repayment of advance paid in case the contractual obligations are not fulfilled have to be included in the contract.

Partial payments to the external service providers can be eligible only after the part of the contracted services is delivered. The possibility to deliver the service in parts must be indicated in the service contract.

### 3.7.6 Other costs

All costs which are not related directly to the delivery of project activities or to reaching of project objectives and are not included under other budget headings but are nevertheless necessary for project implementation are to be included under the category of Other costs.

Other costs if related to service contracted to the external provider have to be included under the services sub-category.

Other costs may be incurred exclusively for the needs of the project or incurred for the whole Project Partner organization when only a part of it can be attributable to the project.

Other costs are further divided into:

- direct administrative costs;
- depreciation; and
- financial charges and guarantee costs.

The costs referred to as direct administrative costs are costs related to project implementation and administration. These costs include rent of the project premises, telecommunication and postal fees, heating, water, electricity or other forms of energy, maintenance costs, office consumables etc.

The depreciation costs are eligible in relation to the goods/equipment, which are allowed under the supplies sub-category and needed for the delivery of project activities. The eligible amount of depreciation costs is calculated during the project implementation period of the project if the Project Partner/-s are already in a possession of such goods/equipment or from the purchase date to the end of project implementation period if Project Partner/-s are purchasing such goods/equipment during the project implementation period. The full costs of purchased goods/equipment can be eligible only in case when they are fully depreciable during the project implementation period or they are outputs of the project itself.

The depreciation must be calculated according to national accounting rules. The depreciation costs cannot be eligible in relation to goods/equipment that are purchased under other EU co-funded project. If the equipment is only partially used for the project activities, the eligible costs may be calculated on a *pro rata* basis.

The financial charges and guarantee costs includes charges for financial transactions, other bank charges for opening and administering the bank account(s) of the project (except for exchange rate charges/loses).

In case the Project Partner organization is using its office facilities for the project administration it may not be reasonable/possible for the Project Partner to separate the administrative costs of the project from the administrative costs of the whole partner organisation. In this case it is eligible to attribute the part of the administrative costs of the organization to the project on a so called *pro rata* basis. The part of these attributable costs must be calculated as a well justified proportion of the administrative costs of the whole organisation.

### 3.7.7 Preparation costs

The costs directly related to preparation of the project shall be referred to as **preparation costs**. These costs shall be eligible if incurred and paid out not earlier than 1<sup>st</sup> of January 2007 and not later than the day before the JMSC meeting in which project was approved. The following expenditure can be budgeted as preparation costs:

- expenditure related to meetings between representatives of Project Partners or similar events with the purpose of preparation of the project - travel, accommodation, translations and other related costs;
- expenditure related to preparation of documentation necessary for the investment which is planned to be carried out during the project – producing feasibility studies /, investment projects (if it is required by the National legislation and is directly justifying the activities to be implemented), technical projects, environmental impact assessments, permits for building etc.
- Costs of translation of the information in the AF into English (please have in mind that the AF itself is translated into the national languages and could be found in the Guidelines on filling in and submitting the Application Form for the co-financing from European Regional Development Fund).

Expenditure for preparation of the application itself is not eligible under this budget line. Preparation costs have to be listed in the Application form.

The preparation costs can not exceed 10 percent of total project budget or € 75.000 whichever amount is less. Preparation costs are eligible only for projects that are approved by JMSC.

In case of failure of implementation of the project - Preparation costs should be treated as non-eligible and should be returned to programme authorities.

### **3.8 Project set up**

#### **3.8.1 Start date of the project**

When planning project implementation partners have to evaluate the time needed for implementation of project activities. It should be noted that the time spent on the preparation of the project prior to submitting of application for funding is not regarded as project implementation period. The earliest date on which the activities can commence and the expenditure can be incurred – is the day of the decision by the Joint Monitoring and Steering Committee. However, if the project approved under the conditions, the activities could be started on the risk of the applicant, as the Subsidy Contract shall not be signed until all the conditions set in the decision of JMSC are not fulfilled. In this relation it should be kept in mind that project assessment and selection process shall take indicatively about 4 to 5 months from the deadline for submitting the application. This means that start date of the project should be planned accordingly. The exact project start date and duration shall be indicated in the Subsidy Contract.

#### **3.8.2 Project activities**

In order to have a clear structure of how the project shall be implemented it should be divided into activities. Activities can be identified as parts of project, which can be identified by its specific nature of implementation and specific purpose or meaning in the project as well as its own way of contributing to project outputs and/or results. Project activities usually correspond to one category of expenditure or one line in project budget. Normally, as an example, the project would be composed of such activities:

- investment (building, renovation);
- purchase of equipment;
- purchase of services;
- project administration;
- organisation of series of seminars or other events;
- publicity;
- etc.

Project Partners are free to decide on the level of detail when dividing the project into separate activities. All the activities and their descriptions must be understandable and clear. It should also be noted for the purpose of planning that project activities may comprise some smaller components (e.g. preparation of tender documents, calls for tenders, delivery etc.).

#### **3.8.3 Infrastructure projects**

For the purpose of this Programme infrastructure projects are those projects having work component making up not less than 60 percent of the project budget. Infrastructure projects proposed for financing under the Programme are not allowed to include both preparation of technical documentation for infrastructure investment and the investment itself. The technical documentation can include all the documents necessary to begin the investment i.e. technical project, plans of the territory, necessary permits (or a copy of requests to issue necessary permits in case such permits were not yet received before submitting the application) and/or other formalities being granted from public authorities legally entitling Project Partner to start procurement procedure for works. When according to the national law technical documentation and construction permits are not required, simplified project including working drawings and estimation of costs should be provided in order to assess the volume of works to be done and validity of expenditure.

Preparation of such documents can be a subject to a separate project and a subsidy under the Programme as this can be eligible expenditures. The successful implementation of such a project can lead to submitting a subsequent application under other calls for applications.

Having all documents necessary for starting procurement procedure in place gives a possibility to apply for funding for investment into infrastructure. The expenditure incurred on preparation of these documents as well as preparation of feasibility study or investment project (if required according National legislation) is eligible for financing if incurred after 1 January 2007 provided the subsidy is granted for the application.

