

# **Neighbourhood Programmes 2004-2006**

## **Implementing Guidelines for INTERREG/Tacis and INTERREG/Cards borders**

### **1. Introduction**

On 16 March 2003, the European Commission launched the Communication on Wider Europe. The concept of the Neighbourhood Programmes was then developed in the Communication of 1 July 2003 "Paving the Way for a New Neighbourhood Instrument"<sup>1</sup>. Since then, the Commission has issued a guidance note on the preparation of Neighbourhood Programmes. These Implementing Guidelines are intended to be complementary to the Guidance Note and to clarify in more detail how to implement the programmes. A separate note will cover the preparation and implementation of Neighbourhood Programmes for Tacis / Phare CBC and Cards / Phare CBC borders.

The objectives and scope of the individual Neighbourhood Programmes (NP) will be defined jointly by the participating countries. The Commission will approve the individual NP following the normal procedure applicable for INTERREG. In this way the Commission approval of the NP will define the scope and objectives for both the internal and external financing as well as approving the internal funding. In addition, the Commission will approve the external financing component in accordance with standard procedure for external funding. The Commission will sign a Financing Agreement with each of the external partners that will clearly establish the link between the external funding and the NP approved under normal INTERREG rules.

In view of the fact that the NP can be implemented successfully only through the use of harmonised procedures and the need to reconcile the procedural requirements of both the internal and external funding, the individual NP programmes approved under INTERREG will contain the obligation to respect these implementing guidelines. The same will be the case for the Financing Agreements that will be signed with each of the partner countries.

### **2. Neighbourhood Programme Management Structures**

#### **2.1 Overview**

Each Neighbourhood Programme will operate under the same management structure. There are three main groups of structures: for internal funding, the Managing Authority and the Paying Authority; for external funding, the Programme Co-ordination Unit and the Contracting Authority; and three joint management structures, namely the Joint Monitoring Committee, the Joint Selection Committee and the Joint Technical Secretariat.

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<sup>1</sup> Com (2003)393(final) of 1 July 2003.

Where existing programmes are being converted into Neighbourhood Programmes, it is expected that the existing Managing Authority and Paying Authority will continue. Also, the location of an existing Joint Technical Secretariat is not expected to change.

Without prejudice to decisions still to be taken by the responsible authorities in the case of individual Neighbourhood Programmes, the principles guiding the composition of each of these bodies are set out for clarity below:

## **2.2 Internal Funding Structures**

*Managing Authority:* The Managing Authority is the body responsible under Structural Funds regulations for the management of the Neighbourhood Programme for all financing under the EU internal funding component.

*Paying Authority:* The Paying Authority is responsible for drawing up and submitting payment applications and receiving payments from the Commission for the EU internal funding component.

## **2.3 External Funding Structures**

*Programme Co-ordination Unit:* Each of the participating countries from the NIS / Western Balkans will establish mechanisms for the co-ordination of all aspects relating to their country's participation. Ideally, one programme co-ordination unit should be established per country, responsible for overall supervision of that country's participation in all relevant Neighbourhood Programmes.

*Contracting Authority:* For EU external funding, the method of management will be defined in the financing agreement with each of the partner countries. In the case of centralised management, the Commission (through the appropriate accredited EC Delegation) or the European Agency for Reconstruction (EAR) as appropriate will perform the functions of both contracting and paying authority although some functions will in effect be decentralised (see point 4.1.5). The Commission / EAR may delegate the functions of the contracting authority and of the paying authority to the appropriate body, as designated by the partner country, where the conditions defined in Article 164 of the FR are met. In the case of decentralised management, this will be the appropriate body, as designated by the partner country.

## **2.4 Joint Management Structures**

*Joint Monitoring Committee:* The purpose of the Joint Monitoring Committee is to ensure a policy and financial overview of the operation of the Programme.

*Joint Selection Committee:* The purpose of the Joint Selection Committee is to manage the selection of projects.

A Neighbourhood Programme may decide to operate with one Committee fulfilling both the functions of the Monitoring and the Selection Committees. The Committees of each Neighbourhood Programme will include a balanced membership from all participating countries, including appropriate regional and local representation, and an appropriate representation of the Commission. Each participating country will be responsible for nominating its representatives on the Committees.

