

Interreg-IPA Cross-border Cooperation Programme Hungary-Serbia

Project Implementation Handbook

APPROVED BY THE MANAGING AUTHORITY ON 28/06/2017

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INTRODUCTION

The Project Implementation Handbook of the Interreg - IPA Cross-border Co-operation Programme Hungary-Serbia was developed on programme level and based on the followings:

- Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-Accession Assistance (IPA II);
- Commission Implementing Regulation (EU) No 447/2014 of May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II) (IPA Implementing Regulation);
- Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action;
- 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);
- Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (Common Provisions Regulation, CPR);
- INTERREG - IPA Cross-border Cooperation Programme Hungary-Serbia (approved by the EC on 15 December 2015 by Decision No. C(2015) 9488 with programme reference number CCI 2014TC16I5CB001);
- Guidelines for Applicants and Application Package of the relevant Call for Proposals of the Programme under which the Project has been selected and awarded the subsidy;
- Eligibility Rules of Expenditures (approved by the JMC on 5 December 2016)
- Experience gained during the implementation of the Hungary-Serbia IPA Cross-border Co-operation Programme.

The Project Implementation Handbook is intended to guide Lead Beneficiaries (LB) and Beneficiaries in the implementation of the projects, more specifically, on questions related to administrative and financial management, on monitoring, reporting and control procedures and on other programme related requirements.

Should there be any amendments of the handbook due to legislative changes or other requirements which influence implementation of already approved projects, they will be available on the official website of the Interreg - IPA Cross-border Co-operation Programme Hungary-Serbia: www.interreg-ipa-husrb.com.

For specific problems related to your project please contact the Joint Secretariat (JS), or Joint Secretariat Antenna for advice. You can find the contact details of individual JS and JS Antenna Programme Managers on the above mentioned website.

We wish you success in the implementation of your project!

1 Institutional setup of the Programme

The *European Commission* is the Donor of the IPA funds, establishing the IPA regulations.

The *Joint Monitoring Committee* (JMC) is supervising and monitoring the programme implementation, and is responsible for project selection.

The *Managing Authority* (MA) of the Programme is the Prime Minister's Office in Hungary, bearing overall responsibility for the management and implementation of the Programme towards the European Commission.

The *Certifying Authority* (CA) of the Programme is the Hungarian State Treasury, responsible for submitting certified statements of expenditure and applications for payment to the European Commission.

The *Audit Authority* (AA) of the Programme is the Directorate General for Audit of European Funds (EUTAF) in Hungary, as a functionally independent body from the Managing Authority, the Certifying Authority and the Control Bodies, responsible for verifying the effective functioning of the management and control system.

The *Joint Secretariat* (JS) is the main contact of Lead Beneficiaries both in Hungary and in Serbia in relation with the implementation of their projects. Set up within Széchenyi Programme Office Non-profit LLC (SZPO) in Budapest with a member in Szeged, the JS assists the Lead Beneficiaries during project development, application, contracting and project implementation. The JS also assists the MA, CA, AA, the JMC and the National Authorities in carrying out their respective duties.

For each project contracted under the Programme, a responsible Programme Manager is nominated within the JS, to provide assistance during the project implementation.

The *Joint Secretariat Antenna* (JS Antenna) contributes to the implementation of tasks delegated to the JS. The JS Antenna is set up in Subotica, Serbia in order to ensure a geographically balanced implementation of the Programme through serving Applicants' needs in the Serbian border area as well. This also includes that colleagues working at the JS Antenna can act as full responsible Programme Managers.

Contact data of the JS:

Joint Secretariat of the Interreg – IPA Cross-border Co-operation Programme Hungary-Serbia

Széchenyi Programme Office Non-profit LLC

Budapest: H-1053 Budapest, Szép str. 2.

Szeged: H-6722 Szeged, Bécsi krt. 5

E-mail: info@interreg-ipa-husrb.com

JS Antenna of the Interreg-IPA Cross-border Cooperation Programme Hungary-Serbia

Subotica: Matije Korvina 17 (HKPC Galleria, 1 floor) 24000 Subotica, Serbia

Tel.: +381 24 55 97 97

E-mail: rburzan@seio.gov.rs; dvujinovic@seio.gov.rs.

National Authorities: Besides the above mentioned structures, the Prime Minister's Office, Deputy State Secretariat for International Affairs in Hungary and the European Integration Office (SEIO) of the Government of the Republic of Serbia bear responsibility – among others – for setting up the control system in order to validate the expenditures at national level and for ensuring national state co-financing.

Control Bodies: Set up in SZPO in Budapest and in Regional Control Units of SZPO with Territorial Offices in Szeged and Békéscsaba, Hungary and within the Department for Contracting and Financing of EU Funded Programmes (CFCU) of the Ministry of Finance of the Republic of Serbia, the respective Control Bodies are responsible for validating expenditure at national level in accordance with Community and national rules.

2 Responsibilities and tasks of the Lead Beneficiary

2.1 The *Lead Beneficiary principle* and co-operation among Beneficiaries within the Partnership

All projects must follow the *Lead Beneficiary Principle*:

The nominated Lead Beneficiary organization assuming the leading role in the partnership as defined in the Article 40 of the IPA II Implementing Regulation represents and mediates the whole project towards the Programme management bodies. The aim of this main programme-level principle is to contribute to the proper and effective functioning of cross border partnerships, to emphasize the sustainable cross-border co-operation leading to sustainable actions, results and impacts.

