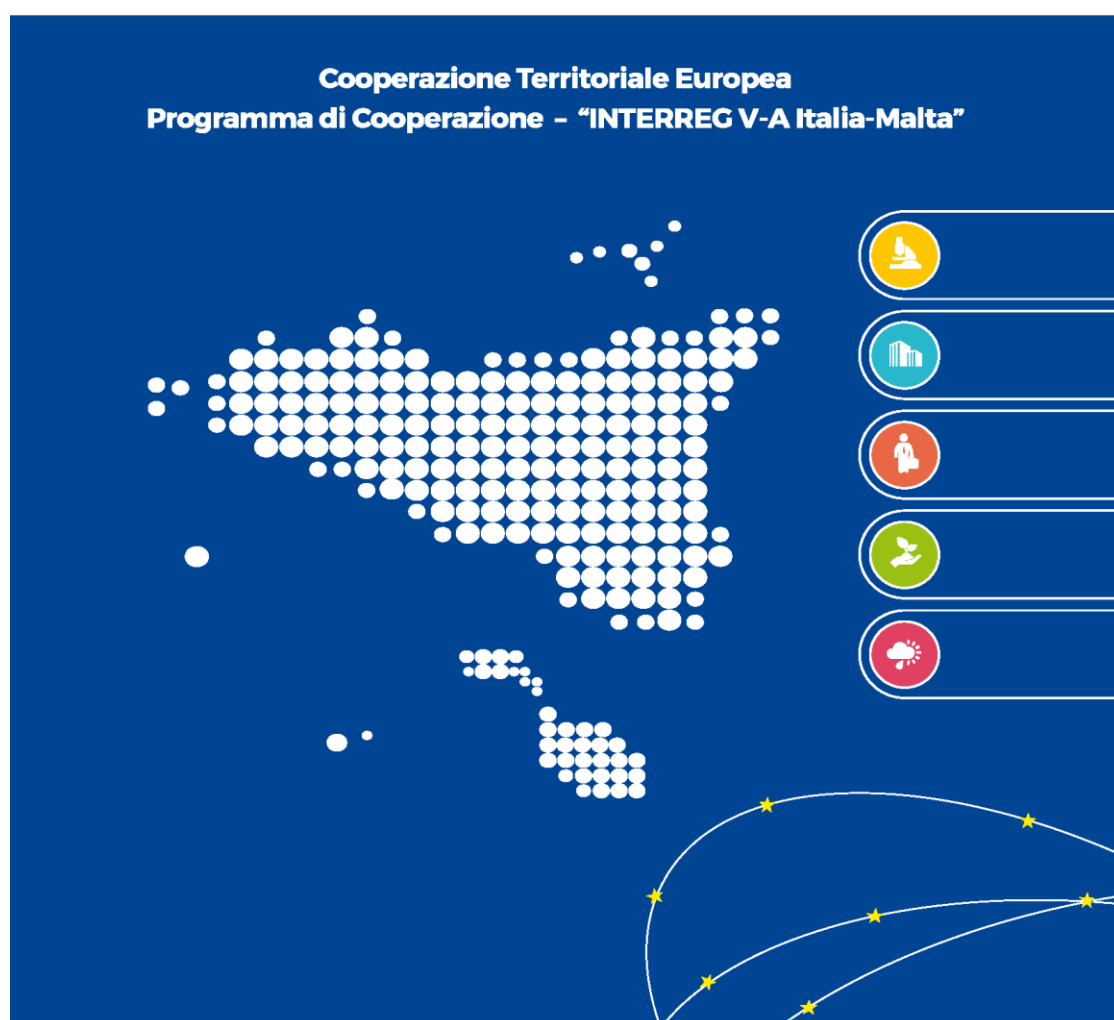


Implementation Manual

Interreg “V-A ITALIA MALTA”

(Approved by the Monitoring Committee on 12/07/2022)



CONTENTS

| | |
|--|----|
| 1. THE IMPLEMENTATION MANUAL..... | 6 |
| 1.1 INTRODUCTION..... | 6 |
| 1.2 REFERENCE REGULATION..... | 6 |
| 1.3 ADOPTION AND REVISION | 9 |
| 2. STRUCTURE OF THE PROGRAMME..... | 10 |
| 2.1 MONITORING COMMITTEE..... | 10 |
| 2.1.1 Functions and Tasks..... | 10 |
| 2.2.1 Functions and Tasks..... | 11 |
| 2.3 CERTIFYING AUTHORITY | 13 |
| 2.3.1 Functions and Tasks..... | 13 |
| 2.4 AUDIT AUTHORITY..... | 14 |
| 2.4.1 Functions and Tasks..... | 14 |
| 2.4.2 Group of Auditors | 14 |
| 2.5 JOINT SECRETARIAT | 14 |
| 2.5.1 Functions and Tasks..... | 14 |
| 2.6 MALTESE NATIONAL COORDINATION AUTHORITY | 15 |
| 2.6.1 Functions and Tasks..... | 15 |
| 3. OVERVIEW OF THE INTERREG V-A ITALIA MALTA PROGRAMME | 16 |
| 4. PROGRAMME MONITORING SYSTEM..... | 18 |
| 5. PROGRAMME COMMUNICATION AND INFORMATION | 20 |
| 5.1 THE PROGRAMME LOGO | 20 |
| 5.2 ACTIVITIES OF THE MANAGING AUTHORITY | 21 |
| 5.3 OBLIGATIONS OF BENEFICIARIES..... | 23 |
| 6. FINANCIAL PLAN OF THE PROGRAMME | 24 |