The basic internal rules concerning these Committees will be set out in each Neighbourhood Programme. In certain circumstances, a programme may have more than one Joint Selection Committee.

*Joint Technical Secretariat:* The Joint Technical Secretariat (JTS) is the main administrative body of the programme and is located on the internal side of the border. As far as possible, it will include staff from the Neighbouring Country(ies) participating in the programme. Branch offices may be established by the Joint Technical Secretariats on the external side of the border.

The JTS is responsible for the administrative arrangements of the Programme. It is responsible for receiving project applications, carrying out the initial assessment of the applications, and providing recommendations to the Joint Selection Committee. It also provides advice to potential project partners and deals with the day-to-day management tasks related to the programme, with due account of the roles and responsibilities of the Managing Authority on the internal side of the border, and of the Contracting Authority on the external side of the border.

The JTS reports to the Managing Authority and is accountable to the Managing Authority for the management of the EU funds it uses for these purposes.

While certain tasks will be carried out by the Joint Technical Secretariat covering the external funding, these tasks can include only technical and/or administrative support and there can be no transfer of public authority tasks relating to the management of the external funding from the Commission to the Member State concerned and/or the Joint Technical Secretariat. This principle is reflected in section 3.

### **3. Implementation at Programme Level**

#### **3.1 Language requirements**

As the Commission remains directly responsible for the external elements of the Neighbourhood Programmes, those elements of documents which are essential for the Commission to perform its functions must be made available in English, as has been the case in the past for Tacis CBC and CARDS programmes. However, it is important that cross-border programmes and related documents are available in the languages of the programme area in order to encourage an active participation from partners.

#### **3.2 Programme monitoring and evaluation**

Formally, monitoring at the programme level covers solely the use of the EU internal funding and its co-financing, as the Managing Authority is responsible for the management of the programme under Structural Funds rules. Monitoring of the external funding will be conducted at the project level by the Contracting Authority (see below).

Nevertheless, as a Neighbourhood Programme is a joint co-operation programme, every effort should be made to report on progress across the whole programme. Since projects should, as far as possible, produce single progress reports covering the use of EU internal and external funding, the Managing Authority should have all necessary information in order to report to the Commission on the entirety of the programme.

When programme progress reports are to be submitted, a joint report should be prepared, covering both internal and external activities. Where this information is not available, the reasons should be indicated when reporting. This report should be available to all concerned parties.

While, under Structural Funds rules, the report can be submitted in any official language of the European Union, an English language version should be available as well.

As far as formal evaluation requirements are concerned, each programme should only define the responsible body and the procedures for evaluations in relation to the internal part of the programme. For new programmes, the mid-term evaluation required by the Structural Funds general regulation is not relevant.

When an evaluation is conducted, every effort should be made to evaluate all elements of the programme, including external expenditure.

Any specific evaluation requirements in relation to the external part of the programme will be decided upon by the Contracting Authority.

### **3.3 Information and publicity**

The Managing Authority is formally responsible for information and publicity measures carried out on behalf of the internal part of the programme and shall co-ordinate with the Programme Co-ordination Unit and other external partners to organise publicity and ensure the widest possible participation in the programme. A detailed information and publicity plan shall be included in the programme complement and shall be presented in a structured form, clearly setting out the aims and target groups, the content and strategy of the measures and an indicative budget funded under the Technical Assistance budget (e.g. a certain percentage of the second technical assistance measure) for the internal part of the programme.

Potential project partners shall be informed by the Managing Authority and the Joint Technical Secretariat of the objectives of the programme, the prerequisites for obtaining ERDF funds or funds for external countries (TACIS and CARDS) and the individual procedures to be followed. The Managing Authority shall ensure that an appropriate report on information/publicity is included in the annual (and final) reports on implementation, which will also take information activities in neighbouring countries into consideration as far as possible.

### **3.4 Technical Assistance**

A percentage of the EU internal funding allocated to each Neighbourhood Programme is used for technical assistance actions. These include the costs of the Joint Technical Secretariat, the organisation of meetings, information and publicity costs and evaluation costs. Where possible under Structural Funds rules, and taking account of the total technical assistance funding available, this funding should be used to support such actions involving the external partners in the programme.