The Lead Beneficiary (hereinafter referred to as LB) is solely responsible towards the Managing Authority (MA) for the implementation of the Subsidy Contract for EU contribution (hereinafter referred to as Subsidy Contract –SC) including the timely and correct reporting towards the JS. The appointed LB co-ordinates the project implementation process¹, and the work of the partnership, and fulfils administrative and professional tasks. The cooperation between the Beneficiaries (within the Partnership) is established in the Partnership Agreement in order to implement project activities successfully.

The LB makes sure that all Beneficiaries within the Partnership understand and are aware of the activities that have to be accomplished. Also, the LB's task is to find and develop the most efficient way and source of communication.

The overall tasks of a LB are the following:

- Conclusion and, if deemed necessary, modification of the Subsidy Contract;
- Overall project coordination;
- Activities linked to project management;
- Continuous contact with the Beneficiaries within the Partnership and with the JS;
- Preparation of Project Reports (PR);
- Preparation of Applications for Reimbursement (AfR);
- Submission of the Project Report and the Application for Reimbursement to the JS and fulfilling requests for completion or clarification;

¹ The implementation of specific project parts is the responsibility of the given Beneficiary (the Lead Beneficiary acts as one of the Beneficiaries in this respect), both from a professional and a financial point of view, especially with respect to the fact that each Beneficiary is responsible for any irregularities in the expenditure which it has declared.

- Receiving the EU contribution – including the advance payment – and transferring the relevant amounts to the Beneficiary(ies);
- Follow-up of the project results following project closure (including submitting Follow-up Reports, if relevant).

2.1.1 Partnership Agreement

In an agreement, the LB and the Beneficiaries lay down arrangements defining their relationship and stipulating their responsibilities in the project. As for the EU funding, the *Subsidy Contract* establishes a legal base between the Managing Authority and Lead Beneficiary and the *Partnership Agreement* establishes the legal base between the Beneficiaries including the Lead Beneficiary. The Partnership Agreement is annexed to the Subsidy Contract.

This contractual arrangement provides an overview of each Beneficiary's role in the project, activities to be fulfilled, timeframe of the activities, and relationship between the Beneficiaries as well as the procedure used in case of disputes. The agreement covers all the special situations that might occur during project implementation phase as well as necessary steps to be taken. Therefore, Beneficiaries should agree on - among others - the ownership of the project results; the methods to achieve and maintain project results and risk management procedures.

The Partnership Agreement in general lays down provisions regarding:

- a) The Beneficiaries' responsibilities and contributions to the project;
- b) The requirements, both internal and external, related to the reporting;
- c) The provisions for ensuring sound financial management, including accounting and documentation obligations;
- d) Provisions and deadlines for transferring funds by the LB to all Beneficiaries;
- e) Provisions for retaining documents required for an adequate audit trail;
- f) Internal arrangements for recovering amounts unduly paid;
- g) The ownership of project results (provisions regarding the industrial and/or intellectual property rights, and regarding dissemination rights);
- h) Revenues after project closure;
- i) Applicable law, place of jurisdiction, procedures for litigation.

It is important to point out that the Partnership Agreement can be modified by the partners as long as it is in line with the Subsidy Contract.

3 Concluding the Subsidy Contract for EU contribution

The Subsidy Contract guarantees, on the one hand, the rights and obligations of the LB, and on the other, the rights and duties of the MA for the appropriate use of EU contribution within the framework of the Programme.

Following the JMC decision, the Subsidy Contract will be concluded between LB and MA. The MA/JS will send a letter on award of subsidy to the LB containing all relevant information and conditions essential for contracting.

If deemed necessary, the JS can decide to carry out site visits at the premises of the LB (and the Beneficiaries, if needed) or in other location(s) of implementation. The main purpose of the site visits is to check whether the activities have already started and whether they are in line with the content of the approved Application Form (AF).

A site visit can be carried out by the JS on the date agreed with the LB. During the visit minutes of the meeting is taken containing the observations of the JS staff.

The Subsidy Contract serves as a basis for the monitoring of activities, and it is a core document in the event of settlement of disputes.

The SC enters into force on the date when the last of the contracting parties signed it. The implementation of the project starts on the date indicated in the Subsidy Contract, which can be before or after the signature of the Subsidy Contract.

Having signed the Subsidy Contract, each Lead Beneficiary will receive online access to the Front Office of the Programme's monitoring system, IMIS 2014-2020. This surface will enable LBs to submit Project Reports and Applications for Reimbursement and modification requests.

Besides, after concluding the Subsidy Contract each Beneficiary will receive online access to the Beneficiary Report Module of IMIS 2014-2020, where Beneficiary Reports can be submitted regarding the Beneficiary's own project part and the Beneficiaries from Hungary will sign a separate contract for the state contribution provided by Hungary.

4 Modification of the Subsidy Contract and Other Project Changes

Even if well planned and prepared, a project might need modifications during the implementation for several reasons. The deviations from any aspect of project implementation defined in the Subsidy Contract and its Annexes have to be reported to the Joint Secretariat and requested via IMIS 2014-2020 in order to seek approval for changes.

The following modifications are *not* possible:

1. Modifications which affect the basic purpose of the Project as approved by the Joint Monitoring Committee;
2. Change of Lead Beneficiary (unless it is necessary by law);
3. Budget reallocations between Beneficiaries;
4. Reallocation to the budget line which did not contain allocated amounts in the approved budget or to those which were decreased according to the decision of the JMC;
5. Reallocation to the Budget Heading Nr. 1 'Preparation Costs'.