| | |
|--|----|
| 6.1 COMMUNITY CO-FUNDING (ERDF - EUROPEAN REGIONAL DEVELOPMENT FUND) | 24 |
| 6.2 NATIONAL CONTRIBUTION | 24 |
| 6.3 ADDITIONAL CO-FINANCING | 25 |
| 7. PROJECT GENERATION..... | 26 |
| 7.1 LOGIC OF INTERVENTION..... | 30 |
| 7.2 PROJECT CHARACTERISTICS | 31 |
| 7.3 WORK PACKAGE, ACTIVITY, FINAL PRODUCT, OUTPUT, RESULT | 34 |
| 7.4 PARTNERSHIP | 34 |
| 7.5 LOCATION OF ACTIVITIES..... | 36 |
| 8. SELECTION OF PROJECTS | 38 |
| 8.1 PROJECT SELECTION PROCEDURE– ONE STEP..... | 38 |
| 9. PROJECT MANAGEMENT..... | 39 |
| 9.1 BENEFICIARIES OBLIGATIONS | 39 |
| 9.1.1 Lead partner..... | 39 |
| 9.1.2 Partners | 41 |
| 9.1.3 Associated partners | 42 |
| 9.2 ADVANCE PAYMENT TO START THE ACTIVITIES..... | 42 |
| 9.3 TRANSFER OF PUBLIC RESOURCES..... | 43 |
| 9.4 ELIGIBLE EXPENSES | 43 |
| 9.4.1 General principles | 44 |
| 9.4.2 Eligibility of costs..... | 44 |
| 9.4.3 Real and Simplified Costs..... | 45 |
| 9.5 EXPENDITURE CATEGORIES | 46 |
| 9.5.1 Staff costs..... | 47 |
| 9.5.2 Office and administrative expenditure..... | 48 |
| 9.5.3 Travel and accommodation costs..... | 49 |



| | |
|--|----|
| 9.5.4 External expertise and services costs | 50 |
| 9.5.5 Equipment expenditure | 51 |
| 9.5.6 Infrastructure expenditure | 51 |
| 9.6 SPECIFIC PROVISIONS | 52 |
| 9.6.1 VAT | 52 |
| 9.6.2 Depreciation | 52 |
| 9.6.3 Revenue | 53 |
| 9.6.4 State aid and <i>de minimis regime</i> | 53 |
| 9.7 INELIGIBLE COSTS | 56 |
| 9.8 EXPENDITURE Reporting | 56 |
| 9.9 MODIFICATION OF PROJECT | 57 |
| 9.10 CLOSURE OF PROJECTS | 58 |
| 9.11 AUTOMATIC DECOMMITMENT | 59 |
| 10. FIRST LEVEL CONTROLS | 60 |
| 11. SECOND LEVEL CONTROLS | 63 |



KEY TO ACRONYMS

| | |
|-------|--|
| AA | Audit Authority |
| AF | Application Form |
| AIR | Annual Implementation Report |
| CA | Certification Authority |
| CIPE | Inter-ministerial Committee for Economic Planning |
| CP | Contact Point |
| CP | Cooperation Programme |
| EC | European Commission |
| ERDF | European Regional Development Fund |
| ETC | European Territorial Cooperation |
| EU | European Union |
| IAID | Internal Audit and Investigations Department |
| IGRUE | General Inspectorate for the Relations with the European Union |
| IP | Investment Priority |
| IS | Information System |
| JS | Joint Secretariat |
| KETs | Key Enabling Technologies |
| LP | Lead Partner |
| MA | Managing Authority |
| MC | Monitoring Committee |
| MFIN | Ministry for Finance |
| MNCA | Maltese National Coordination Authority |
| NC | National Contribution |
| PA | Partnership Agreement |
| PP | Project Partner |
| R&D | Research and Development |
| RIS3 | Malta's Research and Innovation Strategy |
| SC | Steering Committee |
| SCO | Simplified Cost Options |
| SME | Small and Medium Enterprises |
| SO | Specific Objective |
| SRI3 | Regional Innovation Strategy for smart specialisation |
| TO | Thematic Objective |
| VAT | Value Added Tax |
| WP | Work Package |



1. THE IMPLEMENTATION MANUAL

1.1 INTRODUCTION

The implementation manual of the Interreg “V-A ITALIA MALTA” Cross-border Cooperation Programme is intended as a tool for potential beneficiaries applying under Priority Axis 1, 2 and 3.

The aim of this document is to ensure a clear understanding of the programme's cooperation structures, procedures for selection, presentation, project management and closure, rules for reporting of expenses and monitoring of operations and provisions related to information and communication.

1.2 REFERENCE REGULATION

In drawing up this manual, the following legal framework has been taken into account:

European Legislation

- EU Regulation No. 1303/2013 of the European Parliament and 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 Council Regulation (EC) No. 1083/2006;
- EU Regulation No. 1299/2013 of the European Parliament and Council of 17 December 2013 on specific provisions for the support of the European Regional Development Fund to the European territorial cooperation goal;
- EU Regulation No. 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investments for growth and jobs goal and repealing Regulation (EC) No. 1080/2006;
- EU Regulation No. 360/2012 of the Commission of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid granted to undertakings providing services of general economic interest;
- EU Regulation No. 1407/2013 of the Commission of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid;
- EU Delegated Regulation No. 240/2014 of the Commission of 7 January 2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds;
- Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013,



(EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012;

- Directive 2014/24/EU of the European Parliament and Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC Text with EEA relevance;
- EU Implementing Regulation no. 288/2014 of the Commission of 25 February 2014, approving the model used for ETC programmes, which need to be prepared and submitted to the Commission;
- Directive 2014/24/EU of the European Parliament and Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC Text with EEA relevance;
- EU Delegated Regulation No. 481/2014 of the Commission of 4 March 2014 supplementing the EU Regulation no. 1299/2013 of the European Parliament and Council with regard to specific rules on eligibility of expenditure for cooperation programmes;
- EU Regulation No. 651/2014 of the Commission of 17 June 2014 declaring certain categories of aid compatible with the internal market in the application of Articles 107 and 108 of the Treaty Text with EEA relevance;
- Implementing Decision of the European Commission C(2014) 3776 of 16 June 2014, setting up the list of cooperation programmes and indicating the global amount of the total support for the European Regional Development Fund for each programme under the field European territorial cooperation goal for the period 2014 to 2020;
- Implementing Decision of the European Commission C(2014) 3898 of 16 June 2014, setting up the list of regions and areas eligible for funding from the European Regional Development Fund under the cross-border and transnational components of the European territorial cooperation goal for the period 2014 to 2020;
- EC Decision C(2015) 7046 of 12 October 2015, adopting the "Cross-border Cooperation Programme INTERREG V - A Italia-Malta" for the programme period 2014-2020 to support the European Regional Development Fund in the field of the "European Territorial Cooperation".