In addition, the Commission intends to allow a percentage of the Tacis CBC and CARDS funding allocated to each Neighbourhood Programme to support similar actions on the external side of the border.

## **4. Implementation at Project Level**

In view of the Communications on Wider Europe and Paving the Way for a New Neighbourhood Instrument<sup>2</sup>, there is a need to harmonise procedures to allow the efficient functioning of Neighbourhood Programmes in the period 2004-06, while staying within the constraints of the respective existing legal bases<sup>3</sup>. It is essential that the call for proposals and the selection process be fully harmonised. After projects have been selected, the management of the Neighbourhood Programmes is done in accordance with Structural Funds rules for the EU internal funding and in accordance with the Commission's "Practical Guide to contract procedures financed from the General Budget of the European Communities in the context of external actions" (the PRAG) for external funding.

### **4.1 Process**

This section sets out how calls for proposals will be dealt with under Neighbourhood Programmes. In order to highlight the co-ordination between internal and external EU funding procedures, it identifies where a Neighbourhood Programme process is the equivalent of a process related to the award of grants in the context of external actions. In this regard, the text makes frequent references to the PRAG.

#### **4.1.1 Calls for Proposals**

The Joint Technical Secretariat will ensure the formal publication of a Call for Proposals notice in the appropriate local press and on the web. As the call is reserved for applicants of the beneficiary countries, the call is published only locally in accordance with section 6.3.1.1 of the PRAG.

In certain circumstances, a call for proposals may be launched with a suspensive clause, if the EU external funding is not yet available.

The Contracting Authority will endorse the Call for Proposal Notice prior to its publication.

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<sup>2</sup> Com (2003)393(final) of 1 July 2003.

<sup>3</sup> The present guidelines cover the implementation of Neighbourhood Programmes using existing instruments until the end of 2006 and are without prejudice to the basic legal instrument and the implementation arrangements which could cover such neighbourhood measures in the period 2007 onwards.

#### **4.1.2 Drafting and Content of the Application Pack**

The Application Pack, known as the Guidelines for Applicants in the PRAG, includes an Application Form and other annexes and explains the purpose of the Call for Proposals, the rules regarding the eligibility of applicants and partners, the types of actions and costs, which are eligible for financing and the evaluation criteria. The application form will cover both the internal and external parts of the project, but with a clear separation of the work and costs inside and outside the Union.

In the case of Neighbourhood Programmes, most of this information will already be included in the Programme document or in the programme complement. Consequently, the Application Pack can refer to the text of the programme if necessary.

The Joint Technical Secretariat prepares the Application Pack and forwards it to the relevant Commission services / EAR for endorsement. At this stage, the responsible Authorising Officer will verify that the essential elements are in conformity with the PRAG.

The Contracting Authority will endorse the Application Pack prior to its publication.

The Application Pack is made available on the web and in paper copy. The Joint Technical Secretariat will be responsible for answering questions from potential applicants. Questions, and the responses, which may be of interest to other applicants should be made available on the web.

#### **4.1.3 Language Regime**

Project applications may be submitted in the relevant local languages of the programme area, which is important in order to involve as wide a range of partners as possible in each programme.

However, the essential elements of each project application should be made available in English, notably for the purpose of assessing and auditing the external funding component.

Technical assistance from EU internal funding may be used to cover the additional cost of translations.

#### **4.1.4 Project application and submission**

All applications shall be submitted by the lead partner for a project to the Joint Technical Secretariat. The Joint Technical Secretariat will receive the proposals and will draw up a formal Proposal Opening Report indicating the project reference number, arrival date and the lead partner's name and address.

Each project application must define an overall lead partner, responsible for the whole project. The application must also define a financial lead partner for the EU internal funding element and the EU external funding element of the project. The lead partner for the EU internal funding element must be located within the European Union. The lead partner for the EU external funding element may be located inside or outside the EU.

After the closing date of the call for proposals, the Joint Technical Secretariat will copy all proposals which request external funding to the Contracting Authority. The Contracting Authority will endeavour to provide comments on the proposals to the Secretariat as quickly as possible.