The following modifications *can* be requested:

1. Change of the Beneficiaries;
2. Substantial changes in the overall project objectives;
3. Prolongation of the duration of the project;
4. Change of value of indicators;
5. Budget reallocation;
6. Change of activities (either introducing new activities or replacing old ones);
7. Project team modifications.

As a general rule, *only one modification* (either addendum or OPC) can be requested during a reporting period.

4.1 Modification of the Subsidy Contract (request for Addendum)

In those cases where the modification requires approval of the Joint Monitoring Committee or the Managing Authority due to substantial changes in the project implementation, the modification is a Subsidy Contract Modification and requires an Addendum to the Subsidy Contract. These are the following:

a) Change of the Beneficiaries:

This type of request for project modification requires the approval of the MA / JMC, depending on the reason for change. If the JMC approves the requested change, the Addendum of the Subsidy Contract is signed by the MA. However, in case of merger/ fusion with legal continuity/successor in Beneficiary or Lead Beneficiary organisation, without a change of tax number, and it can be proved by legal documents of succession, the addendum to the Subsidy Contract is not necessary, unless the MA decides differently. In such instances, it is enough that the Lead Beneficiary informs the JS by submitting the necessary documents. Nevertheless, in case that the Beneficiary's national tax number changes, the change must be approved by the MA, i.e. it will be a SC modification.

b) Substantial changes in the overall project objectives:

Since this type of change can have fundamental effects on the project content, the JS may use the help of quality assessors with the decision on the modification request. In case the request for modification is deemed necessary and well justified, the JS forwards it to the JMC for decision. If the JMC approves the requested change, the Addendum of the Subsidy Contract is signed by the MA.

c) Changes of activities (either introducing new activities or replacing old ones);

The request for modification requires the approval of the Managing Authority only if measurable output (i.e. it affects an indicator value regardless whether it is an increase or decrease) or substantial quality changes are in question. In cases when the request concerns changes in activity description, changes in the reporting period during which the activity is implemented, or in case of procurement changes (e.g. number of tools/pieces of equipment to procure for implementing the activity, even though if the given procurement is described as an activity in the Application Form) the request for modification requires the approval of the JS (and not the MA).

d) Change of value of output and result indicators (exceeding 20% of the original value of the indicator in question);

This type of request for modification requires the approval of the MA in the following cases:

- The value of the affected indicator is decreasing by more than 20% of the original value;
- The value of the affected indicator is increasing by more than 20% of the original value due to budget reallocation and/or change in activities.

In case the value of the affected indicator is increasing by more than 20% of the original value with the same budget and the same activities, it does not even require the approval of the JS; the LB only needs to report it in the next Project Report.

e) Budget reallocation between budget headings which *BOTH* cumulatively exceeds 20% of the original amount of the affected budget heading and is at least 10 000 EUR (also calculated cumulatively) within the budget of the particular Beneficiary;

The request for modification requires the approval of the MA. Any budget modification should be carefully prepared by involving all Beneficiaries and clarifying their needs. The limit of budget reallocation is calculated from the original concluded Subsidy Contract, and will be applied in a cumulative way; therefore the 20% reallocation limit is applied accordingly.

f) Prolongation of the project duration.

As a general rule, the request for modification requires the approval of the MA, but in case the project duration exceeds the maximum duration set in the Guidelines for Applicants of the respective Call for Proposals, the approval of the JMC is required. If the JMC approves the requested change, the Addendum of the Subsidy Contract is signed by the MA.

Budget reallocation requiring an addendum and prolongation of the project duration have to be initiated at least 45 calendar days before the project end date as set in Article 3.2 of the Subsidy Contract.

Any request for modification of the Subsidy Contract has to be justified and submitted by the LB to the JS.

The JS checks the request for modification and in cases described above submits it for approval to the Managing Authority or to the Joint Monitoring Committee depending on the type of the requested modification.

Upon approval of the Managing Authority / Joint Monitoring Committee, the finalized Addendum to the Subsidy Contract has to be signed by both contracting parties.

4.2 Other Project Changes (OPC)

For project changes not listed above – which do not require the amendment of the Subsidy Contract – the modification requires the approval of the Joint Secretariat, and the modification is considered as an Other Project Change. The LB has to notify the JS maximum 15 calendar days from the time after the change occurred, or with the submission of the Project Report at the latest.

Other Project Changes may be:

- a) Change in the project team;
- b) Merging of project periods;
- c) Decrease of output and result indicators or their increase due to budget reallocation or change of activities (NOT exceeding 20% of the original indicators);
- d) Budget reallocation between budget headings (both NOT exceeding 20% of the original amount of the affected budget headings and NOT exceeding 10 000 EUR), reallocations cumulative);
- e) Budget reallocations between budget lines of one budget heading (for example: 4.5 -> 4.8, or 5.2->5.1). Budget reallocations must be properly justified taking into account the main rule that reallocation cannot be made to budget lines which did not contain allocated amounts in the approved budget.
- f) Changes in the budget description.
- g) Changes in activities that are not considered as substantial changes (e.g. minor activity description change, etc.). However, shifting activities between reporting periods is not considered as an OPC, it is enough if the LB reports about it in the next Project Report.
- h) Other (e.g. change of legal representative, change of separate project bank account, etc.)

