Fact Sheet 1 - General rules on eligibility

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

Project expenditure is only eligible when certain general principles are respected. This fact sheet explains these universal principles.

1. **Only approved activities are funded**

   The only costs that can be reimbursed are those directly linked to the budget and activities approved in the application. Expenditure incurred for activities not specifically covered or logically linked to activities in the approved application is ineligible. If you want to carry out other activities you must apply to the programme to change your application (see Fact Sheet 26).

2. **All costs are co-financed at 50%**

   Beneficiaries spend money on the project and report all associated costs to the programme. The programme will pay 50%. The other 50% must be covered by the beneficiary in the form of cash or paid staff time (see Fact Sheet 2). In-kind contributions are **not** eligible in the North Sea Region programme.

3. **Only beneficiaries included in the application can receive funds or provide co-financing**

   Only beneficiaries included in the application can receive funding and/or provide co-financing to the project. The same rule applies to associated organisations or subsidiaries of the formal beneficiary. Their costs are only eligible if they are included as a separate beneficiary in the application. Sub-contractors which have been selected according to the relevant procurement rules are not beneficiaries and should not be named in the application (see Fact Sheet 11 on Tendering).
4. Funding is reimbursed and never paid in advance

Costs must relate to activities which have already taken place. It is not possible to report costs that have been paid in advance for activities which will be delivered or carried out at a later stage unless such advance payments are proportionate compared to total contract value and the norm in the market concerned. It is the beneficiary’s responsibility to provide evidence of this in the event of concerns being raised by control or audit.

5. All costs must relate to the eligible period

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

During implementation: Each claim for payment to the programme may only contain expenditure paid within the relevant reporting period.

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

6. In general, funding is only available for beneficiaries and activities from inside the North Sea Region

As a general rule, all beneficiaries must be located in the North Sea Region. There is a list of the NUTS regions included in the Cooperation Programme. There are exceptions to this general rule (see Fact Sheet 18). Similarly, all activities must as a general rule take place inside the North Sea Region. There are also a number of exceptions to this rule (see Fact Sheet 18).

7. The programme only pays costs which the beneficiary can prove it has paid in order to implement the project

To be considered eligible, costs must be clearly linked to project activities, be real (reflecting only the actual costs paid for project activities by the partner) and actually defrayed (based on invoiced costs that have already been paid). All beneficiaries must keep evidence of this for all costs¹. Fact Sheet 12 contains guidance on the types of evidence to keep and how long it has to be kept.

¹ The only exceptions to this rule are project preparation costs (paid as a lump sum), office and administration costs (paid at a flat rate). These exceptions are covered in Fact Sheets 3 and 7.)
8. If a project receives any income because of its activities, this must be deducted from the costs claimed

In general, all revenues generated by project activities must be deducted from the costs declared. Common examples include entrance fees for events, charges for books and publications etc. The only exception is where a beneficiary participates in the programme as part of an approved state aid scheme (see Fact Sheets 10 and 16).

9. Activities included in the project can only receive one EU grant

If costs are claimed from the North Sea Region programme, they cannot receive support from any other EU fund or EU instrument. If a beneficiary is involved in related projects or the funded project forms part of a larger initiative, it must be clear from the application which specific activity each fund and each programme is funding. Likewise, during implementation separate project accounts must be kept, which clearly show the precise activities funded by the North Sea Region.

10. Sound financial management

All projects must always demonstrate cost effectiveness and good value for money during implementation. All purchases of services and products must be made at the lowest possible cost for the quality level required to meet project objectives².

11. The relationship between programme rules and national rules

All projects must comply with relevant European Union laws, programme rules and national laws in the country of each beneficiary (“applicable law”). National rules only apply when eligibility rules are not available for a particular type of cost in either the regulations or programme rules. If, however, national rules are stricter than EU or programme rules, the national rule should be applied⁴.

12. What costs are ineligible according to the regulations?

Costs that are defined as ineligible according to EU regulations can never be reported. The following types of expenditure are not eligible⁵:

I. Interest on debt

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² See Article 30 Regulation (EC) 966/2012 on the general rules applicable to the budget of the Union.
⁴ This is known as the hierarchy of rules laid down in Article 18(3) of Regulation EU No. 1299/2013.
⁵ For more information see:
- Article 18 of Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European Territorial Cooperation Goal (ETC-Regulation)
II. Any purchase of land exceeding 10% of the total eligible expenditure for the project. For derelict sites and sites containing former industrial buildings, the limit is increased to 15%. If projects work with environmental conservation, it is possible to increase the limits subject to prior approval by the programme.

III. Value Added Tax (VAT) except where it is non-recoverable under national VAT legislation.

IV. Fines, financial penalties and expenditure on legal disputes and litigation.

V. Costs of gifts, except those costing no more than €50 per gift where the gift is related to the promotion, communication, or publicity of a project. Any gifts must be modest and the rationale fully justified in project reporting.

VI. Costs related to changes in currency exchange rates.

VII. Investment in airport infrastructure unless related to environmental protection or accompanied by investment necessary to mitigate or reduce its negative environmental impact.

VIII. Aid to undertakings in difficulty, as defined under Union State aid rules (See also Fact Sheet No 17).

IX. Investment to achieve the reduction of greenhouse gas emissions from extremely energy intensive industrial activities (as listed in Annex I to Directive 2003/87/EC)\(^6\)

References

- Commission Delegated Regulation (EU) no 481/2014 Articles 1-7
- Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European Territorial Cooperation Goal (ETC-Regulation)

\(^6\) In addition and even though it is very unlikely that such costs would ever be included in a North Sea project, it should be noted that the following items are also ineligible: (i) Decommissioning or construction of nuclear power stations (ii) Manufacturing, processing and marketing of tobacco and tobacco products.