Italian Legislation

- CIPE Decision no. 15 of 28 January 2015, which establishes national public co-funding criteria for European programmes for the programme period 2014-2020 and their monitoring. Programming of complementary interventions specified in article 1, paragraph 242 of Law no. 147/2013, included in the 2014-2020 partnership agreement. Law of 13 August 2010 no. 136 and subsequent amendments on the "Extraordinary plan against the mafia as well as the anti-mafia legislation proxy to the Government" and subsequent amendments;
- Law no. 136 dated 13 August 2010 and subsequent amendments providing "Extraordinary plan against mafia and delegation to the Government regarding anti-mafia legislation";
- Legislative Decree of 18 April 2016 no. 50 "Code of public contracts" and subsequent amendments;



- Legislative Decree of 23 June 2011 no. 118, on the "*Provisions in the field of harmonisation of accounting systems and budget schemes for Regions, local authorities and their bodies, in accordance to articles 1 and 2 of Law no. 42 dated 5 May 2009*";
- Law no. 94 dated 6 July 2012 Conversion into Law, with modifications, of the Decree Law no. 52 of 7 May 2012, including urgent provisions for the rationalisation of public expenditure.

Maltese Legislation

- Partnership Agreement for Malta 2014-2020¹;
- Annual Financial Estimates issued by MFIN;
- MFIN Circular 5/2014²;
- Public Procurement Regulations, LN 296/2010 and Subsidiary Legislation 174.04 and any subsequent amendments;
- State Aid Monitoring Regulations: LN 210 of 2004 and any subsequent amendments
- Environment Protection Act: Chapter 435 of the Laws of Malta and any subsequent amendments;
- Development Planning Act: Chapter 356 of the Laws of Malta and any subsequent amendments;
- Environment Impact Assessment: LN 114 of 2007 and as amended by LN 438 of 2011;
- Equality for Men and Women Act: Chapter 456 of the Laws of Malta as amended by LN 427 of 2007 and any subsequent amendments;
- Equal Opportunities (Persons with Disability) Act – Chapter 413 of the Laws of Malta and any subsequent amendments;
- Value Added Tax Act: Laws of Malta – Chapter 406 of the Laws of Malta and any subsequent amendments;
- Financial Administration and Audit Act: Chapter 174 of the Laws of Malta and any subsequent amendments;
- Data Protection Act – Chapter 440 of the Laws of Malta and any subsequent amendments;
- Voluntary Organisations Act: Chapter 492 of the Laws of Malta and any subsequent amendments;
- Late Payment Directive: LN 272 of 2012 and any subsequent amendments;

¹ <https://eufunds.gov.mt/en/Information/Pages/Partnership-Agreement.aspx>

² <https://eufunds.gov.mt/en/EU%20Funds%20Programmes/EU%20Territorial%20Programmes/Pages/Circulars.aspx>



- Local Councils Act: Chapter 363 of the Laws of Malta and any subsequent amendments.

It is up to the beneficiaries to ensure that the main reference regulations, which may have repercussions on the implementation of operations, are enforced.

1.3 ADOPTION AND REVISION

The implementation manual is approved by the Monitoring Committee and published on the official website of the Interreg “V-A Italia Malta” programme www.italiamalta.eu.

Any required modification to this manual, during the programme period, shall be approved by the Monitoring Committee upon a proposal from the Managing Authority.



2. STRUCTURE OF THE PROGRAMME

The main elements of the programme's cooperation structures are defined in Chapter 5 of the Interreg V-A Italia Malta programme. Their tasks and functions are described in detail in the following paragraphs.

2.1 MONITORING COMMITTEE

2.1.1 Functions and Tasks

The Monitoring Committee supervises the implementation of the Interreg V-A Italia Malta Cooperation programme and assesses progress made while reaching the goals of the programme.

The tasks and responsibilities of the Monitoring Committee are listed below:

- a) analysing and approving the methodology and criteria for the selection of operations;
- b) selecting the operations of the Cooperation Programme, through the creation of a specific Steering Committee, if required, under its responsibility, by specifying how this will be implemented;
- c) analysing and approving annual and final implementation reports, as described by art. 50 of the General Regulation no. 1303/2013.
- d) analysing and approving the programme's communication strategy, any modification and its implementation;
- e) analysing and approving the Programme's evaluation plan, its modifications and implementation together with the actual consequences of the evaluation results;
- f) analysing and approving additional rules on the eligibility of expenditure in the cooperation area (simplified costs option - e.g. flat rate cost) for some expenditure categories, in order to reduce the administrative burden upon the CP beneficiaries;
- g) analysing and deciding upon any modification proposal to the Programme submitted by the Managing Authority;
- h) analysing the Programme in terms of the attained implementation and progress in the pursuit of its objectives, including all aspects which hinder its realisation;
- i) analysing financial data and common and specific indicators of the programme, including changes in the value of result indicators and progress towards quantified targets, in addition to intermediate targets defined in the reference framework on the application efficiency, in accordance with article 21, paragraph 1 and, of the qualitative analyses results;
- j) analysing all aspects that have an impact on the programme results, including the results arising from the verification of the programme effectiveness in implementation;



- k) analysing and deciding on all actions aimed at promoting gender equality, equal opportunities, non-discrimination, including accessibility for disabled people;
- l) analysing and deciding on all actions aimed at promoting sustainable development;
- m) drawing up observations for the Managing Authority on the Programme's implementation and evaluation, including those related to the reduction of administrative burdens to be paid by the beneficiaries;
- n) creation of working groups, defining their composition, goals, tasks and timeframes.

The MC can create specialised and thematic working groups, acting as a research tool for specific matters. Working groups operate on a specific mandate defined by the same committee. If required, the results are then submitted to the MC for approval.

The MC will create a Steering Committee that will act under its responsibility for the selection of operations.

2.2 MANAGING AUTHORITY

The Managing Authority of the Interreg V-A ITALIA MALTA Programme is the Regional Programming Department of the Sicilian Region – Presidency, reconfirmed in its functions through the agreement by Member States during the task force meeting held on the 17 January 2013, in Malta.

By Resolution no. 293 of 13 October 2014, the Regional Council appoints the Regional Programming Department of the Sicilian Region as the Managing Authority for this programme.