All changes in the project have to be in line with the rules of the Guidelines for Applicants of the relevant Call for Proposals, as well as the Eligibility Rules of Expenditures, (e.g. if a limit for a certain type of cost was set in the Guidelines for Applicants, the proposed change must respect

the limit as well). Budget reallocation cannot be made to a budget line which did not contain any amount in the approved project budget.

Example of a budget reallocation within the 20% limit (Modification Request for Other Project Changes):

Budget heading	Original budget (EUR)	Modified budget (EUR)	Difference (EUR)	Subsidy Contract rule	Approval by
Service	20 000	22 000	+ 2 000	10% increase	JS
Equipment / Supply	100 000	98 000	- 2 000	2% decrease	

The following budget modification exceeding both the 20% and 10 000 EUR limit will be subject to a case-by-case decision made by the MA (Addendum to the Subsidy Contract):

Budget heading	Original budget (EUR)	Modified budget (EUR)	Difference (EUR)	Subsidy Contract rule	Approval by
Service	20 000	32 000	+12 000	60% increase	MA
Equipment / Supply	100 000	88 000	-12 000	12% decrease	

The following budget modification exceeding the 20% limit, but NOT exceeding the 10 000 EUR limit will be considered as Modification Request for Other Project Changes:

Budget heading	Original budget (EUR)	Modified budget (EUR)	Difference (EUR)	Subsidy Contract rule	Approval by
Service	20 000	28 000	+8 000	40% increase	JS
Equipment / Supply	100 000	92 000	-8 000	8% decrease	

4.3 Administrative changes

Administrative changes (i.e. the change of official or postal address, headquarters and contact data of the contact person or legally authorised representative) also need to be reported to the Joint Secretariat. The notification about the administrative change should be submitted to the JS also via the Front Office of IMIS 2014-2020 within 15 calendar days from the time the change occurred.

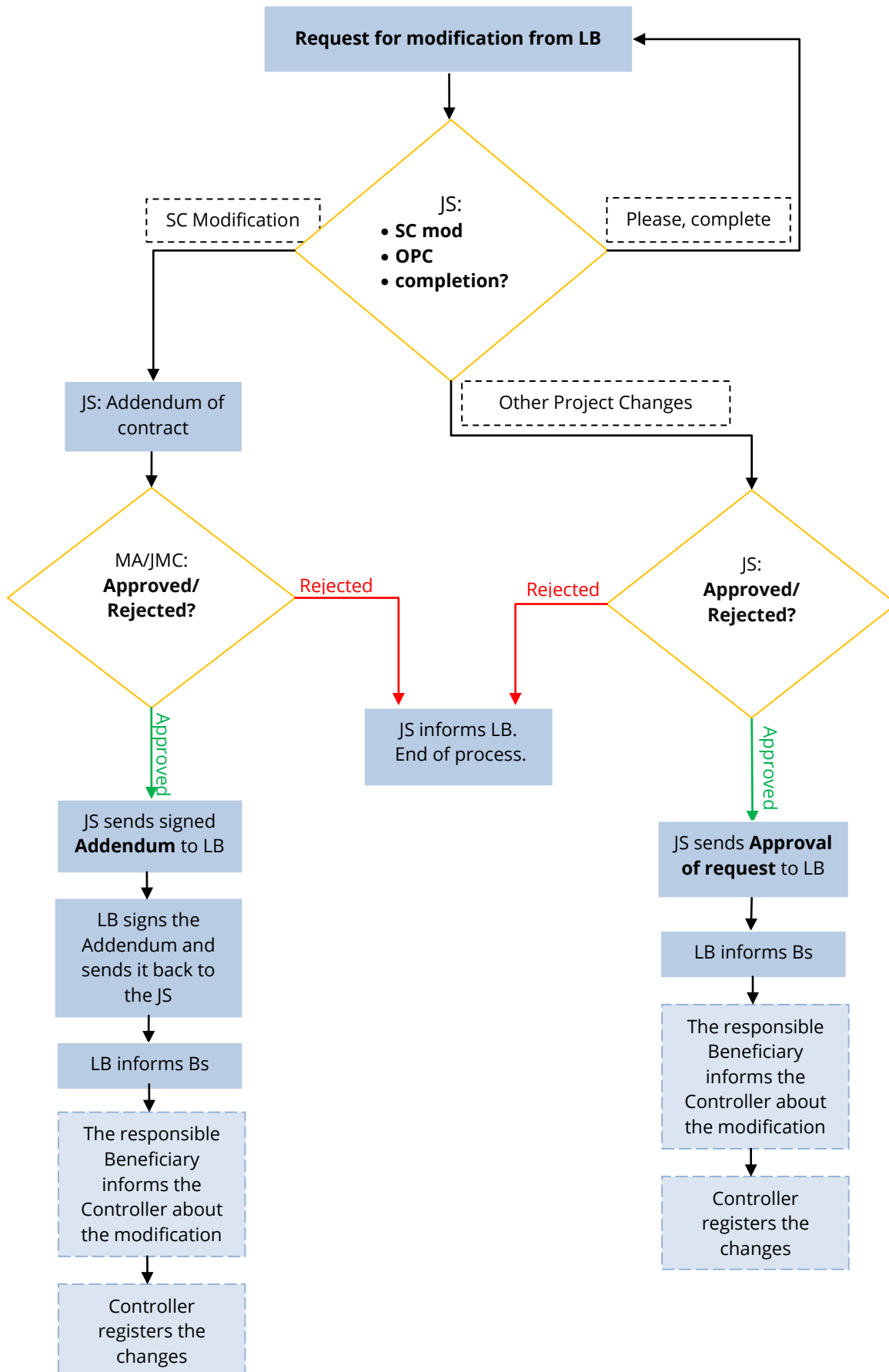
4.4 Modification process algorithm

The LB submits a request for modification to the JS.

