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# Understanding the main financial rules and eligible costs

## First call for proposals

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# Main financial rules

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# Main financial rules

- **89% maximum Programme financing to a project**
- **11 % minimum of co-financing** to be brought by **Applicant and all partners**
- **50 % minimum** of total costs must be allocated to the **Mediterranean Partner Countries**
- **35 % maximum** of total costs may be allocated to a **single partner**
- **40 % maximum** of total costs may be allocated to the **“Staff” cost category**
- Cost category **“Travel and accommodation”** is fixed at a **flat rate of 15% of Staff**
- Cost category **“Administrative costs”** is fixed at a **flat rate of 15% of Staff**



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# Max EU contribution and budget by type of project

## Thematic projects

Min EU contribution: 1.500.000€

Max EU contribution: 2.500.000€

Max total eligible costs: 3.000.000€

## Youth-oriented projects

Min EU contribution: 500.000€

Max EU contribution: 1.000.000€

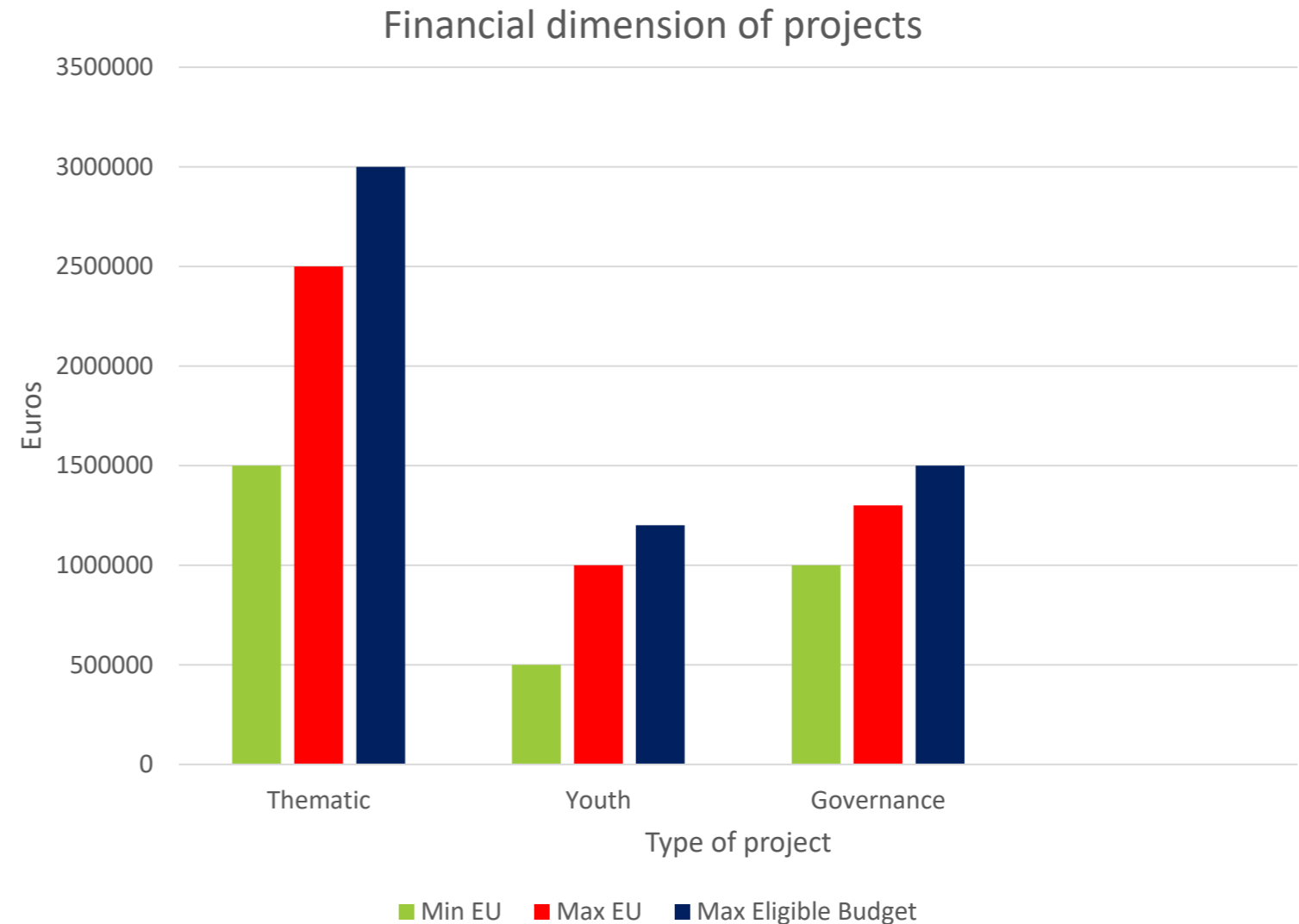
Max total eligible costs: 1.200.000€

## Governance projects

Min EU contribution: 1.000.000€

Max EU contribution: 1.300.000€

Max total eligible costs: 1.500.000€



# The financial 'Golden Rule' of the Programme

## The 50% rule

- When preparing the budget, **at least 50%** of the project total eligible costs shall be dedicated **to activities** to be **implemented in the Mediterranean Partner Countries territories.**

The criterion is fulfilled in the following cases:

At **least 50%** of the project total eligible costs is allocated **to the partners from the Mediterranean Partner Countries**

Or

In case the financial allocation to partners from Mediterranean Partner Countries is lower than 50%, **the difference up to the minimum of 50%** shall be justified by **activities implemented by the EU Applicant and/or partner/s and/or International Organisations in the Mediterranean Partner Countries**



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# Eligible costs: main criteria

## Paragraph 4.6.2 of Guidelines for Applicants

An expenditure will be considered eligible if:

- it is **real, reasonable, justified** as well as **related** and **necessary** to the implementation of the project;
- it is **indicated in the budget**;