2.2.1 Functions and Tasks

The Managing Authority is in charge of the operational programme management, in compliance with the principle of sound financial management, in accordance with article 125 of the EU Regulation no. 1303/2013 (with the exception of the provisions of paragraph 4 letter a) and with article 23 of the EU Regulation no. 1299/2013. The Managing Authority fulfils the duties described below.

In relation to the programme management, the Managing Authority:

- a) supports the Monitoring Committee and provides the required information in order to carry out it's tasks, in particular, providing data about the progress of the operational programme vis-a-vis it's targets, financial figures and data about intermediate targets and indicators;
- b) sets up a Joint Secretariat following consultations with Member States; (1299/2013)
- c) draws up and presents the annual and final programme's implementation reports to the Commission, following the Monitoring Committee approval;



- d) provides beneficiaries with relevant information about the execution of their tasks and the implementation of operations;
- e) guarantees that data about each operation, that is necessary for monitoring, evaluation, financial management, verification and audits are made available. This data shall include all data on the project partners participating in the programme's operations. This data will be saved and recorded in a computerised data storage system.

In relation to the selection of operations, the Managing Authority:

- a) draws up and, upon approval by the Monitoring Committee, applies the criteria for the selection of operations;
- b) guarantees that the selected operation falls within the application scope of the fund and can be included in one of the operation categories;
- c) ensures that the beneficiary is provided with a document including guidance on the administrative implementation each operation, including specific requirements for products or services to be supplied during the operation, the financial plan and execution deadline;
- d) ensures that the beneficiary's administrative, financial and operational capacity meets the conditions set in letter/Allegato c before the operation is approved;
- e) ensures that the applicable legislation for the operation is respected, in the event where the operation started before the funding application is approved;
- f) ensures that operations selected to support funds do not include any activity from another operation that was or should have been subject to a procedure of recovery, in compliance with article 71 of Reg. 1303-2013, after the relocation of a production activity outside the area covered by the programme;
- g) sets operational categories.

In relation to the financial management and programme control, the Managing Authority:

- a) ensures expenditure for each beneficiary participating in operations are checked by an appointed auditor; (1299/2013);
- b) guarantees that the beneficiaries involved in the implementation of operations reimbursed on the basis of eligible costs, which were actually paid, are managed through a system of a separate accounting system or an adequate accounting code for all transactions related to a specific operation;
- c) defines effective and proportionate anti-fraud measures, taking identified risks into account;
- d) Retains all expenditure and audit documentation, in order to guarantee an adequate audit trail;



- e) prepares the management statement of assurance and the annual summary, as described in article 59, paragraph 5, letters a) and b) of the financial regulation.

2.3 CERTIFYING AUTHORITY

The Certifying Authority of the Interreg V-A ITALIA MALTA programme is the Special Office of the Certification Authority for Programmes co-funded by the European Commission - Presidency of the Sicilian Region, appointed by Resolution no. 267 of 7 October 2014 by the Regional Council.

2.3.1 Functions and Tasks

The Certifying Authority of the programme is in charge of the following tasks:

- a) drawing up and submitting payment applications to the Commission as well as certifying that they originate from reliable accounting systems, based on verifiable documentary evidence and that were subject to verifications made by the Managing Authority;
- b) preparing financial statements, in accordance to article 59, paragraph 5, letter a) of the financial regulation;
- c) certifying the completeness, accuracy and reliability of the financial statements and ensure that the included expenses comply with the applicable legislation and were paid for operations selected for funding, in accordance with the applicable criteria to the operational programme and in full respect of the applicable legislation;
- d) ensuring the existence of a recording and computerised accounting data storage system for each operation, to manage all required data in order to prepare payment applications and financial statements, including data related to recoverable amounts, recovered and withdrawn after a total or partial cancellation of the contribution related to an operation or an operational programme;
- e) ensuring the receipt of suitable information from the Managing Authority related to procedures and verifications, in order to prepare and submit payment applications to the commission;
- f) keeping into consideration the results of all audit activities carried out by the Audit Authority or under its responsibility, when preparing and submitting payment applications;
- g) keeping computerised accounts for expenditure reported to the Commission and the relevant public contribution paid to the beneficiaries;
- h) keeping accounts of recoverable balances and amounts withdrawn following the total or partial cancellation of the contribution for an operation. The recovered balances are returned back to the European budget before the operational programme is closed, thus deducting them from the final statement of expenditure.



2.4 AUDIT AUTHORITY

The Audit Authority of the Interreg V-A ITALIA MALTA programme is the Special Office of the Audit Authority for Programmes co-funded by the European Commission - Presidency of the Sicilian Region, appointed by Resolution no. 267 of 7 October 2014 by the Regional Council.

2.4.1 Functions and Tasks

The Audit Authority ensures the effectiveness of the management and control system and is specifically in charge of the following tasks:

- a) carrying out audit activities on the correct functioning of the management and control system for the operational programme through a suitable sample of operations based on declared expenditure;
- b) preparing and submitting an audit strategy, to the European Commission, for the implementation of audit activities within eight months from the programme's approval;
- c) preparing an audit opinion about the management and control system and an annual control report, including audit reviews carried out in the previous accounting year;
- d) bring together the group of auditors.

2.4.2 Group of Auditors

The Audit Authority is supported by a group of auditors in order to ensure the application of uniform standards to the entire programme area.

The group of auditors is instituted within three months from the decision to approve the cooperation programme and is composed of one representative from each Member State.

The group of auditors draws up its own regulation and is chaired by the Audit Authority of the cooperation programme.

2.5 JOINT SECRETARIAT

2.5.1 Functions and Tasks

The Joint Secretariat supports the Managing Authority and the Monitoring Committee in the performance of their duties. In addition, the Joint Secretariat provides potential beneficiaries with information related to funding opportunities within the cooperation programme and supports beneficiaries in the implementation of operations.

The Joint Secretariat carries out the following tasks:



- a) assisting the Managing Authority, the Monitoring Committee and the Steering Committee in the performance of their respective functions;
- b) supporting potential beneficiaries and providing information related to funding opportunities for the programme;
- c) supporting beneficiaries in carrying out their operations;
- d) collecting financial, physical and statistical data required to monitor the programme as well as the mid term and final evaluation;
- e) ensuring the collection and storage of data related to the administrative, physical and financial progress of programme and projects, by means of the "Ulysses" information system;
- f) implementing and coordinating the annual communication plan for the programme.