Upon receiving the request the PM checks the request.

- It is determined that the request is an **Addendum** to the **Subsidy Contract**
 - JS prepares an Addendum with supporting documents and sends it to the MA
 - MA decides on the Addendum
 - MA determines that the SC modification is acceptable, it is **approved**
 - MA signs and sends the signed Addendum back to the JS
 - JS forwards the Addendum to the LB
 - LB signs the Addendum and sends it back to the JS
 - MA determines that the SC is not acceptable, it is **rejected**

- MA informs the JS
 - JS informs the LB
- It is determined that the request is an **Other Project Change (OPC)**.
 - JS determines that the OPC is acceptable – it is **approved**
 - JS signs and sends the approval to the LB
 - LB informs the Beneficiaries
 - JS determines that the OPC is not acceptable – it is **rejected**
 - JS informs the LB of the Rejection
- It is determined that the request needs to be **completed**
 - JS sends the request back for completion to the LB
 - LB resubmits completed request



5 Use of equipment after project closure

If lending a piece of equipment (hardware or software or other outputs of the project) to a third party is described and approved in the Application Form as absolutely necessary for achieving and maintenance of project results, the Beneficiary – in compliance with the Article 16.2 of the Subsidy Contract - has to obtain the prior written consent of the Managing Authority. The request for the consent of the Managing Authority should be submitted well before the Beneficiary lends the equipment and should be supported with a justification for it as well as the written Agreement with the third party. The Beneficiary should retain ownership of the equipment and lend it free of charge, during both the implementation period and follow-up period of the project. Lending equipment must be absolutely necessary and well-justified; especially because the Chapter 2.1 of the Guidelines for Applicants strictly forbids a Beneficiary organization to act as an intermediary (“[Applicants] must not act as intermediaries”).

6 Advance payments

Projects will receive the amount of advance specified in the Subsidy Contract automatically, within 60 days following the receipt of the signed Subsidy Contract from the JS (subject to availability of EU funds on the Programme’s single bank account).

The LB is responsible for transferring the respective amounts of advance specified in the Subsidy Contract to the Beneficiaries within the timeframe agreed in the Partnership Agreement.

7 Reporting and reimbursement process of the EU funds

The payment of EU funds (except for the advance payments described above) is connected to the submission and approval of Project Reports (PR). The aim of the Project Report is to describe the progress in the implementation of the project and the way Beneficiaries acted in order to obtain these results. The PR furthermore underpins the content of the Application for Reimbursement (Afr), i.e. links between the incurred costs and the tasks and activities stipulated in the Subsidy Contract. Each Project Report submitted to the JS has to be prepared by the LB and shall be accompanied by an Application for Reimbursement, which indicates the total amount of EU funding to be reimbursed. An essential condition for the transfer of EU funding is the timely submission of the Project Report together with the necessary supporting documents/annexes containing correct information.

EU funding will be transferred directly to the LB’s bank account (sub-account) opened exclusively for the purpose of the project. The LB is responsible for transferring the respective amounts to the Beneficiaries within the timeframe agreed in the Partnership Agreement.

Project Reports need to be submitted on a regular basis by the deadlines specified in the Subsidy Contract. The reporting period, in general, covers four months of the project implementation, starting from the starting date of the Project.

7.1 Project Report

At the end of each 4-month reporting period the LB prepares and submits to the JS a Project Report (PR) via the Front Office of IMIS 2014-2020. The purpose of PR is to inform the JS and the programme management bodies about the activities which were carried out and expenditures incurred in the given reporting period. In order to compile a comprehensive report, the LB gathers necessary data and documents from all beneficiaries of the project. Each Beneficiary prepares their own Beneficiary Report (BR) concerning the activities they implemented and justifying their own expenditures. The beneficiaries should be aware of the fact that this might be

a time and resource consuming process and the timely preparation of the documents is essential for the successful reimbursement process.

The PR (which includes both activity and financial report) is accompanied by the Application for Reimbursement (AfR) and the Declaration on Validation of Expenditures (DOVE) of each Beneficiary, for the given period, as well as other compulsory annexes and relevant supporting documents.

The approximate form of the Project Report is attached as Annex I and the template of the Application for Reimbursement as Annex II of the present Project Implementation Handbook. Both documents are automatically generated by the IMIS 2014-2020 upon the completion and online submission of the PR. (The annexes are attached for your information only, they are approximations of the forms generated by the system, so, please, do not use them for reporting). The deadline for submission of the Project Report and the Application for Reimbursement to the JS is 90 days from the end date of the respective 4-month reporting period. The project start date, the reporting periods and the actual deadlines for submission are indicated in the Application Form (see pdf format of the Application, Chapter 1. General Data).

Preparation and content of the Project Report, procedures

The Project Report shows the progress of the implementation of project activities in a given period of time. The PR provides an overview of the project implementation and also shows deviations in comparison to the activity plan presented in the AF.