In certain cases, depending on the number of applications, the Contracting Authority may decide to receive only those project applications recommended for approval by the Joint Technical Secretariat.

#### **4.1.5 The Joint Selection Committee and Project Selection**

To allow the selection process to be carried out jointly covering both the internal and external funding, the Selection Committee will be established and function in accordance with the provisions relating to shared management for the internal funding and on the basis of decentralised management for the external funding. In practice this will mean that the members of the Selection Committee from the MS will be nominated according to standard structural funds rules while the members of the Selection Committee from the partner countries will be nominated by the National Coordination Unit in the country concerned.

The decentralisation of the constitution and functioning of the Selection Committee for the external funding, on the basis of Article 164 of the Financial Regulation, can be justified in view of the joint nature of the NP, the small scale of the individual projects to be financed and the close involvement of the Member States in the implementation.

The Joint Selection Committee is responsible for the selection of projects in each Neighbourhood Programme. It fulfils the role of the "Evaluation Committee" described in the PRAG.

The members of the Joint Selection Committee come from each participating country in the Neighbourhood Programme. The number of members per country is agreed between the countries concerned. Each country then nominates its own members.

The Managing Authority will inform the Commission/ EAR of the members nominated on the Joint Selection Committee prior to the start of the proceedings. Arrangements concerning the chairing of the Committee are decided between the countries and are set out, along with other issues, such as language regime and written procedure processes, in the rules of procedure for the operation of the Committee. The Commission/EAR acts as an observer to the Committee. In view of the fact that the Commission/EAR fulfils the role of the Contracting Authority, the Commission/ EAR should ensure the respect of the relevant legal requirements and the principles of sound and efficient management. All members of the Joint Selection Committee must sign a declaration of impartiality. Any member of the Committee who has a potential conflict of interests due to a link with any project must declare it and not participate in the discussion or selection of that project.

In accordance with the Rules of Procedure, the members of the Committee may request clarification on specific technical issues from appropriate bodies (provided there is no conflict of interests).

#### **4.1.6 The role of the Joint Technical Secretariat**

The Joint Selection Committee may use the Joint Technical Secretariat, the administrative body of the Neighbourhood Programme, in the project selection process. In this context, the JTS fulfils the role of “assessors” as described in the PRAG. If so required by the number of projects submitted, the Joint Selection Committee may use the assistance of external experts for the assessment of projects. These experts also fulfil the role of “assessors” as described in the PRAG.

#### **4.1.7 Assessment of eligibility criteria**

Projects are firstly assessed against the eligibility criteria established by each Neighbourhood Programme. Eligibility criteria in a Neighbourhood Programme are the equivalent of the “administrative compliance and eligibility” check as described in the PRAG.

The Joint Technical Secretariat carries out the assessment of the projects firstly on the basis of eligibility criteria, (standardised as far as possible), checking that the proposal conforms to Neighbourhood Programme rules. The JTS will verify that the applicant is eligible and that all administrative requirements are fulfilled, according to the instructions set out in the Application Pack. The result of this examination must be recorded in a “selection report” which, in effect is a report indicating which projects passed the eligibility check and which did not.

#### **4.1.8 Assessment of selection and evaluation criteria**

Projects are then assessed against the selection and evaluation criteria established by each Neighbourhood Programme. Selection and evaluation criteria in a Neighbourhood Programme context are the equivalent of the “technical and financial quality” check as described in the PRAG.

The Joint Technical Secretariat, or external experts, undertake the assessment of the projects on the basis of a standardised selection system, as announced in the Application Pack. These criteria will be specific for each programme and for each measure within the programme, although they should take account of the standardised evaluation grid set out in the PRAG where possible. The Authorising Officer will verify that the selection and evaluation criteria contain the essential elements that allow a fair and transparent process.

#### **4.1.9 The Joint Selection Committee meeting**

The Joint Technical Secretariat will prepare the paperwork for the meeting of the Joint Selection Committee.

The Selection Committee selects the projects to be funded. The Committee will operate by consensus, unless specified in the rules of procedure.

The minutes of the meeting of the Committee fulfil the role of the "Evaluation Report" as defined in the PRAG, and will be circulated to all members of the Committee.