2.6 MALTESE NATIONAL COORDINATION AUTHORITY

The Maltese National Coordination Authority falls under the Ministry for European Affairs and Equality within the Funds and Programmes Division.

2.6.1 Functions and Tasks

The Maltese National Coordination Authority (MNCA) carries out functions related to the Maltese legal responsibility in relation to monitoring and control activities, the verification of procedures and expenses borne by Maltese partners within the project.

The MNCA also plays a role in coordinating the cooperation programme implementation for the part dealing with the Maltese territory and, in general, ensures the support for activities of potential programme beneficiaries, in cooperation with the Managing Authority and Joint Secretariat.

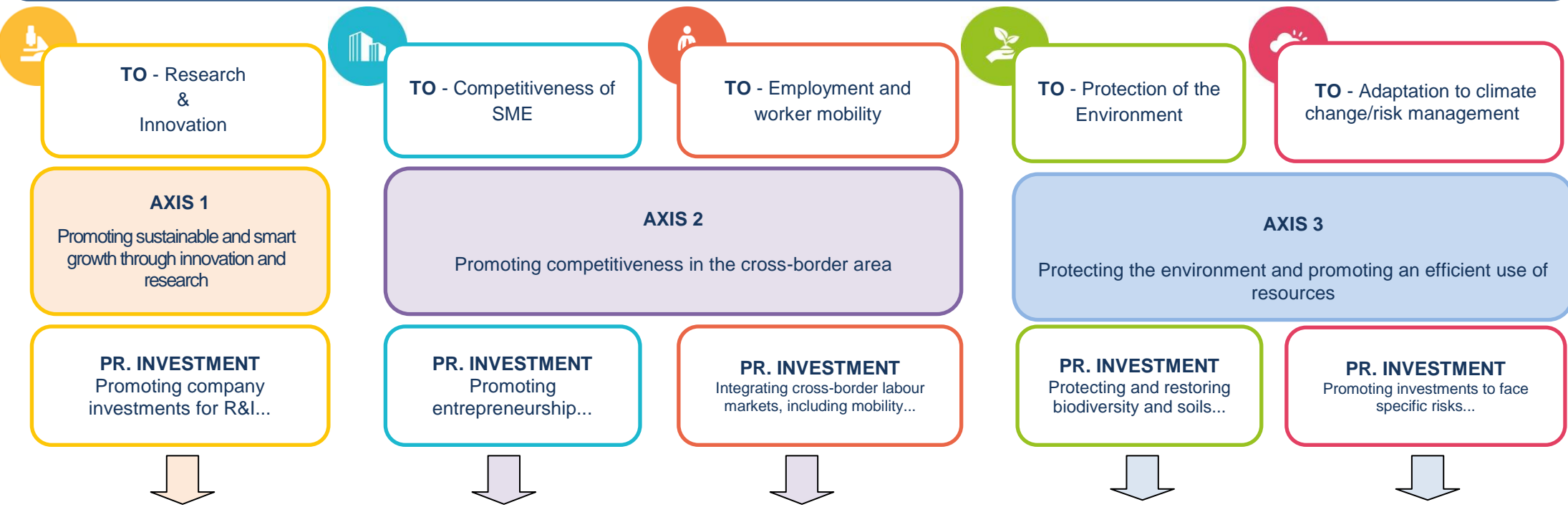
The programme's *Contact Point* carries out its activities at the MNCA Headquarters in Malta. The CP is in charge of informing, raising awareness, promoting publicity, assisting local beneficiaries and supporting ongoing projects.



3. OVERVIEW OF THE INTERREG V-A ITALIA MALTA PROGRAMME

PROGRAMME OBJECTIVE

Contributing to a smart, sustainable and inclusive growth at cross-border level, supporting the specialisation for research and innovation sectors, developing competitiveness of micro, small and medium enterprises, protecting the environment and promoting actions to mitigate the effects of climate change.



SO1.1
Enhancing research and innovation activity to improve the quality of life and the accessibility to cultural heritage

SO 2.1
Favouring the creation and strengthening of companies in the sectors of intervention within the cross-border area

SO 2.2
Favouring workers' mobility in the cross-border area, through the creation of networks

SO 3.1
Contributing to stop the loss of biodiversity by keeping and restoring ecosystems and protected areas

SO 3.2
Promoting system and technological actions to mitigate the effects of climate change and natural and anthropic risks

EXPECTED RESULT 1.1
100 companies adopting innovative technologies and services

EXPECTED RESULT 2.1A
12 companies activating cross-border commercial operations

EXPECTED RESULT 2.2
100 workers taking part in cross-border mobility initiatives

EXPECTED RESULT 3.1A
100 sq km of sites and protected marine areas developing joint actions for the protection of biodiversity

EXPECTED RESULT 3.2
23,750 sq km of surface monitored by cross-border technological systems

EXPECTED RESULT 2.1B
20 newly employed in companies that are active in the sectors of intervention: protection of the environment and quality of

EXPECTED RESULT 3.1B
150 sq km of sites and protected land areas developing joint actions for the protection of biodiversity



4. PROGRAMME MONITORING SYSTEM

In accordance with the provisions of art. 72. para. 4 and art. 122 of EU Regulation 1303/2013 all exchange of information as of 31 December 2015 between the programme beneficiaries, Managing Authority, Certifying Authority and Audit Authority are to be carried out by means of electronic data exchange systems.

Consequently, the Interreg V-A ITALIA MALTA programme uses an on-line bilingual information system, "Ulysses", which guarantees all the functions of the Managing, Certifying and Audit Authorities, Maltese National Coordination Authority and Joint Secretariat. The system was already used during the 2007-2013 programme period and has been adapted to the 2014-2020 programme cycle requirements.

In the framework of dematerialisation of communications, between the different authorities and bodies involved in the programme, Ulysses allows the management and control implementation process required for each operation, from the funding eligibility to the operation closure.

The information system ensures the following key functions:

- Association of activity and work packages for each beneficiary on the basis of the single work plan approved by the Managing Committee;
- On-line presentation of the beneficiaries' expenses to fist-level controllers and on-line validation by the auditors;
- On-line reporting about financial physical progress;
- On-line expenditure certification;
- Management and reporting on irregularities and management of recovery procedures;
- On-line information for auditing purposes;
- On-line exchange of information with the Commission.