## **4 Application and selection**

### **4.1 Call for proposals**

The open call projects – the most common form of projects to grant the ERDF assistance under the Programme – are subject to application and selection process. Applications shall be submitted following the open call for proposals.

The open calls for proposals shall be launched by the JTS following the decision of the JMSC. The notice on the call for proposals shall be published in the local press of the programme area together with adjacent regions (at least in one newspaper of each county/sub-region). The notice shall provide the following information to potential applicants:

- the priorities and sub-priorities of the Programme covered by the call;
- the deadline for submitting the applications (or notion of the open ended call);
- the post address or physical address and e-mail for submitting an applications;
- phone number or e-mail address of the JTS and RCPs for consulting on preparation of applications;
- the web page of the Programme and/or JTS where applicant package and other information is available;
- other relevant information.

The deadline for submitting of applications shall be set not earlier than two month after the publishing of the notice of the call for proposals.

All the information needed to apply for the funding is included in documents which form the application package. The application package consists of:

- notice of call for proposals;

- Application Form;
- Guidelines of filling in the AF;
- Guidelines on how to navigate the digital AF;
- Model form of the Partnership Agreements (including minimum requirements set for the Partnership Agreement);
- Detailed budget (Annex 4).

All the documents comprising the application package can be found at the Programme website under the Section “Documents”..

## **4.2 Preparing an application**

The Lead Partner is responsible for preparation and submitting of application on behalf of all the partners of the project. It’s important to note that the application should indicate only one programme priority and sub-priority that the activities of the proposed project are focused on. It is recommended for the Lead Partner to limit the number of projects implemented at the same time up to three projects. The information on the scope of Programme priorities and sub-priorities is provided in Chapter 2 of this Manual.

For the purpose of this manual the term “application” represents filled in application form together with annexes as a whole. The application shall consist of the following parts:

- filled in application form in its standard form including all declarations signed by proper partners;
- supporting documents as annexes listed in the application form (if relevant to the project).

The project idea, activities to be carried out, objectives and results and its indicators, implementing arrangements, and project budget have to be presented and justified by filling the application form (see Annex 1 of this manual). The application form has to be filled following the guidelines on filling in application form and guidelines on how to navigate digital application form (see Annex 2 and Annex 3 of this manual) after this Manual is studied carefully. Information in the application form has to be provided in such a detail as to provide substantial amount of information for assessment and selection to be performed.

Supporting documents to be provided together with application as annexes must be seen as an integral part of application. As producing it or issuing it by official institution might be sometimes difficult and lengthy it is advisable to start preparation of supporting documents as soon as possible.

The application form has to be filled in English. Some points of the application form (Action plan and short description of the project) shall be prepared in national languages as well. The annexes including feasibility studies or technical documentation as well as documents issued by national or local administrations can be submitted in national languages.

During the period of call for proposals the partners can consult the JTS or RCP’s in Poland. The information and contact details of contact points can be found in the Programme website.

Consultation can be obtained by the phone or e-mail provided in the notice of call for proposals on matters related to project and filling of the application. Besides JTS with the support of RCP's shall organise open events to disseminate the information on the call for proposals and to consult potential beneficiaries on the preparation of projects. These open events are seminars for potential beneficiaries through out the Programme area and open days for individual consultations. The information on these open events shall be published online in Programme website.

When preparing an application, the Lead Partner must make sure the project will follow the information and publicity requirements described in the Chapter No 5.5.2. of this document.

### 4.3 Submitting an application

The filled in application shall be submitted to the JTS by the Lead Partner in a sealed envelope or parcel, containing:

- 1 original copy, which must be bound or fastened permanently. Each page of the bound/fastened original must be numbered, signed by the duly authorised person representing the Lead Partner organisation. Application has to be dated and stamped by the institution stamp. The total number of pages has to be written on the last page (including annexes).
- 2 unbound authenticated hard copies of the original application form together with all the annexes (stamped with appropriate stamp "As original" and signed by the person authorised to sign the documents on each page).
- the electronic version of the application form and annexes (if available) in CD enclosed with an envelope or parcel.

If the application is too big in size, e.g. the feasibility study or the technical documentation of the project are annexed, these annexes could be delivered separately (only 1 copy requested), i.e. not bound together with the application form.

In case online application facility is functional from the Programme website it must be used first but enclosing a CD with an envelope or parcel is still required. Both electronic and paper versions must be identical i.e. contain the same application's random number. **In case the e-version is not in line with the paper version, Application Form will not be assessed.** The hard (paper) version shall be the official version of the application although the electronic version shall be used as a working tool in the process of assessment and selection.

The supporting documents which must be provided by each Project Partner and enclosed together with application as annexes are:

- Copy of the complete statutes or articles of association of each partner justifying that the status of the organisation is non-profit making (not applicable to local and regional authorities).
- Copy of the certificate of registration of each partner organisation giving evidence that the organisations are registered as legal entities (for the Polish partners such document has to be issued by the National Court Register (Krajowy Rejestr Sądowy) not earlier than 3 months before the submission of the AF). Not applicable to local and regional authorities.

- Authorisation from the Lead Partner organisation that the person has the right to sign the Application Form (if the Application Form shall be signed not by the Head of the organisation).
- Detailed project budget.
- Copies of the balance sheets for the last 3 years of Lead Partner (according to national legislation; not applicable to local and regional authorities).
- Confirmation from the State Tax Inspection about payment of taxes (applied to Lithuanian applicants and has to be submitted upon additional request of Joint Technical Secretariat).
- Confirmation from the Social Security office about payment of social security contributions (applied to Lithuanian applicants that have to submit balance sheets and has to be issued not earlier than 3 months before the submission of the Application Form).
- Feasibility study (according to national legislation).
- Declaration of a body responsible for the monitoring of the Natura 2000 net areas (for Polish partners; standard form to be used).
- Environmental impact assessment (according to national legislation).
- Copy of an official decision on land or building using conditions (according to the national legislation).
- Copy of a construction permit or a copy of request to issue the construction permit.
- Copies of the documents confirming the right for land / real estate disposal.
- Copy of the relevant technical drawings and the excerpts from the technical documentation.
- Confirmation from the Register of the Legal Entities (of all partners) issued not earlier than 3 months before the submission of the Application Form that the partner is operational, not bankrupt or under the legal proceedings (not applicable to local and regional authorities).
- Maps, sketches showing general location of the project in the Programme area (optional).
- Other necessary documents required by Lithuanian or Polish legislation.
- Other documents necessary in the view of the applicant to prove the project expenditure or activities.