#### **4.1.9 Award of grants**

The formal project decisions will be different for the internal and external elements of the project taking account of the different rules for awarding a grant:

- **EU side of the border:**  
For the internal side of the border, the Neighbourhood Programme Managing Authority will issue a grant letter, or a subsidy letter under private law, awarding the project ERDF funding following Structural Funds rules. The letter should normally be issued within 3 months of the decision of the Selection Committee.
- **External Countries:**  
The Commission/ EAR will formally confirm the decision of the Joint Selection Committee. In all cases, the Commission/ EAR will retain the right of final approval of the external element of projects. In doing so, the Contracting Authority will ascertain that the conditions for Community financing are met. If circumstances should arise that a proposal is rejected, a reasoned explanation will be provided. The award and management of grants will be done in conformity with the relevant sections of the PRAG.

The Joint Secretariat will notify the successful and unsuccessful applicants of the result of the call for proposals within 30 days of the decision of the Joint Selection Committee.

The Contracting Authority will prepare and sign the contracts with the lead partners for the external elements of each Neighbourhood project. The contract should normally be signed by Commission/ EAR within 3 months of the decision of the Joint Selection Committee.

The Contracting Authority will prepare an award notice for publication on the European Commission's website relating to the external element of each Neighbourhood project.

#### **4.1.10 Project monitoring system**

The project monitoring and reporting process will be harmonised so that all projects will be monitored according to standard procedures described in the Neighbourhood Programmes. Project monitoring and evaluation will be based on periodic assessment of progress on delivery of specified project results and towards achievement of project objectives. All reporting and evaluation must differentiate between internal and external expenditure, although in the framework of a single reporting structure.

#### **4.1.11 Inspection and auditing.**

The Commission, independent auditors appointed by the Commission, and/or OLAF will have full access to inspect the files kept by the Joint Technical Secretariat. All relevant supporting documents must be kept for at least seven years.

## 4.2 Eligibility of Proposal

### 4.2.1 Eligibility of Geographical Regions

The following areas in Tacis and Cards beneficiary countries will be considered eligible for participation in Neighbourhood Programmes. Each Neighbourhood Programme involving these countries will define its specific eligible area from within these lists.

The following regions in the NIS will be considered eligible:

**Russia:** Murmansk oblasts, Republic of Karelia, St Petersburg City and Leningrad, Pskov and Kaliningrad oblasts are eligible for cross-border programmes. In the Barents regional co-operation also Archangelsk Oblast and Nenets Autonomous Area (Nenzen Okrug) can be included. In the Transnational Baltic Sea Programme, in addition to the above-mentioned regions, Novgorod oblast is eligible. In all cases, no region outside the North West Federal District (Okrug) will be considered eligible.<sup>4</sup>

**Belarus:** Brest, Grodno, Vitebsk as border regions, and Minsk oblast as adjacent region close to the border.

**Ukraine:** Volynska, Lvivska, Zakarpatska, Ivano-Frankivska, Chernivetska and Odessa Oblasts. For the Transnational CADSES programme regions adjacent to the border regions, e.g. Ternopil oblast may be considered eligible.

**Moldova:** The whole of the Republic of Moldova is eligible.

The whole territory of the CARDS beneficiary countries Albania, Bosnia-Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia & Montenegro will be considered eligible.

### 4.2.2 Fields of eligible actions

Each Neighbourhood Programme will establish priorities, which will be in conformity with one of the following four objectives, set out in the Wider Europe Communication:

- promoting sustainable economic and social development in the border regions;
- working together to address common challenges, in fields such as environment, public health, and the prevention of, and the fight against, organised crime;
- ensuring efficient and secure borders
- promoting local "people-to-people" type actions

For the EU internal funding, the normal rules will apply. As provided in the General Regulation, all the operations part-financed by the ERDF must comply with the scope of the Structural Funds and the rules on the eligibility of expenditure. They must equally be in conformity with other Community policies, including competition rules.

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<sup>4</sup> It should be noted that projects between Norwegian and Russian partners constitute an acceptable partnership for co-operation in the Nord Neighbourhood Programme.

For the EU external funding, the type of actions possible is defined in the respective Tacis and Cards regulations.