In addition, the System satisfies the following requirements:

- Ensuring safe data transfer by guaranteeing its integrity and confidentiality;
- Authenticating the sender;
- On-line data storage complying with storage rules pursuant to art. 140 of the General Regulation on Funds;
- Allowing access to data by Member States and beneficiaries.



The Managing Authority is in charge of managing the Interreg V-A ITALIA MALTA programme within the Ulysses system and users' accounts. The MA ensures the creation of a specific section, open for the general public, through the programme's web portal for the provision of financial data in accordance with open government requirements.

Different profiles are available, to access this system, which allow data uploading and information access according to the role of each user. The Ulysses system architecture includes each user's profiling through a log-in phase for the insertion of a user name and password. The system structure is composed of three sections: administration, programme and project management.

The "administration" section allows the MA to create/manage users as well as a register for user activities.

The "programme management" section allows the inputting and viewing of programme data, with specific reference to its details, indicators, activation procedures and details of first-level controllers.

Finally, the "project management" section allows project monitoring during the selection as well as implementation. This is done through the creation of a project, its initialisation, the progress management, budget, work-flow and documents uploaded on the system.

The project management section follows the operation's entire life cycle during the creation, admission to funding and implementation/closure phases.

In particular, the "creation" of an operation allows the input of basic information related to the code, reference axis, the specific objective, etc. for each operation. The "admission to funding" phase allows the integration of information related to the operation, with specific reference to the inputting of indicators, budget, profiling of beneficiaries, etc. Finally, during the "implementation" phase, the beneficiary can add commitments, expenses, payments and relevant documents, as well as providing the possibility to manage reimbursement and transfer applications online.

The use of the Ulysses system represents an obligation for the programme beneficiaries, who will need to input the requested information within the deadlines that will be eventually published on the programme website.

Guides for beneficiaries (lead partners and partners) and auditors are prepared, updated and uploaded on-line on the website www.italiamalta.eu in order to explain the system functionality, especially related to the data input phase for a physical, procedural and financial monitoring of operations.



5. PROGRAMME COMMUNICATION AND INFORMATION

The Interreg V-A ITALIA MALTA programme contributes in the development and implementation of European Union actions aimed at strengthening the internal economic, social and territorial cohesion.

The programme supports the cross-border cooperation between Sicily and Malta and pursues the general objective to contribute to an intelligent, sustainable and inclusive growth at a cross-border level.

This objective takes into account the opportunities and challenges in the main sectors of interest within this area, related with the environment protection, land and sea safety, cultural heritage, quality of life and citizens' health.

The strategy and communication activities will contribute to the attainment of the general objective for the Interreg "V-A ITALIA MALTA" programme. In particular, the programme communication will contribute in increasing the awareness levels in relation to the programme and to inform the territory stakeholders about the opportunities offered by the programme.

The communication strategy covers the whole programming period and is drafted on the basis of the provisions pursuant to articles 115-117 of EU Regulation 1303/2013 of the European Parliament and Council of 17 December 2013 and Annex XII of the same Regulation.

The said Annex XII, "Information and communication on the support provided by the funds" of the EU Regulation no. 1303/2013 provides details about the beneficiaries' responsibilities in terms of information and communication.

The details related to the communication activities implemented at a central level by the Managing Authority, are listed below, in relation to the generation of certain provisions for the operation beneficiaries. In addition, details about the beneficiaries' obligations are provided, which originate from the above-mentioned EU Regulation no. 1303/2013.

5.1 THE PROGRAMME LOGO

Interreg is the identification brand of the European Territorial Cooperation, shared by mutual agreement amongst different cooperation programmes, by means of the INTERACT Programme of the European Commission.

The use of a common logo aims at strengthening the visibility and improves the general public's understanding related to cooperation programmes general action and specifically to the Italia-Malta programme.

The Interreg logo/name, within the 2014-2020 programming cycle will be used for all public communications related to the programme, projects, institutions, media, etc.





The official programme logo is the following:



The logo includes the mandatory elements described in EU Regulation no. 1303/2013 (emblem of the European Union and indication of the European Regional Development Fund) and adopts the common layout of the various programmes for European Territorial Cooperation, to the name of the programme and the previous logo, which had created a strong visual identity towards beneficiaries and the general public.

The conditions of use and the reproduction of the logo are defined by the INTERACT Programme and are integrated in the “Coordinated image manual of the Interreg V-A ITALIA MALTA Programme”, published on the website www.italiamalta.eu.

5.2 ACTIVITIES OF THE MANAGING AUTHORITY

In compliance with articles 115-117 and the Annex XII of the EU Regulation no. 1303/2013, the Managing Authority:

- a) draws up a communication strategy for the programme, within six months from its approval;
- b) ensures the creation of a single website for the programme providing information about the programme and its access;
- c) informs potential beneficiaries about funding opportunities within the framework of this programme;
- d) disseminates the role and achievements of the cohesion policy and funds, to European citizens, by means of information and communication actions;
- e) publishes on the website and updates, every six months, the list of operations funded by the programme;

The programme’s communication strategy includes the following elements, amongst others:

- a) a description of the adopted approach, including the main information and communication measures adopted by the Managing Authority for potential beneficiaries, actual beneficiaries and the general public;



- b) a description of materials that will be made available, in accessible formats, for people with disabilities;
- c) indicative financial resources for strategy implementation;
- d) a description of the administrative bodies, including human resources, which are responsible for the implementation of information and communication measures;
- e) description of the manner in which information and communication measures are assessed;
- f) annual update reporting on the information and communication activities to be carried out during the following year.

With regard to the information and communication measures for the general public, the Managing Authority is in charge of:

- a) organising a main information activity to publicise the launch of the operational programme;
- b) organising an annual main information activity promoting funding opportunities and presenting programme results;
- c) displaying the European Union emblem at their Headquarters;
- d) creating a single website that provides information about the programme and access to it;
- e) keeping and updating the list of operations, every six months, through the programme website, by means of an electronic sheet allowing to select, search, extract, compare data and publish them easily on the Internet, e.g. in CSV or XML format (in line with the provision of Art. 115(2) of EU Regulation 1303/2013).