These supporting documents must be supplied in the form of originals or photocopies certified as true by the person authorised to sign the application form or the head of the organisation.

#### **4.4 Selection procedure**

The selection of applications is the process whereby the applications for projects which are eligible for financing and are contributing most to the Programme objectives are identified and proposed for funding. The assessment is carried out by the JTS. The external experts can be involved to assist in assessment where the specific knowledge is required. The assessment process is carried out in two steps:

- assessment of administrative compliance and eligibility;
- quality assessment of the application.

##### **4.4.1 Assessment of administrative compliance and eligibility**

Upon receiving of the applications in order to avoid considering projects which doesn't meet the minimum requirements for financing the JTS checks whether the applications meet formal

requirements and the project is eligible for financing. In organising the assessment process the *four eyes principle* shall be observed. The check is to be carried out by confirming the following statements:

Administrative compliance of the project:

- the application is filled using approved form;
- the application submitted in 1 original, 2 copies and e-version;
- the e-version is in line with paper version;
- the application is filled in English, meets all formal requirements as to information provided, and its submitting;
- action plan and Project Summary submitted in 3 languages;
- the application is signed on each page by the head of the institution or person authorized to sign (in such case – authorization is submitted), stamped, dated and fully completed;
- all the required annexes and supporting documents are attached to the application; application and its annexes are numbered and put in binders.
- the budget tables filled in without mistakes;

Eligibility of the applicants and the project:

- are all Project Partners eligible for funding;
- all partners are from the eligible territory (in case partner from outside the programme area is involved – justification is provided);
- Project Partners are relevant institution to implement the project activities;
- project does not exceed the maximum implementation period;
- project objectives are in line with the Programme;
- project meets at least one of the Programmes priorities and sub-priorities;
- activities provided by the project are to be located in the main Programme territory;
- activities provided by the project are to be located in the main Programme territory and adjacent areas;
- activities provided by the project are to be located out of the Programme territory;
- state aid rules have been considered and interpreted;
- Structural fund information and publicity measures are followed / applied;
- project activities are not overlapping with activities funded from other EU programmes or projects;
- project activities demonstrate added value / additionality (there is no duplication with current or completed projects or usual activities of the applicant);
- project expenditure is (or at least the major part of expenditure) in principle eligible for financing;
- timing of project expenditure (or at least the major part of expenditure) is in line with eligibility requirements;
- the project expenditure does not overlap or is duplicated by other funding sources;
- the co-financing from the Project Partners is secured;
- Start of project implementation period is planned reasonably;
- The project will be carried out within a clear frame and within the set time limits;
- requested ERDF grant is calculated correctly and are kept within the set limits.

If the JTS is in a position to give a positive answer to all these statements the applications can be subject to further step – quality assessment.

In case the JTS is not in a position to give a positive evaluation to one or more (but not more than 5) of the above statements it will decide on a case by case basis on the significance of the

shortcomings identified. If the shortcoming can be easily corrected or it is of a formal nature and does not have an effect on a substance of the project the JTS can admit the application as eligible. If the application contains activities, expenditure etc. which are not eligible for funding it shall be eliminated from the project. In this case the further assessment and decision-making is conditional on correcting the shortcoming identified and elimination of ineligible components of the project.

If during the assessment of administrative compliance and eligibility the JTS notices that requested documents are missing or some information in the application makes it impossible to judge positively or negatively on any of the statements, the JTS must additionally request for missing documents and/or for additional clarifications from Lead Partner. The Lead Partner must provide the answer within the given term. If the Lead Partner is not able to provide the documents and/or clarifications or the answer is not submitted in time the statement is answered negatively.

If after eliminating the ineligible components of the project or accepting some statements conditionally one or more statements still can not be answered positively – the application is declared as ineligible.

After JMSC decision regarding results of the assessment of administrative compliance and eligibility is taken, the JTS shall send the Lead Partners of the applications that have been evaluated as ineligible the letter informing of the rejection its application for funding providing the grounds for such a decision.

#### 4.4.2 Quality assessment

All the applications which pass successfully the assessment of administrative compliance and eligibility are further subject to the quality check. The purpose of this assessment is to evaluate which of the submitted applications contribute mostly to the objectives of the Programme, are mostly relevant in terms of the cross-border dimension, which of the projects have biggest social and economic impact on the cross-border regions, demonstrates cost effectiveness and ensures the effective and smooth implementation.

The decision on the quality of the applications shall be taken by the JMSC. After the administrative compliance and eligibility assessment is completed the JTS will perform the quality assessment of the applications and the recommendations on the quality of applications should be set. In the assessment of the quality of application the JTS can seek for the support of external experts. JMSC can also seek for the support of external experts on applications' quality assessment, if the quality assessment made by JTS will be deemed incomplete or insufficient.

In organising the assessment process the *four eyes principle* shall be observed. Each application should be assessed based on the number of criteria and the certain score up to maximum allowed attributed in relation to every criterion. The maximum recommended expenditure has to be fixed in respect of each recommended application as a result of the quality assessment.

The quality assessment criteria table is presented below.

Table. Quality assessment criteria.