- it is incurred and paid **directly by the applicant/partners**;
- it is **supported** by **expenditure and payment** documents and it is incurred **during the implementation** of the project;
- it is **recorded in the accounts** of the project applicant/partner;
- it respects the applicable **rules on procurement**;
- it is **not** subject to **double financing**;
- it respects the **EU rules of branding and communication**;
- it does **not contradict** the specific eligibility criteria set under **each cost category** (see next slides).



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# Ineligible costs

The following expenditures **will not be considered as ineligible**:

- Interest on debt;
- Purchase of land for an amount > 10% Total Eligible Costs of the project;
- Fines, financial penalties and legal disputes expenditures;
- Cost of gifts;
- Contribution in kind;
- Depreciation costs (as the whole cost of the equipment is eligible);
- Costs related to the **fluctuation of foreign exchange rate**;
- Costs for project **website** or logo;
- Excise duties, **customs duties** and any other indirect taxes;
- Any cost not compliant with the applicable national legislation or with the financing agreements signed between MPC and the EU.

VAT is eligible for all Interreg NEXT MED projects of the first call for proposals



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# The Budget

Cost Categories (see art. 39 to 44 of EU Regulation 1059/2021)

1. Staff costs – **Max. 40%!**
2. Office and administrative costs – **15% flat rate of staff costs!**
3. Travel and accommodation costs – **15% flat rate of staff costs!**
4. Infrastructure and works
5. Equipment costs
6. External expertise and service costs

Any eligible cost must fit under one of these cost categories

**No preparation costs** will be eligible under Interreg NEXT MED



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# Cost Category 1: Staff Costs

Eligibility conditions:

- Related to the **actual time** worked for the implementation of the project by the permanent (assigned) or temporary (ad hoc recruited) employees of the Applicant/partners organisations;
- **Employment or work contracts or contracts** for natural persons **that can be assimilated** to an employment contract;
- They shall correspond to **actual gross salaries** including social security charges and other components (in national legislation);
- Staff costs from associates or any non-partner organization are **not eligible**.