The Project Report consists of two main parts: narrative report and financial report. The narrative part contains information about the steps taken in a given reporting period, emphasizing the following:

- description of the on-going and implemented activities also emphasising how the implemented activities contribute to the achievement of outcomes and indicators;
- description of contribution to the EU horizontal policies on equal opportunities and sustainable development;
- progress in the accomplishment of the project indicators;
- comparison of initially established targets and those achieved;
- differences / deviations in terms of activities and timeframe;
- description of the cooperation within the partnership and, if relevant, problems encountered;
- description and justification of possible changes in the project.
- description of the information and publicity activities;

Apart from reporting on information and publicity activities within the Project Report, it is the obligation of the Lead Beneficiaries to send *Real-time reports about project-related external events*. The Lead Beneficiaries are required to notify the JS about project-related external events at least 10 business days prior to the scheduled date, within the form *Before Project Event*, and provide the information on the completed events, along with the results, no later than 2 business days following the event within the form *After Project Event*. These two forms are available for download on the Programme website, along with the instructions for their usage, within the *Guidelines for Implementation of Information and Publicity Measures for Projects*.

The financial report contains information and provides general overview of the expenditures related to the project activities performed in the reporting period. The report must contain the

lists of expenditures for all Project Beneficiaries, validated by the respective Control Body (First Level Control – FLC) in the form of DOVEs.

The LB must ensure that the expenditures presented for reimbursement by all Beneficiaries are not double financed; are in compliance with the principle of sound financial management; and were included in the budget of the project approved by the JMC. The financial report must contain the costs incurred on Beneficiary level – budget headings, project summary by budget headings, and revenues gained (if applicable) in the reporting period. This part also contains information about the transfer of the EU funding by the Lead Beneficiary to the Project Beneficiaries (accompanied by the bank statement proving the transfer).

Supporting documents/annexes for PR are the following:

- DOVE of each Beneficiary including LB
- A copy of procured study, research, database, book, publication etc.;
- A proof of information and publicity activities carried out in the reporting period (published brochures, leaflets and other promotional material radio and TV recordings, newspapers articles, web publications, social networks posts, photographs and attendance lists of events, etc.);
- If relevant, photo documentation;
- Copy of bank statement proving the transfer of EU funds
- Documents proving the reported progress of the indicators.

As a general rule supporting documents for the PR have to be submitted only in electronic form via IMIS 2014-2020. However, the JS preserves the right to check each document in original (in hard copy) as well.

If applicable, documents containing confidential and protected personal information of participants, such as patient data, medical history (anamnesis) of individuals, filled in surveys and questionnaires, transcripts of interviews and similar can be submitted if their submission does not infringe laws protecting privacy, confidentiality or ethical guidelines for research with participation of human subjects (in academic/ scientific/ research institutions). Personal information of individuals gathered for the purpose of implementing measures of equal opportunities can be submitted only if the Beneficiaries obtained prior written consent of the individuals. For the purpose of verification of the implemented activities and incurred expenditures during the reporting, these documents can be submitted only if there is no other reliable source of verification and only if identification data of individuals is deleted or the data is aggregated and impersonalized.

The PR is filled in and, accompanied by all supporting documents which could be uploaded into the system, submitted electronically through the Front Office of IMIS 2014-2020. The AfR is generated by the Monitoring System. The language of the reporting is English: the Project Report, the Application for Reimbursement and the Declaration on Validation of Expenditures are made in English. Accompanying documents which were made in Hungarian and Serbian languages shouldn't be translated.

The electronic versions of PR annexes which couldn't be uploaded into the Monitoring system or other electronic means due to its size as well as hard copies of outputs necessary for verification (if any) are submitted to the JS to the following address:

Joint Secretariat
of the Interreg - IPA Cross-border Cooperation Programme Hungary-Serbia
Joint Secretariat of the Interreg-IPA CBC Hungary-Serbia
Széchenyi Programoffice Limited Liability Company
H-1053 Budapest, Szép utca 2., 3.em
HUNGARY

Following the receipt of the documents, the responsible Programme / Financial Manager at the JS / JS Antenna performs the PR's technical compliance check and the content verification. During the verification process, the JS may request additional information or documents if necessary for the proper understanding and approval of the PR. The verification process is suspended until all required documentation and data are provided by the LB.

The verification process is divided into two main stages: verification of the Project Report and verification of the Application for Reimbursement.

During the verification process of the Project Report, special attention is paid to the following: Technical compliance, to verify whether:

- The submitted PR contains all necessary documents, (PR, DOVE of each Beneficiary and accompanying documents in the IMIS 2014-2020, AfR)

Content check, to verify whether:

- The activities described in the PR correspond to the approved AF;
- The project implementation is progressing towards the achievement of the objectives set in the AF;
- The progress of the project implementation is in accordance with the indicators set in the AF;
- The progress of the project is in line with the activity plan outlined in the AF;
- The activities are implemented by the respective Beneficiaries as described in the AF;
- Information and publicity activities are done in accordance with the plan set by the AF.

Financial check, to verify whether:

- The expenditures listed in the Project Report are in line with those planned by the project budget in the AF;
- The AfR is in line with the DOVEs issued by the FLCs (e.g. does not contain calculation mistakes, does not contain not validated expenditures, etc.).

In case that PR is technically incomplete, the content of the PR is found unsatisfactory or any of the required supporting documents are missing, the JS Programme Manager requests, by email and/or via the Front Office of IMIS 2014-2020, the completion of the PR (submission of additional/missing documents).