No.	Category of criteria	Max score
<b>1</b>	<b>Project feasibility</b>	<b>35</b>
1.1	Quality and logic of project design (including indicators of achievement and implementation schedule): <ul style="list-style-type: none"> <li>- clearly described and activities fully explained = max 3</li> <li>- implementation schedule is realistic = max 3</li> <li>- outputs are relevant = max 4</li> <li>- outputs indicators are realistic = max 5</li> </ul>	15
1.2	Applicant's management capacity: <ul style="list-style-type: none"> <li>- track record of experience in EU funded projects or in delivering similar types of activities/projects = max 4</li> <li>- in case of infrastructure projects the legal and technical preconditions were prepared under the Programme project = max 1</li> <li>- the Lead Partner/all partners have the management and other staff resources necessary to deliver the project = max 5</li> </ul>	10
1.3	Budget (to what extent are the proposed expenditures necessary for the implementation of the project and correspond to the market prices): <ul style="list-style-type: none"> <li>- project is financially viable = max 5</li> <li>- sound funding package, expenditure properly justified = max 5</li> </ul>	10

<b>2</b>	<b>Project impact</b>	<b>60</b>
2.1	Cross-border cooperation (max 40): <ul style="list-style-type: none"> <li>A. joint development (max 8)</li> <li>B. joint implementation (max 8)</li> <li>C. joint staffing (max 8)</li> <li>D. joint financing (max 8)</li> <li>E. project creates basis to develop cross border co-operation (max 8)               <ul style="list-style-type: none"> <li>- strong cross-border-character (result or output of the project benefits both sides of border) = max 8 and/or</li> <li>- project demonstrates clear links to future cross-border cooperation = max 2</li> </ul> </li> </ul>	40
2.2	Regional impact (max 10): <ul style="list-style-type: none"> <li>- economic impact (e.g. strengthening competitiveness) = max 2</li> <li>- social impact (e.g. preservation of the cultural heritage, raising qualifications) = max 2</li> <li>- compliance with regional development strategies/development plans = max 5</li> <li>- links with other EU funded projects = 1 (yes 1, no 0)</li> </ul>	10
2.3	Cross-cutting themes (max 10): <ul style="list-style-type: none"> <li>- equal opportunities = 2 (main objective 2, positive 1, or neutral 0)</li> <li>- integration of discriminated/handicapped social communities = 2 (main objective 2, positive 1, or neutral 0)</li> </ul>	10

	<ul style="list-style-type: none"> <li>- effect on the environment = max 2 (main objective and/or reaching SEA criteria 2 (SEA criteria will be indicated in the Guidelines for filling and submitting the AF), positive 1, or neutral 0)</li> <li>- information and communication technology = 2 (main objective 2, positive 1, or neutral 0)</li> <li>- example of good practice = max 2 (<i>something new needs to be demonstrated</i>)</li> </ul>	
--	---	--

<b>3</b>	<b>Project sustainability</b>	<b>5</b>
3.1	Long-term organisational and financial sustainability (max 5): the applicant is demonstrating clear exit strategy: <ul style="list-style-type: none"> <li>- ownership of outputs = max 1</li> <li>- provisions to ensure financial sustainability of project results = max 2</li> <li>- provisions to ensure institutional sustainability of project results = max 2</li> </ul>	5

As a result of the assessment **the summary reports (Ranking lists)** shall be produced in respect of each call for proposals.

The summary report (Ranking list) shall include the table where the summary results of quality assessment of applications which have passed the administrative compliance and eligibility check is presented.

Applications in the list shall be ranked according to the score attributed to each of it. The maximum score that a project can be assessed is 100. The applications which fail to score at least 60 points in total and at least 18 points for cross-border cooperation should be not recommended for financing and should not be taken into consideration during strategic assessment.

If in the course of assessment the JTS is not able to make an assessment because of a lack of information or explanation it can send a request to the Lead Partner setting the deadline for receiving the information or explanation. The information or explanations which can be requested must be already existing and immediately available with Project Partners and not requiring any measures or activities to be carried out to obtain the requested information. This also by no mean can give the possibility for the Lead Partner to improve or change the application i.e. to provide better justification, more explanations, changing activities outputs, budget, implementing arrangements or indicators system.

#### 4.4.3 The assessment report

The JTS will supply MA, NA, EC, all the voting members of the JMSC and their substitutes with the Project Card together with Assessment Summary of each application which has passed the assessment of administrative compliance and eligibility and Application Assessment Report (Ranking list) well in advance before the scheduled JMSC meeting. The Application Assessment Report shall present the following information:

- the list of applications which have not passed the eligibility check;
- the list of applications that have not reached the minimum required score number in quality assessment;

- the list of applications which are eligible and have reached the minimum required score number i.e. is recommended for funding in the sequence of ranking (indicating those applications which can not be funded because of limited funds available);

The Assessment Report (Ranking list) shall fix the maximum eligible expenditure allowed for each eligible application. Final approved amounts shall be fixed in the finally approved Application Form and in the Subsidy Contract. When the application has conditionally passed the assessment of administrative compliance and eligibility those conditions must also to remain and be respected in the recommendations for funding.

#### 4.4.4 The role of national Advisory Committees

The work of the national delegations may be supported by the national Advisory Committees, if such are established. The national Advisory Committees are acting according to the rules and procedures set on a national level. During discussions of the project applications the JMSC members could appeal to opinion of national Advisory Committees. The national Advisory Committees also help to safeguard the information flow to regional and local authorities, economic and social partners during the implementation of the programme.

#### 4.4.5 The Decision-making

Members of the JMSC carry out the strategic assessment of submitted project proposals which is followed by the funding decisions. The strategic assessment is based on the results of the quality assessment. In addition, also the analysis of the existing portfolio of approved projects, the availability of funds under each priority and the fulfilment of the result indicators set of the programme are taken into account.

Decisions for funding shall be made by the JMSC. The decision of the JMSC is not appealable at any place of jurisdiction.

Only projects selected by JMSC can be granted the subsidy. The JMSC can change the ranking sequence on the applications which received at least 60 points during the quality assessment and can reject the funding for recommended application on the basis of the motivated opinion of the voting members of the JMSC. The motivation of rejecting shall always be presented in the decision.

Based on the information and motivated opinion, provided by the members, the JMSC may take the decision to request the JTS to carry out the additional eligibility check or quality assessment. JMSC can also seek for additional applications' quality assessment by external experts as it is indicated in chapter 4.4.2.

The JMSC must also decide on the eligible applications which are not decided to grant the funds because of limited funds available. It can be rejected or included to a reserve list of applications to be considered in the decision-making phase of the next call for proposals.