Budget dedicated to Cost Category 1 “Staff Costs” cannot be higher than 40% of the project total eligible costs



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# Cost Category 2: Office and administrative costs

Eligibility conditions:

- Office and administrative costs of the applicant and partners are calculated at a **flat rate of 15%** of the reported eligible direct staff costs;
- This Cost Category **does not need** any justification;
- Bank charges and cost of bank transfers are included in this category and cannot be reported elsewhere;
- The same applies to staff costs for general accounting and security. They cannot be reported under the “Staff Costs” category as they are included in the Cost Category 2.

The flat rate will automatically be calculated by the e-form



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# Cost Category 3: Travel and accommodation costs

Eligibility conditions:

- Travel and accommodation costs of the applicant, partners, associates and other persons involved in the project are calculated at a **flat rate of 15%** of the reported eligible direct **staff costs**;
- This Cost Category **does not** need any justification;
- Travel and accommodation costs of **external experts and service providers** can be reported under the “external expertise and services costs” cost category.

The flat rate will automatically be calculated by the e-form



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# Cost Category 4: Infrastructure and Works 1/2

## Eligibility conditions:

- Infrastructure and Works are eligible **only if necessary to implement the pilots**. Due to the nature of pilot actions under Interreg NEXT MED, the eligibility of costs for infrastructure and works is limited to basic facilities and installations as well as to small scale building materials or labour needed for works;
- Infrastructure **differ from equipment** as they are usually fixed to the ground (immovable property) while equipment can be transported (inventoriable);
- The eligible expenses under this heading shall be limited to:
  - building permits;
  - building material;
  - labour;
  - specialised interventions (such as soil remediation, mine-clearing).



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# Cost Category 4: Infrastructure and Works 2/2

Eligibility conditions:

- Feasibility studies, environmental impact assessments, etc. **must** be included in the cost category “**External expertise and service costs**” unless they are already integrated in an infrastructure procurement contract;
- **Specific rules apply to the ownership of the infrastructure** and productive investment after the life of the project limiting, under certain conditions, and **for a period of 5 years** from the last payment to the project, the transferability and any change in the ownership, nature, objectives or implementation of the infrastructure;
- Partners **must guarantee** they have or will obtain the **necessary building permits** in order to avoid any issue preventing the correct implementation of infrastructures and works.



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# Cost Category 5: Equipment costs

Eligibility conditions:

- Any equipment **purchased** (new or second-hand ), **rented** or **leased** by the project partners and not covered by Cost Category 2;
- The **full cost is eligible** regardless of the depreciation plan;
- Eligible expenditure under this cost category shall be limited to:
  - Office equipment; IT hardware and software ; furniture and fittings; laboratory equipment; machines and instruments; tools or devices; vehicles; other equipment **needed** for the project.

**No purchase of equipment is allowed during the last year**  
of the project unless previous official authorization by the  
Managing Authority



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# Cost Category 6: External expertise and service costs

## Eligibility conditions:

- External expertise and services provided by a public or private entity, or by a natural person, **other than the partners and associates of the project**;
- Contracted to carry out specific tasks and activities **essential to the project implementation**;
- Eligible expenditure under this cost category shall be limited to:
  - Studies or surveys, training, translations, development modifications and updates to IT systems and website, communication activities, financial management, organization of or participation in events, consultancy, IPRs, expenditure verification, financial guarantee\*, travel and accommodation of external experts, coaching, mentoring, voucher, other specific expertise and services needed for the project

The **bulk of the project** must be implemented by the project partners. Subcontracting is restricted to a limited portion of the budget.



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\*Only if required by the Programme or by the national legislation



# Communcation and visiblity

## Specific financial rules

- **Website:**

Costs for developing and hosting websites are **not eligible** and shall not be included in the budget

- **Logo:**

Following their approval, projects **will be provided with the harmonised Interreg NEXT MED logo, customised with the project name.**

In consequence, projects are under no circumstance allowed to develop their own project logo and no cost for designing project logos will be eligible nor shall be included in the budget



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# Final remarks

- **Frequent reporting:** deadlines at 6, 8 or 9 months according to the duration of the project
- **Frequent payments:** each report shall be submitted together with the payment request
- **Reduced advance payment (20%)**
- Further installments based on the **amount reported**



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# Thank you

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