The LB has maximum 10 calendar days following the receipt of the emailed request to submit the required additional/missing information / documents. The documents are submitted electronically or by post, depending on the features described above.

If the LB does not respond to the request for completion of documents, the Programme Manager sends a reminder. If the LB fails to reply to the second notice and does not complete the

documents, the Project Report may be rejected. A rejected Application for Reimbursement can be re-submitted only once and only for the subsequent reporting period.

7.2 Preparation and content of the Application for Reimbursement

The Application for Reimbursement summarizes the expenditures of the Beneficiaries in the reporting period, based on the Declarations on Validation of Expenditures issued by the First Level Control.

The LB makes sure that the expenditures presented in the PR and AfR serve only the implementation of the project and fully correspond to the activities agreed between the Beneficiaries.

The LB collects DOVEs of all Beneficiaries for a certain reporting period and based on them creates the project level AfR. In case that one or more Beneficiaries are not able to obtain the DOVE for the given period, they must at least submit to the LB the No cost letter issued by the FLC (so called *Zero DOVE*), proving that they didn't have any expenditures in that period. The LB is then able to create the AfR for the project on the basis of submitted DOVEs and *No cost letters*. The expenditures incurred in a certain reporting period, but not validated in the AfR issued for that respective reporting period, can be validated with the next period's expenditures and included into the AfR of the next reporting period (but not later than that).

In the verification process of the Application for Reimbursement special attention is paid to the following aspects:

- It does not contain any formal or calculation mistakes and is in line with the received DOVEs;
- The DOVE of each Beneficiary is selected in the AfR;
- The DOVEs are issued by the designated First Level Control;
- The subsidy requested in the AfR is within the frame of approved amount of subsidy;
- The advance payment is taken into consideration (As the article 6. Point 5. Of the Subsidy Contract states: *Once the reimbursed amount reaches the 60% of the total EU contribution of the Beneficiary the Programme starts to recover the advance payment. The amount of recovery will appear on the Application(s) for Reimbursement, in which the reimbursement of 60% of the total EU contribution is exceeded*).

In case the AfR or the DOVEs are not appropriate in content and/or in format, the LB will be required to correct them. Following the request for completion emailed or sent via IMIS 2014-2020, the LB will have 10 calendar days to submit the corrected or completed documents. If the LB does not respond to the request of the JS to submit the missing documents another notice is sent out, emphasizing the possible consequences. In case the LB disregards the second notice, the Application for Reimbursement as well as the Project Report will be rejected.

Handling deductions from the Application for Reimbursement

The amount included in the AfR could be reduced and the relevant DOVE reissued due to the following reasons:

- Ineligible expenditure declared in the Project Report
- DOVE is not issued by the respective FLC

In case of correction of any amount included in the AfR, the LB resubmits a new version of AfR to the JS.

In case the JS does not receive the corrected DOVE and AfR within 30 calendar days from the request to the LB, the total amount of the given declaration will be deducted from the AfR.

7.3 Procedure of reimbursement of EU funding

Once the verification of the Project Report and Application for Reimbursement has been completed, the JS initiates the reimbursement of the EU funding. Following the approval of the Managing Authority the Certifying Authority transfers the amount of EU contribution stated in the approved AfR to the separate bank account of the LB.

Upon receipt of the EU funding, the LB is obliged to transfer the respective shares on time and in full to each Beneficiary.

7.4 Final Project Report (FPR)

The reporting procedure and the form of the Final Project Report are the same as the procedure and form of the Project Report (Annex I to the present document).

The LB submits the Final Project Report (FPR) and final Application for Reimbursement within 90 days from the end date of the project as indicated in the Subsidy Contract. The JS checks whether the activities described in the FPR have been concluded according to the approved Application Form and verifies whether the requirements arising from the Subsidy Contract are met. If the FPR is not appropriate in content or any of the required supporting documents are missing, the JS requests in writing from the LB to submit the missing documents and/or to correct errors. After receiving the notice, the LB has maximum 10 calendar days to submit the clarifications and/or missing documents. The documents are submitted electronically, by uploading them into the monitoring system, or by post, depending on the features described above.

Supporting documents for FPR are the following:

- DOVE of each Beneficiary including LB
- A copy of procured study, research, database, book, publication etc.;
- A proof of information and publicity activities carried out in the reporting period (published brochures, leaflets and other promotional material radio and TV recordings, newspapers articles, web publications, social networks posts, photographs and attendance lists of events, etc.);
- If relevant, photo documentation;
- Copy of bank statement proving the transfer of EU funds
- Documents proving the reported progress of the indicators.
- Valid permission of use (in HU: használatba vételi engedély, in SRB: upotrebna dozvola); record of the technological delivery session (in HU: műszaki átadás-átvételi nyilatkozat, in SRB: zapisnik o tehničkoj primopredaji); any other permits prescribed by relevant Regulations;
- Other project specific documents requested by the JS.

As a general rule supporting documents for the PR have to be submitted only in electronic form via IMIS 2014-2020. However, the JS preserves the right to check each document in original (in hard copy) as well.

In addition, Lead Beneficiaries should deliver to the responsible Programme Manager samples of information and publicity material produced during the project implementation along with the Final Project Report. Such material includes, but is not limited to: posters, any other printed material – books, booklets, or brochures, as well as promotional branded merchandize used

during the project. The Programme will use such material on occasions which promote the Programme and Interreg.