With regard to potential beneficiaries, the Managing Authority ensures they have access to the following information:

- a) funding opportunities and the respective invitations to submit applications;
- b) conditions for eligibility of expenditure to be met in order to benefit from the support within the programme's framework;
- c) description of the selection procedures for operations and the respective deadlines;
- d) the respective selection criteria applied in each call;
- e) contacts at national, regional and local level to provide information about operational programmes;
- f) informing the general public, regarding the operation's objectives and the respective support provided by these funds.



Finally, the Managing Authority is in charge of the following information actions aimed at beneficiaries:

informing the beneficiaries that upon selection their operation with all the respective details will be included in the list of operations on the website, providing information and communication tools, including models in electronic format, to help beneficiaries adhering their information and communication obligations.

5.3 OBLIGATIONS OF BENEFICIARIES

All information and communication measures, by the beneficiaries, include:

- a) the emblem of the European Union, in accordance with the technical characteristics established in the EU Implementing Regulation no. 821/2014 (art. 4 and annex II) together with a reference to the European Union;
- b) a reference to the European Regional Development Fund that supports the programme.

The above-mentioned obligations, by the beneficiaries, are met through the creation of a project logo with the characteristics described in the "Coordinated image manual of the Interreg V-A ITALIA MALTA Programme", published on the website www.italiamalta.eu.

During the operation's implementation, the beneficiary informs the public about the support received by the Interreg V-A ITALIA-MALTA programme funds:

- a) providing, amongst others, a description of the operation, its objectives and results on the project's website by highlighting the financial support received from the European Union;
- b) placing a relatively large temporary board in an easily visible location for the public, during the operation's implementation, if the operation entails the funding of infrastructure or building operations requiring public support for a total exceeding EUR 500,000.

Within three months from the completion of an operation, the beneficiary displays a permanent plate or a large board in an easily visible location for the public, in the event that the operation deals with the purchase of a physical object or the funding of an infrastructure requiring public support for a total exceeding EUR 500,000.

The permanent plate, the temporary or permanent board should contain at least the following elements: name and main operation objective, emblem of the European Union, reference to the European Union in text and reference to the European Regional Development Fund. These elements should cover at least 25% of the permanent plate or the temporary or permanent board.

The description of the implementation modalities for different types of information and communication materials are described in the "Coordinated image manual of the Interreg V-A ITALIA MALTA Programme", published on the website www.italiamalta.eu.



6. FINANCIAL PLAN OF THE PROGRAMME

| Priority axis | % Axes/Total | Support from the Union (ERDF) | National Contribution | Total funding | Co-funding rate |
|---------------|--------------|-------------------------------|-----------------------|-------------------|-----------------|
| 1 | 30% | 13,185,651 | 2,326,880 | 15,512,531 | 85% |
| 2 | 17% | 7,471,869 | 1,318,566 | 8,790,435 | 85% |
| 3 | 46.17% | 20,294,651 | 3,581,409 | 23,876,060 | 85% |
| 4 | 6.83% | 3,000,000 | 529,412 | 3,529,412 | 85% |
| Total | | 43,952,171 | 7,756,267 | 51,708,438 | |

The funds available for the programme include the Community public co-funding of the European Regional Development Fund (ERDF) and the national contribution.

6.1 COMMUNITY CO-FUNDING (ERDF - EUROPEAN REGIONAL DEVELOPMENT FUND)

The share of the community public co-funding from the European Regional Development Fund (ERDF) is 85% of the available resources.

6.2 NATIONAL CONTRIBUTION

The share of the national contribution is 15% of the available resources.

For the Italian public and bodies governed by public law, the national contribution is assured and placed entirely under the Revolving Fund - ex Law no. 183/1987, which is managed by the Ministry of Economy and Finance - General Inspectorate for the Relations with the European Union (IGRUE), in application of the CIPE Resolution no. 10 of 28 January 2015.

For Italian private partners, the national contribution is assured by funds from the same partner participating to the project/s or by funds possibly guaranteed from other/s public body/ies.

The Maltese public partners should follow the guidelines stipulated in the MFIN Circular No 5/2014.

For all other categories of Maltese partners, the national contribution is assured by funds from the same partner or funds guaranteed by other/s public or private body/ies.



6.3 ADDITIONAL CO-FINANCING

The additional co-financing refers to resources owned by a body taking part in the project as a beneficiary that are added to the project's budget.

During the application form drafting phase, the amount for the additional co-financing, if any, should be indicated for each partner. In particular, each item of expenditure listed in the financial section, needs to specify whether it forms part or otherwise of additional co-financing.

The amounts considered as additional co-financing shall be properly accounted for in order to demonstrate their effective utilisation for the project objectives, but they are not eligible for reimbursement under the programme.



7. PROJECT GENERATION

In the 2014-2020 programming period, the INTERREG V-A Italia Malta programme promotes cooperation across a wide range of Sicilian and Maltese potential beneficiaries.

The programme has identified some principles intended to regulate the approved operations that represent the prerequisites for the creation of a healthy cross-border cooperation project within the INTERREG V-A Italia Malta programme framework.

Thematic focus

The thematic focus is one of the core principles of the territorial cooperation for the 2014-2020 programming period, therefore the INTERREG V-A Italia Malta programme will focus its support on interventions providing the highest added value in relation to the European Union strategy for an intelligent, sustainable and inclusive growth.

In this regard, the programme authorities selected 5 thematic objectives, out of the 11 proposed by the European Union, and 5 investment priorities. The choice for the thematic objectives and investment priorities has been made on the basis of a SWOT analysis, which led to the definition of common development needs, challenges and opportunities within the programme area.

The thematic goals and investment priorities are divided into 3 priority axis, which identify a total number of 5 specific objectives linked to investment priorities.

Each project and related activities will need to contribute to only one of the 5 thematic objectives identified by the programme: *Research and Innovation, Competitiveness of Small and Medium Enterprises (SME), Adaptation to climate change/Risk management and prevention, Environment protection, Employment and worker mobility.*

The interventions may be focused on just one specific programme objective related to a single investment priority. The project's general objective should be strictly linked to the programme's specific objective.

Orientation towards results

For the 2014-2020 period, the European Union requires programmes to implement a result-oriented intervention logic, in order to demonstrate the programme's contribution to the European strategy for an intelligent, sustainable and inclusive growth.