The individual letter (grant letter or regret letter) informing the Lead Partner of the decisions of the JMSC shall be sent within the two weeks from the date of signing of the minutes of the JMSC meeting in which the decision is taken. The grant letter shall include all conditions

under which the application has been approved. The Lead partner is responsible for communicating the JMSC's decision to the Project Partners.

#### 4.4.6 Final approval of Application form

If the application is approved conditionally the conditions shall be clearly indicated in the grant letter of the JTS. The term for accepting the conditions, signing the Partnership agreement and/or correcting the application shall be not more than two months from the date the grant letter was sent by JTS to the Lead Partner. The JTS can suggest the JMSC to prolong this term once, if the Lead Partner provides the justified reasons and submits to the JTS its request on the term's extension.

The verification of the fulfilment of the conditions is carried out by the JTS. During this process the *four eyes principle* should be observed. If during the verification the JTS is missing some information which makes it impossible to verify positively or negatively on fulfilment of any of the conditions the JTS shall have a right to consult the respective members of JMSC.

After the verification is completed, the JTS approves the fulfilment of conditions (so called the final approval of the Application form) and prepares a detailed checklist which shall be distributed to the JMSC members.

In case project fails to fulfil conditions set by the JMSC within the deadline or conditions are not fulfilled properly the decision of JMSC on project funding is automatically cancelled. The same approach shall apply in case Lead Partner of the project refuses to sign Subsidy Contract or doesn't sign it within set deadline.

## 5 Project implementation

### 5.1 Signing of subsidy contract

The funds can be committed to the Lead Partner only after the subsidy contract is signed. The subsidy contract is signed by the duly authorized representatives of the MA and the Lead Partner. Other Project Partners are not legal parties to the MA. The approved application shall be an integral part of the contract. The subsidy contract lays down the mutual tasks and obligations for both parties. It also contains reference to relevant EU and national legislation as well as other rules and requirements that the project has to comply with. The model subsidy contract and its translation into national languages will be provided in the Programme website.

The subsidy contract should normally be signed within one month following the final approval of the operation in two originals: one original - for the MA, another one - for the Lead Partner.

Before preparation of draft subsidy contract, JTS will ask Lead Partner to clarify the project start day and frequency of reporting. JTS shall prepare the draft subsidy contract after the information needed will be received from Lead Partner and shall send it to MA for checking and conformity. After receiving checked draft subsidy contract JTS shall send it to the Lead Partner for signing and shall indicate the date when the Lead Partner has to send it back.

The JTS shall send for signing to the MA the received signed by the Lead Partner subsidy contract in two originals without delay.

One original of the subsidy contract when signed and registered by the MA shall be sent back to the Lead Partner via JTS.

## 5.2 First Level Control

### N+3/n+2 rule

It is very important that the Programme is implemented in time in order to meet the  $n+3/n+2$  rule of the General Regulation. According to this rule the ERDF funds committed in one year up to the year 2010 must be declared as project expenditure during the next three years (and committed in 2011 and later during the next 2 years). The funds committed but not spent during the time allowed shall be de-committed i.e. lost to the Programme. That means that if projects funded by the Programme shall be late in implementation and declaration of expenditure the funds committed to the Programme may be lost. In this case the Programme may not be able to compensate the project expenditure. The subsidy contract ensures that all the project expenditure shall be compensated. Nevertheless if the project is late in expenditure declaration and the Programme is facing de-commitment the amount which is not declared at the end of  $n+3/n+2$  period may not be compensated in full or in part. So it is very important to ensure that the project would be implemented and expenditures incurred and declared according to schedule.

The project funding is based on a principle of expenditure compensation. That means that expenditure needed to implement project activities have to be incurred and paid first and then claimed for compensation from the Programme. It should be kept in mind that 85 percent of eligible project expenditure shall be subject to compensation (see Chapter 3.2.). Compensation of payments can only be made for eligible expenditures i.e. those meeting the eligibility requirements (see Chapter 3.7.), indicated in the approved application, supported with all the necessary documents justifying the expenditure and proving the payment made.

The First Level Control is a system for validation of project activities and expenditures incurred and paid by every Project Partner before that expenditure can be declared in the consolidated progress report. The First Level Control is carried out by a designated Controller. Expenditure not validated by the First Level Controller can not be reimbursed by the Programme. Each Project Partner is responsible for validation of its expenditure. In case when the report is submitted for the time period when no expenditure have been incurred and paid out it is not necessary for the report to be validated by the First Level Controller.

The validation of project activities and expenditure by the First Level Control is carried out on two levels in respect on each project:

- validation on the Project Partner level;
- validation on the Lead Partner level.

Each Project Partner must make necessary arrangements in order to make sure the First Level Control is carried out as early as possible. All documents related to project activities and expenditures incurred (communication and agreements between Project Partners, internal decisions of Project Partners, minutes of the meetings, procurements documents, contracts, invoices, accounting records, banking records etc.) must be presented to the First Level

Controllers. The translation of projects implementation schedule or other parts of the approved application must also be presented to the First Level Controller if required by NA. It must be kept in mind that depending on the First Level Control system set up in the country expenditure related to the First Level Control can be eligible for funding. In this case it is necessary to include this expenditure into the Project budget.

**Validation at the Project Partner level** is carried out by the First level Controllers of each Project Partner separately in respect of activities and expenditure of that partner. The First Level Control shall be carried out on the basis of progress reports of the Project Partner and all the supporting documents proving project activities and expenditures included into the progress report. The First Level Controller on a Partner level shall fill in appropriate part of the progress report, sign the progress report of a Project Partner on each page and, using the approved form, issue the Declaration of Validation of Partner Expenditure. By doing this the Controller shall declare that:

- the activities in the progress report have been actually implemented;
- the goods, services and works have been actually delivered;
- the documents justifying the expenditure incurred and proving that amounts related are paid out are existing and checked by the Controller;
- the expenditures declared in the progress report are eligible for funding as required by the Programme, this Manual and National eligibility rules.

The First Level Control shall check as well if the project didn't generate revenue. Revenue generated shall be deducted from the grant amount.

The progress report of a Project Partner signed by the First level Controller and the Declaration of Validation of Partner Expenditure issued by the Controller have to be submitted to the Lead Partner in due time agreed in the Partnership agreement.