#### **4.2.3 Eligibility of Applicants**

For the EU internal funding, the normal rules for eligibility of applicants in the Member States will apply.

For the EU external funding, the list of eligible applicants should be established in the Application Pack (Guidelines for Applicants) according to circumstances (objective of the Call for proposal, local administrative structure, etc.). It should generally include: national, regional, local public authorities; regional and local public organisations; municipalities and communities within the defined border area; professional associations; chambers of commerce; regional associations; non-governmental bodies; trade unions; etc.

For the EU external funding, the grant may not have the purpose or effect of producing a profit for the beneficiary. In order to implement the project, grant beneficiaries may need to procure services, supplies or works. To this effect, private companies may be sub-contracted.

Participation from third countries is also possible as project partners on the basis of own funds contributions and as subcontractors, in line with the terms of the legal requirements stipulated in the legal bases of the EU external funding.

#### **4.2.4 Eligible costs**

The normal rules relating to Structural Funds eligible costs apply.

The normal rules relating to EU external funding apply. (For more details, see Annex 2).

### **4.3 Nature of Proposal**

#### **4.3.1 Size of project**

For the EU internal funding, there are no specific rules relating to the size of the project.

For the external element of any project, Community financing may be provided for amounts between €50,000 and €1 million. However, in exceptional circumstances, projects may be considered for financing for over €1 million, where agreement can be reached between both the Managing Authority and the Contracting Authority. The financing of large projects must take account of the total financing available for each programme.

Furthermore, Micro-Project Facilities may be established for projects under €50,000, where agreement can be reached between both the Managing Authority and the Contracting Authority. While such projects are important in order to build local cross-border co-operation, it will be important to keep the overall number of projects manageable.

### **4.3.2 Length of projects**

There are no specific rules relating to the length of projects co-financed by the Structural Funds, although several programmes already operate an unofficial maximum length of 24 months, linked to the “n+2” decommitment rule.

For the external element of Neighbourhood projects, the average duration of projects is expected to be between 12-24 months, depending on the overall size and objectives of the project. Clearly, the internal elements of a project should be, as a rule, of similar duration.

### **4.3.3 Co-financing decisions**

Normal co-financing rules will apply to the EU internal funding component of projects.

For the EU external component of projects, the Neighbourhood Programmes will also operate on the principle that the EU will cover only part of the costs. Projects must be co-financed according to the percentages set out below, either by the beneficiary or by other donors (i.e. EU internal funding cannot be used as co-financing).

- Projects up to 50,000 EUR min. 5% co-financing
- Projects from 50,000 to 300,000 EUR: min; 10% co-financing
- Projects over 300,000 EUR min. 25% co-financing

Salary costs of the beneficiary for the staff working in the project can be considered as co-financing.

Any deviation from this principle of co-financing should be agreed between the Managing Authority and the Contracting Authority, in conformity with the appropriate procedures.

## **5. Financial Implementation and Control**

### ***5.1 Payment claims and forecasts***

For internal funding, the Paying Authority for a Neighbourhood Programme will forward payment claims, certificates of statements of interim and final expenditure and payment forecasts to the Commission.

For external funding, all payment claims will be dealt with by the Contracting Authority directly.

### ***5.2 Financial implementation on project level***

The internal lead partner for a Neighbourhood project should be aware of the financial situation on the external side of the border, while not being formally responsible for this element of the project.

### **5.3 *Financial control***

The Neighbourhood Programme shall describe the responsibilities, specific arrangements and procedures for finance and financial control in relation to the EU internal funding. The Commission recommends that this description be included in the programme or that it be submitted simultaneously. In the latter case, only a short reference in the programme is required.