If the LB does not comply with the request for the missing documents, the JS Programme Manager sends a request for completion. If the LB does not react to it and to another warning notice, the FPR and the final Application for Reimbursement will be rejected. The LB will be informed about the possible/applicable sanctions (e.g. suspension of last payment, initiation of an irregularity procedure that can result in repayment of the EU contribution). If the FPR contains ineligible expenditures, those expenditures will be deducted from the AfR. The Final Project Report contains expenditure incurred before the end date of the project and paid within a maximum of 30 days from the end date of the project.

The final reimbursement of the EU funding is made after the conclusion of the project and according to the final Application for Reimbursement as approved by the JS.

The JS verifies the FPR submitted by the LB and checks if all the activities are completed according to the approved Application Form, whether the requirements arising from the Subsidy Contract are met (e.g. the project has been fully implemented by carrying out the planned activities, by achieving the planned outputs and results in due time, etc.). Following the approval of the FPR the JS initiates the financial closing of the project in the Monitoring System, in order to calculate the exact amount of EU funding to be reimbursed to the LB.

Financial closure cannot be initiated in case that other processes related to the project are still on-going (such as irregularity and recovery procedures). After the final payment to the LB, the project is considered as closed.

Bank statement proving that the Lead Beneficiary transferred the EU contribution approved in the Final Project Report to the Beneficiary(ies) must be submitted to the JS within 5 (five) working days from the transfer (as it is set in Article 6.9 of the Subsidy Contract).

7.5 Project Follow-up Report

According to the Subsidy Contract, the project results have to be maintained for a period of minimum 5 years after the date of the final payment to the Lead Beneficiary. This means that the project result shall not undergo a substantial modification. In addition, Beneficiaries have to fulfil some obligations towards the Programme, namely keeping all the project documentation in a safe place for audit purposes and preparing and submitting project follow-up reports even when all the activities were implemented, expenditures reimbursed and paid and the project was closed. Additional financial controls and audits can be expected during the entire Programme period and up until three years following the submission of the accounts in which the expenditure of the operation is included (as per the provisions of Article 46 (5) of Regulation (EU) No 447/2014) or up until 10 years from the financing decision of the last state-aid-related project (as regulated in Article 6(4) of the de minimis Regulation), whichever is later. Until then, the Beneficiaries should be able to provide without delay all documentation related to their respective project parts.

The Follow-up Report covers 12-month periods, starting from the date of the final payment to the Lead Beneficiary. It is submitted upon JS request, before the set deadline. In case that LB does not submit the follow-up report within 15 days following the expiry of the deadline, the JS programme manager sends them a reminder.

If the content/format of the Follow-up report is not appropriate, the JS requests a completion. The LB should submit the clarifications and/or missing documents within 10 days after receiving the notice.

8 Monitoring visits

The JS (including members of JS Antenna) or the MA may carry out monitoring visits in order to check the status of the project implementation. The JS notifies the LB prior to the monitoring visit about the proposed date. The visit may be linked to a project event, and it also provides an opportunity for Beneficiaries to consult the JS. The monitoring visit is not considered as an audit and is not a pre-requisite for the approval of the Project Report and the Application for Reimbursement. However, the JS/MA can use the information gathered during the visit as a basis to propose specific actions, including suspending payments or even withdrawal from the Subsidy Contract (in case the project implementation significantly deviates from the objectives indicated in the Subsidy Contract or there is a suspected irregularity).

The aim of the monitoring visit can be:

- On-the-spot monitoring of the project implementation (e.g. in case of any delay) and personal consultation if problems occurred;
- To clarify and collect more information about professional/technological changes that occurred in the project (e.g. to gain sufficient information about the reasons for modification of the Subsidy Contract);
- The clarification of information included in the Project Report, Final Project Report and Follow-up report in case they contain errors or a further clarification is deemed necessary;
- To visit an important event of the project (e.g. opening or closing conference).

In case of investment projects a site visit can be organized prior to conclusion of the Subsidy Contract, in order to check the present situation.

All observations made and the results of the monitoring visit will be included in the minutes to be acknowledged and signed by all the participants.

9 Eligibility of expenditures

Detailed rules of eligibility of a certain cost are described in the 'Eligibility Rules of expenditures' published on the Programme's website (always check the latest available version).

9.1. Procurement rules

Procurement rules to be applied are defined by Article 45 of Commission Implementing Regulation (EU) No 447/2014.

During the validation process an evidence of the selection procedure, in line with PraG procurement and Programme rules and national regulations, depending on the net amount contracted must be proven.

In general Beneficiaries have to consider the below net amount thresholds when launching a procurement procedure:

Below 2 500 EUR – direct purchase, selection procedure does not have to be applied

Between 2 500 and 20 000 EUR – three request for offers sent out, one valid offer is enough for contracting. Beneficiaries must use simplified tender package provided by the Programme. The Beneficiaries are recommended to publish their tenders on their websites and the Programme's website. In case of publication all interested companies must receive a request for offer.

Above 20 000 EUR – Procedures and documentations described in PraG must be applied. In case of competitive negotiated procedure according to PraG the Beneficiaries are recommended to publish their tenders on their websites and the Programme's website. In case of publication of a tender all interested companies must receive a request for offer. Beneficiaries must use the templates provided by PraG.

Regarding detailed procurement rules of services/supplies/works please consult the Chapter 4.4., 4.5. and 4.6 of the 'Eligibility Rules of Expenditures'.

10 List of Annexes

Annex I: Project Report model template

Annex II: Application for Reimbursement model template