**Validation at the Lead Partner level** is carried out by the Controller of a Lead Partner in respect of activities and expenditure of all the partnership.

Expenditure of the Lead Partner should be validated by preparing Progress report as in case of each Project Partner. In respect of the activities and expenditure of the Lead Partner the First level Controller of the Lead Partner shall perform the checking as in the case of other Project Partners and according to the rules and deadlines concerning validation on the Project Partner level.

After reports of all project partners validated by the First level Controllers are received by the LP, the Consolidated progress report shall be prepared by the LP (in such case Consolidated progress report shall be the sum of all Progress reports (LP+PP)).

With regard to the activities and expenditure of other Project Partners the First level Controller of the Lead Partner shall rely on the progress reports of other Project Partners signed by their First level Controllers and Declarations of Validation of Partner Expenditure issued by their First level Controllers. The First Level Control shall be carried out on the basis of consolidated progress report submitted by Lead Partner and all Declarations of Validation of Partner Expenditure.

As a result, the First Level Controller of the Lead Partner shall fill in part of the consolidated progress report, sign the consolidated progress report on each page and issue the Declaration of Validation of Project Expenditure using the approved form.

The consolidated progress report signed by the First level Controller and the Declaration of Validation of Project Expenditure issued by the Controller of the Lead Partner have to be submitted to the JTS.

First level controllers of the Project Partners must be chosen according to the provision set by the country where the partners are located and must perform their controls on the basis of the first level controlling system established in that country. The information on the First Level Control system set up and the Controller designated to perform the First Level control in both countries participating in the Programme can be found in the Programme website.

### **5.3 Reporting and compensation of expenditure**

The application for compensation of expenditure is made by submitting the project Consolidated Progress reports – progress and final - which consist of 6 parts (1. Consolidated application for payment; 2. Activity part; 3. Project implementation indicators; 4. Financial summary; 5. Payment details, 6. Expenditure by partners) and the Declaration of partner. Additionally, to the Consolidated Progress report, appropriate annexes should be attached.

The Consolidated Progress reports have to be submitted in English by filling the progress report form according to the guidelines on filling in the Consolidated Progress/Progress report form. The Consolidated Progress report must be confirmed by the controller (see Chapter 5.2.).

The Consolidated Progress reports have to be submitted to the JTS on the basis of three months or half-year reporting periods, starting to calculate the reporting period from the day, indicated in the Subsidy contract as start day. Before signing the Subsidy contract Lead partner shall choose the frequency of the reporting (it will be a pre-condition for signing the SC). The reporting schedule shall be attached as an annex to the Subsidy contract. The reports have to be prepared with regard to the activities and expenditure incurred and paid out during the reporting period and report has to be submitted to JTS not later than three month and 15 days after the end of the reporting period.

The Lead Partner as being responsible for project implementation has to submit the Consolidated Progress report on behalf of all the partnership. That means the information on the whole project activities implemented by every partner and expenditures incurred by all partners have to be consolidated into one report. The Lead Partner shall use the progress reports provided by other Project Partners for preparation of the Consolidated Report. The detailed arrangements between the partners as for preparation of progress reports have to be provided in the partnership agreement (see Chapter 3.6.4.).

The JTS is responsible for formal check of the Consolidated Progress report; it verifies if submitted documents are complete and checks the validity of the Declaration of Validation of Project Expenditure. If there are some lacks JTS project manager prepares a letter requesting to provide clarifications / corrections / missing documents and send it to the LP with a copy to the First level Controller of a LP. Incoming clarifications and additional documents received from the LP or First level Controller of a LP are assessed by the JTS staff members. Afterwards the JTS confirm that the Consolidated Progress report is complete and Declaration of Validation of Project Expenditure is valid and send the approved reports and the payment request to the MA.

In case JTS has doubts regarding eligibility of some expenditure it should send a letter to LP asking the First level Controller of the Lead Partner to verify one more time given expenditure

or the First level Controller of appropriate Project Partner to do it if the doubtful expenditure were incurred by one of Project Partners. If appropriate First level Controller confirms eligibility of given expenditure the JTS will confirm that the Consolidated Progress report is complete and Declaration of Validation of Project Expenditure is valid and shall send the approved reports and the payment request to the MA. If appropriate First level Controller do not confirm eligibility of given expenditure the First level Controller of the Lead Partner should amend the amount indicated in the Declaration of Validation of Project Expenditure and send it to the JTS. Afterwards the JTS confirm that the Consolidated Progress report is complete and Declaration of Validation of Project Expenditure is valid and shall send the approved reports and the payment request to the MA.

The MA undertakes to evaluate the Consolidated Progress reports in 10 (ten) working days from the day of receiving the approved documents from the JTS.

MA approves Consolidated Progress report and submits payment application to the Certifying Authority for the transfer of ERDF funding amount to the LP. Afterwards LP distributes appropriate amounts between the project's partners respect the deadline specified in Partnership Agreement.

## **5.4 Monitoring of project implementation**

### 5.4.1 Changes in project implementation

Projects have to be implemented according to the provisions of the subsidy contract and application as approved by the JMSC. Some changes nevertheless are possible if necessary. The changes by no means can change the substance of the project or not have substantial negative effect on project results.

Some minor project changes can only require Lead Partner to notify the JTS. These changes fall under the so called flexibility rule:

- budget reallocation between the expenditure categories after which the accumulative amount reallocated (together with prior reallocations) not exceeds the flexibility limit of 10 percent of the total budget as approved by the JMSC and allocations for the Programme areas (main area, adjacent area, out of Programme territory) stay the same as approved by the JMSC;
- change of the partner's name, legal status, address, telephone/fax number, change of LP bank account details, change of hosting organization, changed of the person authorized to sign the documents or project (financial) manager, etc.

Changes which don't fall under the flexibility rule are subject to prior approval by the JTS:

- budget reallocation between the expenditure categories after which the accumulative amount reallocated (together with prior reallocations) would exceed the flexibility limit of 10 percent of the total budget as approved by the JMSC;
- budget reallocation between Project Partners;
- budget reallocation between at least two of the Programme areas (main area, adjacent area and out of Programme territory) – regardless the percentage of the reallocation between the expenditure category.
- change of the Project Partner;
- dropping out of the Project Partner (with or without taking over of activities by the other Project Partner);

- change in the project action plan that has an impact on achievement of the project's results,
- change of the frequency of the reporting period.

