



## Fact Sheet 18 - Beneficiaries and activities outside the programme area

	Valid from	Valid to	Comments to change
Version 1	27.04.15	05.06.19	
Version 2	05.06.19		Clarification about the 20% rule regarding costs incurred within programme area and which costs related to a beneficiary located outside the area are counted within the 20% limit

**Core message:** As a basic rule all beneficiaries, activities and expenditure have to take place inside the boundaries of the North Sea Region. There are ways of working outside the North Sea Region but special rules and limits apply.

### Background

European funding granted under the North Sea Region programme is meant for the development of the North Sea Region. As a result, NSR funding which is spent outside the programme area is carefully monitored and limited by special rules. This expenditure is only eligible if a project follows these rules.

### Location of beneficiaries

As a starting point, funding is generally only available to beneficiaries located inside the North Sea Region (see the Cooperation Programme for a full list of the regions covered). All projects must ensure that partners are from one of these regions or that they comply with the special rules laid out below.

- The Lead Beneficiary of every project must be from the programme area (including Norway)<sup>1</sup>
- In some cases the Lead Beneficiary can be located in part of a programme country which is not in the programme area. A common example could be a national ministry based in e.g. Berlin. In such cases, however, it is important that the main activities will be carried out in the programme area and/or that the benefit of the project will be delivered to the programme area<sup>2</sup>. An assessment of whether this is the case and of whether the Lead Beneficiary can live up to programme's administrative requirements will form part of the overall project assessment.
- Sole beneficiaries must be located in one of the Member States in the programme area<sup>3</sup>
- Partners from outside the European Union part of the programme area and Norway are subject to special rules. Three different situations are possible:
  - Zone 1: The rest of the territory of Member States that are not completely part of the North Sea Region (e.g. southern Germany, western England)

<sup>1</sup> European Territorial Cooperation Regulation 1299/2013 § 13.4

<sup>2</sup> In line with 1299/2013 §13.4

<sup>3</sup> European Territorial Cooperation Regulation 1299/2013 Article 13.5



- Zone 2: Member States which are not in the North Sea Region (e.g. Poland)
- Zone 3: Non-EU countries outside the programme area (e.g. Iceland)

Three conditions apply to *all* such beneficiaries. These are:

- Involvement of the beneficiary must provide a clear benefit to the programme area. It should be explained in the application form why a beneficiary from within the programme area cannot provide the same benefit.
- No more than 20% of programme funds and funds per project can be allocated to such beneficiaries<sup>4</sup>.
- Effective control and audit arrangements must be put in place. Unfortunately, this is currently complex and in practice often impossible. Different rules apply for each of the zones as follows:
  - Zone 1: Beneficiaries must clearly state in the application that they are from outside the programme area. If the project is approved, they will find and gain approval for a first level controller just like a beneficiary from inside the programme area (see First Level Control Manual).
  - Zone 2: No arrangements are in place yet. The European Commission is trying to establish a Europe-wide system. Projects should contact the programme to hear the current status of these arrangements. In the meantime, projects should make alternative arrangements for the involvement of organisations in other EU countries (see below).
  - Zone 3: No arrangements are in place yet. Projects should contact the programme to hear the current status of these arrangements.

## Alternative arrangements for involvement

In order to avoid some of the complications explained above, it is often best for organisations from outside the programme area to participate not as beneficiaries but through other means:

- **As invited experts.** A hosting organisation within the programme area can fund travel, accommodation and living costs. The hosting organisation must ensure that all relevant value for money procedures are respected including tendering if necessary.
- **As contracted service providers.** An organisation within the programme area contracts a clearly defined service from an organisation outside the programme area. The contracting organisation must ensure that all relevant value for money procedures are respected and especially tendering, which will be required for all but the smallest amounts. Note that it is not possible in such cases to try to avoid procurement by saying that only one qualified organisation could be found.

In both of these examples, the special rules regarding the location of beneficiaries would not apply.

## Location of expenditure

No more than 20% of programme funds can be allocated to operations outside the programme area<sup>5</sup>. This also applies to expenditure incurred outside the Union part of the programme even though the

<sup>4</sup> 1299/2013 Article 20.2 (b)

<sup>5</sup> According to EC Regulation 1299/2013 Article 20.2 (b)



beneficiary is located inside the Union part of the programme area or in Norway – for example when a German beneficiary travels to a conference in Russia and spends money there. If a beneficiary is located outside the programme area, 100% of their costs are considered outside the programme area.

Such expenditure should therefore be reported separately in the periodic report for expenditure. For beneficiaries located inside the programme area, this will generally relate to the costs of meals, accommodation and local transport.

## References

- 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) Article 20