**ANNEX 1: List of eligible areas of Tacis and CARDS beneficiary countries per programme**

Tacis beneficiary countries:

Programme	Eligible Areas in Tacis beneficiary countries
Nord	Murmansk oblast, Archangelsk oblast, Nenets Okrug.
Euregio Karelia	Republic of Karelia
South-East Finland/Russia	Leningrad oblast, City of St Petersburg
Estonia/Latvia/Russia	Leningrad and Pskov oblasts, City of St Petersburg
Latvia/Lithuania/Belarus	Grodno and Vitebsk oblasts. Minsk as adjacent area.
Lithuania/Poland/Russia	Kaliningrad Oblast
Poland/Ukraine/Belarus	Belarus: Grodno and Brest oblasts, western part of Minsk oblast (Miadel, Vileika, Molodechno, Volozhin, Stolbtsy, Niesvizh and Kletsk districts)  Ukraine: Volynska, Lvivska and Zakarpatska Oblasts
Hungary/Slovakia/Ukraine	Zakarpatska Oblast
CADSES	Ukraine: Volynska, Lvivska, Zakarpatska, Ivano-Frankvivska, Chernivetska and Odesska Oblasts  The Republic of Moldova (whole country)
Baltic Sea	Russia: Murmansk oblast, Rep of Karelia, City of St Petersburg, Leningrad, Pskov, Novgorod, Kaliningrad and Archangelsk oblasts and Nenets Okrug Belarus: Brest, Grodno and Vitebsk Oblasts. Minsk as adjacent area.

CARDS beneficiary countries:

Programme	Eligible Areas in CARDS beneficiary countries
CADSES	AL, BiH, fYRoM, HR, SCG (including Kosovo under 1244) – all territories
Italy/Balkans	AL, BiH, SCG, HR – all territories
Italy/Albania	AL - whole country
Greece/Albania	AL - Districts of Gjirokastra, Saranda, Permeti, Kolonja, Korça and Devoll
Greece/former Yugoslav Republic of Macedonia	fYRoM - Town Districts of Bac, Bistrica, Bitola, Bogdanci, Bosilovo, Capari, Demir Kapija, Dobrusevo, Gevgelija, Kavadarci, Konopista, Kuklis, Miravci, Murtino, Novaci, Novo Selo, Prilep, Resen, Star Dojran, Staravina, Topolcani, Valandovo, Vitoliste
Hungary/Romania & Hungary/Serbia and Montenegro	SCG: region of Vojvodina, including Belgrade
Slovenia/Hungary/Croatia	HR - Osiječko-baranjska, Virovitičko-podravska, Koprivničko-križevačka, Međimurska, Zagrebačka, Krapinsko-zagorska, Karlovačka, Varaždinska, Primorsko-goranska, Istarska

## Annex 2: Eligible Costs for EU External Funding

For information, more details are provided here on the nature of eligible costs for EU external funding (referred to briefly in section 4.2.4). To be eligible, costs must:

- be necessary for carrying out the action, be provided for in the contract annexed to these Guidelines and comply with the principles of sound financial management, in particular value for money and cost-effectiveness;
- have actually been incurred by the beneficiaries or their partners during the implementing period for the action, whatever the time of actual disbursement by the Beneficiary or a partner; this does not affect the eligibility of final audit costs;
- be recorded in the Beneficiary's or the Beneficiary's partners' accounts or tax documents, be identifiable and verifiable, and be backed by originals of supporting documents.

Subject to those conditions and where relevant to the contract-award procedures being respected, eligible direct costs include:

- the cost of staff assigned to the action, corresponding to actual salaries plus social security charges and other remuneration-related costs; salaries and costs must not exceed those normally borne by the Beneficiary or his partners, as the case may be;
- travel and subsistence costs (= per diems) for staff taking part in the action, provided they do not exceed those normally borne by the Beneficiary or his partners, as the case may be; any flat-rate reimbursement must not exceed the scales approved annually by the European Commission;
- the cost of purchasing equipment (new or used) and services, provided they correspond to market rates;
- the cost of consumables and supplies;
- subcontracting expenditure;
- costs arising directly from the requirements of the contract (dissemination of information, evaluation specific to the action, audit, translation, printing, insurance, etc.) including financial service costs (in particular the cost of transfers and financial guarantees).

The following costs are **not eligible**:

- debts and provisions for losses or debts;
- interest owed;
- items already financed in another framework;
- purchases of land or buildings, except where necessary for the direct implementation of the action, in which case ownership must be transferred to the final beneficiaries at the end of the action;
- currency exchange losses;
- taxes, including VAT, unless the Beneficiary (or the Beneficiary's partners) cannot reclaim them and the applicable regulations authorise coverage of taxes.