The prior approval of the JMSC may also be needed in limited number of cases:

- dropping out of the Lead Partner when its role is taken over by the existing Project Partner or a new organisation;
- dropping out of a last Project Partner of one of the countries participating in the Programme;
- prolongation of the project implementation period not exceeding the Programme deadline;
- the project experiences the substantial deviation from its objectives and risk of not being able to deliver project results as approved in the application by the JMSC.

In the above cases the JMSC shall decide on the likeliness for the project to deliver its results and shall consider the possibility to continue funding of the project.

The Lead Partner shall inform the JTS of the changes requested using the form elaborated by the JTS, which can be found on Programme website.

All changes have to be based on reliable information collected from project partners, agreed by all project partners involved (JTS may request additional proof that all the partners have no objections to the changes being introduced) and must result from the project activities to be implemented. Once the change has been requested, the reverse change (for the same partner and involving same budget lines) shall not be accepted.

About all changes made by projects, JTS will inform JMSC before each its meeting.

#### 5.4.2 Irregularities and recoveries

The irregularity shall mean any infringement of the European Union or National laws or regulations which has occurred due to the action or failure to act of the Project Lead Partner or partners and who has or might gave a negative influence on the general budget of the European Community.

The infringements can be identified by:

- the Lead Partner in respect on the expenditures of other Project Partners;
- the First Level Controller during the validation of activities and expenditure;
- the JTS, the MA or Certifying Authority during the on the spot check or by documentary check followed by the request for submitting certain supporting documents and explanations;
- the Audit Authority by performing the on the spot sample checks;
- other European Union or National control bodies authorised to carry out controls.

The following cases can be recognised as irregularities:

- providing of false information in the application for funding or progress reports based on which the funding was granted or expenditure recognised as eligible;
- not providing the necessary documents or providing false or wrong documents for supporting the justification of expenditure incurred or proving the expenditure paid out;

- not observing the requirements of project durability and ownership;
- not observing the public procurement requirements or procurement rules if the Project Partner is not a subject to public procurement rules;
- infringements of other provisions of subsidy contract which have caused or may cause that ineligible expenditure is incurred;
- failure to reach all or part of the project outputs and results.

After submission of the final application for compensation of expenditure and reviewing the final payments, all ineligible expenditure related to the irregularity and unduly paid amounts due to financial corrections, including any default interest, shall be reimbursed by the LP to the bank account indicated in the SC in no longer than 20 working days after the MA decision to recover unduly paid amounts.

If the LP fails to correct the irregularity or it is not possible because of its nature the JTS shall perform the additional check and analysis if necessary and calculate the amount of ineligible project expenditure related to irregularity and reimbursed by the Programme. Basing on the provisions of the SC the MA shall ask first the LP to recover the unduly paid amounts regardless where the irregularity occurred. The LP basing on Partnership Agreement shall request the repayment of the relevant amount from other project partners.

In Lithuania

All the information on the discovered irregularities must be provided to the JTS, the MA and the Certifying Authority within 5 working days after the irregularity or suspicion on irregularity was detected.

Upon receipt of information of possible irregularity, the JTS shall evaluate the information within two weeks and inform MA, that:

- the case shall not be considered as an irregularity and the case of the irregularity is considered to be closed, justification of decision shall be provided; or
- the case shall be considered as an irregularity. When the filled Report of Irregularity by JTS, justification of decision and additional documents shall be provided to the MA. In case the irregularity is detected for project what is ongoing the JTS shall ask MA to stop the reimbursement of the funds. If according to its nature the irregularity can be corrected the JTS shall request the LP to do so within the given time.

MA following the Implementing Rules nominates one employee to be in charge of irregularities (Irregularity Officer) who will be responsible for verifying the information get about irregularities, registering, organizing control actions and investigations (if necessary), reporting.

Irregularity Officer registers information and after additional control measures and additional information gathered (if necessary) but not later than within 10 working days from the date of information was received from JTS proposes for the possible decision to the JMSC that shall finally decide on the irregularity. The one or more of the following decisions may be proposed and taken in respect of the irregularities:

- canceling of the funding of the project and requesting to recover to the Programme the whole amount already paid to the project;
- canceling part of the funding of the project and requesting to recover to the Programme the ineligible part of the expenditure;

- reducing the subsidy by amount corresponding to the ineligible expenditure related to the irregularity observing the applicable rate of co-financing by the Programme;
- requesting to recover to the Programme all the expenditures incurred by the Project Partner where irregularity is discovered.

JTS shall register all cases about irregularities and include them in quarterly reports. Quarterly reports shall be submitted to MA, AA, CA and NA within one month from the end of each quarter of the current year.

### In Poland

The NA prepares current reports, quarterly reports, quarterly juxtapositions of irregularities which are not subject to reporting to the European Commission or information about lack of irregularities on the grounds of own actions, the information received from bodies involved in the Programme implementation acting within the territory of Poland (the 1<sup>st</sup> level controllers) and the information received about irregularities detected by other bodies.

The NA is responsible for verifying the information about irregularities as well as for preparing on this base the information to the MF-R (Organisation unit in the polish Ministry of Finance, competent within the scope of informing the European Commission about irregularities in the use of the Structural Funds and the Cohesion Fund).

The NA submit the Quarterly reports or information about lack of irregularities to the MF-R within 40 days from the end of each quarter of the current year. The quarterly juxtapositions of irregularities which are not subject to reporting to the European Commission shall be submitted to the MF-R within 65 days from the end of each quarter of the current year.

The NA passes on information about detected or suspected irregularities or information about lack of irregularities to the MF-R. The MF-R passes on the information to the European Commission and to attention of the MA of the Programme, the CA and the AA within 2 months from the end of each quarter of the current year.

## **5.5 Other duties and commitments**

### 5.5.1 Public procurement

The procurement of goods, services and works must be carried out following public procurements rules which are in force in the respective part of the border area Lithuania and Poland. That means that every Project Partner incurring expenditures has to follow national public procurement rules. In case the Project Partner is not a subject to national public procurement rules it must follow special procurement rules set on national or Programme level. The information on these rules shall be presented in the Programme website.

The following of the relevant procurements shall be subject to check by the First level Controller referred to in Chapters 5.2 - 5.3. Failing to follow the relevant rules will result in recognising the related expenditure as ineligible for funding by the Programme.

### 5.5.2 Publicity requirements

The information and publicity requirements are set in the Commission Regulation (EC) No 1828/2006 (Chapter II Implementing Provisions of Regulation (EC) No 1083/2006, Section I Information and Publicity).

The main objectives of the publicity requirements on the project level are following:

- a) To inform the society about the project results and benefits;
- b) To highlight contribution of the European Union;
- c) To ensure transparent use and assimilation of the European Union funds.

In this relation each Project Partner must plan the publicity measures which shall be conducted during the implementation of the project in relation to its contribution to project activities. Depending on the nature of the project activities and expenditure incurred each Project Partner shall implement the following minimum publicity requirements:

- put up a permanent explanatory plaque that is visible and of significant size no later than six months after completion of an operation that fulfils the following conditions:
  - (a) the total public contribution to the operation exceeds EUR 500 000;
  - (b) the operation consists in the purchase of a physical object or in the financing of infrastructure or of construction operations.
 The plaque shall state the type and name of the operation, in addition to the information referred to in Article 9 of the Commission Regulation (EC) No 1828/2006. That information shall take up at least 25% of the plaque.
- put up a billboard at the site of each operation which fulfils the following conditions:
  - (a) the total public contribution to the operation exceeds EUR 500 000;
  - (b) the operation consists in the financing of infrastructure or of construction operations.
 The information referred to in Article 9 of the Commission Regulation (EC) No 1828/2006 shall take up at least 25% of the billboard. When the operation is completed, the billboard shall be replaced by the permanent explanatory plaque referred to in the point above.
- publish at least two press releases in the local press informing about the start of the project, activities to be implemented and results to be achieved by the project and the project partner in particular and the finalising of the project and its achievements. The requirement to publish the press release at the start of the project, does not obligate to disseminate it the same day as the project starts, it is advisable to link it to the major/key events/results of the project. Please note, that meetings of the Project Steering group or similar structure, which is a part of the project administration, will not be considered as important event in the frame of the project.
- publish at least 1 article in local press describing the implemented project and its benefits to the public and the border region;
- produce at least 2 sets of publicity materials, e.g.: booklets, posters, calendars, other materials;
- identify every piece of equipment, furniture etc. purchased with a special label/sticker, mentioning the part-financing of the European Union, European Regional Development Fund.

Besides the mentioned obligatory publicity and information measures, each project shall ensure proper delivery and maintenance of the publicity outcomes:

- a) Publish information about the project on the Partners or project website;
- b) Inform the JTS in advance about the upcoming events of the project;
- c) Collect the evidence of the promotional activities (copies of publications, photos of events, promotional tools, copies of the press releases with the list of recipient etc.);
- d) Submit a copy of any publicity or information material together with the Progress/Final reports;
- e) Keep at least one set of the produced information material at the Lead Partner/project partners institution for audit purposes.

All publicity outputs shall be listed in the table of the indicators.

The identifying logos of the programme and the European Union are obligatory on all communication materials and tools or documents produced under the project (project document, procurement announcement in press, publications, websites etc.) if not specified otherwise by the Article 9 of the Commission Regulation (EC) No 1828/2006.

It is also necessary to indicate in all media communications a reference to the contribution of the ERDF. The European Union logo should be at least the same size as the other logos being used (Programme, partner institution or project logo). The programme and the European Union logos can be found and downloaded from the Programme website (it could be found under the Section “Technical support”).

The basic rule applies for noting the part-financing of the project: any result or information item of the project must contain:

1. Logos of the European Union and the Programme
2. Phrase: “EUROPEAN UNION”
3. Phrase: “EUROPEAN REGIONAL DEVELOPMENT FUND”
4. Slogan of the Programme: NEIGHBOURS IN ACTION!

The detailed rules on the design, size and content of the publicity measures are set by the JTS and can be found on Programme website. It should be noted that in case the publicity and information requirements are not observed or partly observed, the related outcomes, e.g. publications, events etc., can be considered as non eligible for ERDF co-financing.

Implementing of the publicity measures is a prerequisite of the funding of the project. The related expenditures are eligible for funding from the grant. It shall be checked by the first level control as referred to in the Chapter 5.2 – 5.3.

### 5.5.3 Documentation requirements

Each partner must keep all documents related to the activities implemented by the partner in relation to the project. Documents must be filed separate from other documents of the partner institution and be available for the first level control and other institutions authorised for control of the project.

The partners must ensure that project documents are kept during all the implementation period of the project and not less than up to 30 of June 2021.

#### 5.5.4 Durability and ownership of the project outputs

Any substantial modification of the operation within **five years** from the project completion must be avoided. Moreover the project must not undergo any substantial change (applies to infrastructure projects):

- affecting its nature or its implementation conditions or giving to a firm or a public body an undue advantage; and
- resulting either from a change in the nature of ownership of an item of infrastructure or the cessation of a productive activity.

The Partnership agreement must clearly state the ownership of outputs. Conditions set by these documents must be kept for five years from the project completion.

Should any of the above conditions not be met by any of the Project Partners the JTS must be informed without any delay. This might imply a recovery of the funds unduly paid.

#### 5.6 Project closure

There are several considerations for the project to be successfully closed after the end of project implementation period.

The last progress report has to be submitted in accordance with the requirements set in the Subsidy contract. The last progress report has to demonstrate that the 100 percent of project outputs and results are achieved. Not achieving the expected outputs and results and not ensuring the durability of project results may lead to ineligibility of all or part of project expenditures.

### 6 Annexes

- Annex 1. Application form;
- Annex 2. Guidelines on filling in and submitting the application form for the co-financing from European Regional development fund.
- Annex 3. Guidelines on how to navigate the digital AF.