In this regard, the programme has defined a set of results and outputs, for each specific objective, with their respective indicators that represent and quantify the same programme targets at the end of the 2014-2020 programming cycle to provide its contribution to the European strategy.

These results will be reached through the input of selected operations



The INTERREG V-A Italia Malta programme will fund projects that can demonstrate the implementation of clearly quantifiable and verifiable outputs, giving rise to concrete and visible results, for the benefit of the cross-border territory.

As indicated above, the project's results should be strictly linked to the programme's outputs and results as a whole.

More specifically, the contribution to the expected result for the programme and its respective indicator should be clearly outlined and described for each project result. Taking into consideration that each project can select a maximum of three expected results, it is emphasised that at least one of them should be quantified by using the same unit of measurement as the programme result indicator.

Similarly, each project output should be closely linked to the respective programme output indicator.

As indicated above, the importance of these two fundamental aspects in the project drafting are being reiterated:

1. the choice of outputs, results and relative project indicators, which are closely linked to the outputs, results and respective programme indicators.
2. the choice of realistic, achievable and clearly measurable output and result indicators.

➤ **Cross-border characteristics**

Projects implemented within the INTERREG V-A Italia Malta programme framework should guarantee the attainment of results for the benefit of the entire programme area.

In particular, partnership companies and project activities should face common challenges in both territories, through the development of solutions that go beyond the practices already applied to the Programme thematic/area.

The project should address objectives that cannot be reached efficiently by acting exclusively at a local/regional/national level and shall describe the advantages for the partners/target groups/area of the Programme that would benefit through the adoption of a cross-border approach.

The project shall be required to apply at least three of the four cooperation criteria described below:

Joint development – The partners and lead partner will carry out and implement the activities outlined in the project proposal in a joint manner, by means of technical meetings and/or operational meetings.

Joint implementation - Through the identification of their respective tasks and roles, the partners and lead partner should support the realisation of cross-border project activities. This division of



roles and tasks shall always keep in consideration the technical and institutional specificities of the partners and the cross-border nature.

Joint personnel – The partners and lead partner will organise the project in order that it does not generate any overlapping and/or duplication of roles and functions in the partners' pool of personnel. Therefore, in accordance with the lead partner principal, a Project Coordinator and a Financial Manager can be recruited in order to operate on behalf of the entire partnership within the Lead Partner's Headquarters, in the WP 1 "Project management" framework.

Joint funding – The partners and lead partner have one single and joint financial plan for the project and funds are allocated to all the partners. The funding is divided amongst the Italian and Maltese partners in a way that is suitable for their respective activities and the results to be reached. Therefore, in accordance to the principle of "joint implementation", it will be up to the partner in charge of a specific activity to coordinate the various activities and their respective funding with other partners, in order to avoid duplication and/or repeated actions.

➤ **Development needs in the cooperation field**

To reach the general objective of the programme and to maximise the added value arising from cross-border maritime cooperation, taking into consideration the strategies contained in the Italian and Maltese Partnership Agreement, it is necessary to concentrate resources on the following development requirements that are relevant across all the investment priorities axis:

- ✓ **Environment protection:** protection of the environment, waste management and its efficient use, development of technologies for the creation of new products, including energy, arising from recycling waste materials, promotion of new building solutions, technologies and high-performance materials, control and reduction of pollution factors .
- ✓ **Land and sea safety:** development of new safety systems and technologies, monitoring, reclamation and conservation of marine and coastal environment, development of integrated innovative systems for the management of emergencies, defence and safety on land and sea.
- ✓ **Cultural heritage:** development of new technological solutions for diagnosis, restoration, conservation, digitalisation, accessibility to material/immaterial cultural assets in order to enhance their environmental, touristic and cultural impact and to favour the integration between innovative private and public services within the cities.
- ✓ **Quality of life and citizens' health:** development of innovative technological solutions, pilot products and systems to redesign home life environments on the basis of Ambient Intelligence and Ambient Assisted Living, in order to guarantee a better quality of life, inclusion, safety, autonomy of disabled people, e-health services and improvement of the interaction with health structures.

➤ **KETs - Key Enabling Technologies**



Key Enabling Technologies are knowledge-intensive activities used to enhance Research and Development (R&D) that are able to innovate processes, products and services in all economic sectors of human activities and to improve competitiveness in the European market.

The INTERREG V-A Italia Malta programme, in line with the “*Regional Innovation Strategy for intelligent specialisation - SRI3 Sicily*” and “*Malta’s Research and Innovation Strategy - RIS 3 Strategy*”, aims at promoting timely and targeted interventions to provide specialisation within the area territories, by means of the following Key Enabling Technologies:

- 1) electronics;**
- 2) mechatronics;**
- 3) micro- and nano-systems;**
- 4) biotechnologies applied to human health.**

Each projects shall describe the KET/s that will be used to meet one or more development needs in the cooperation field, in accordance to the specific selected objective:

- 1) environment protection,**
 - 2) land and sea safety,**
 - 3) cultural heritage,**
 - 4) quality of life and citizens' health**
- **Sustainability and transferability**

The INTERREG V-A Italia Malta programme aims at ensuring that the output and results reached by the projects have a long-term impact on the cross-border territory.

Each project shall provide concrete measures, such as the identification of suitable institutional structures, financial and human resources, etc., to be adopted during and after the implementation of the project, in order to guarantee and/or enhance sustainability of attained results and outputs.

During the project design phase, the provisions of art. 71 of the EU Regulation 1303/2013 should be taken into consideration: beneficiaries of operations are bound to ensure the stability of the financial operation for 3, 5 or 10 years after its finalisation, in accordance to the nature of the operation. If this provision is not adhered to then the amounts paid for the operations will be recovered in proportion to the period in which the requirements were not met.

Each project shall also state if and how it will be possible to transfer outputs and results to other organisations/territories, in addition to the partnership that carried out the project.

The project must be able to transfer the project’s outputs/results to similar subjects or territories having the same development needs that were faced by the project during its implementation.



7.1 LOGIC OF INTERVENTION

The intervention logic for a project should be strictly linked to the intervention logic of the INTERREG V-A Italia Malta programme,

The project idea should find a common development requirement within the involved territories by means of concrete actions to develop common, innovative and sustainable solutions.

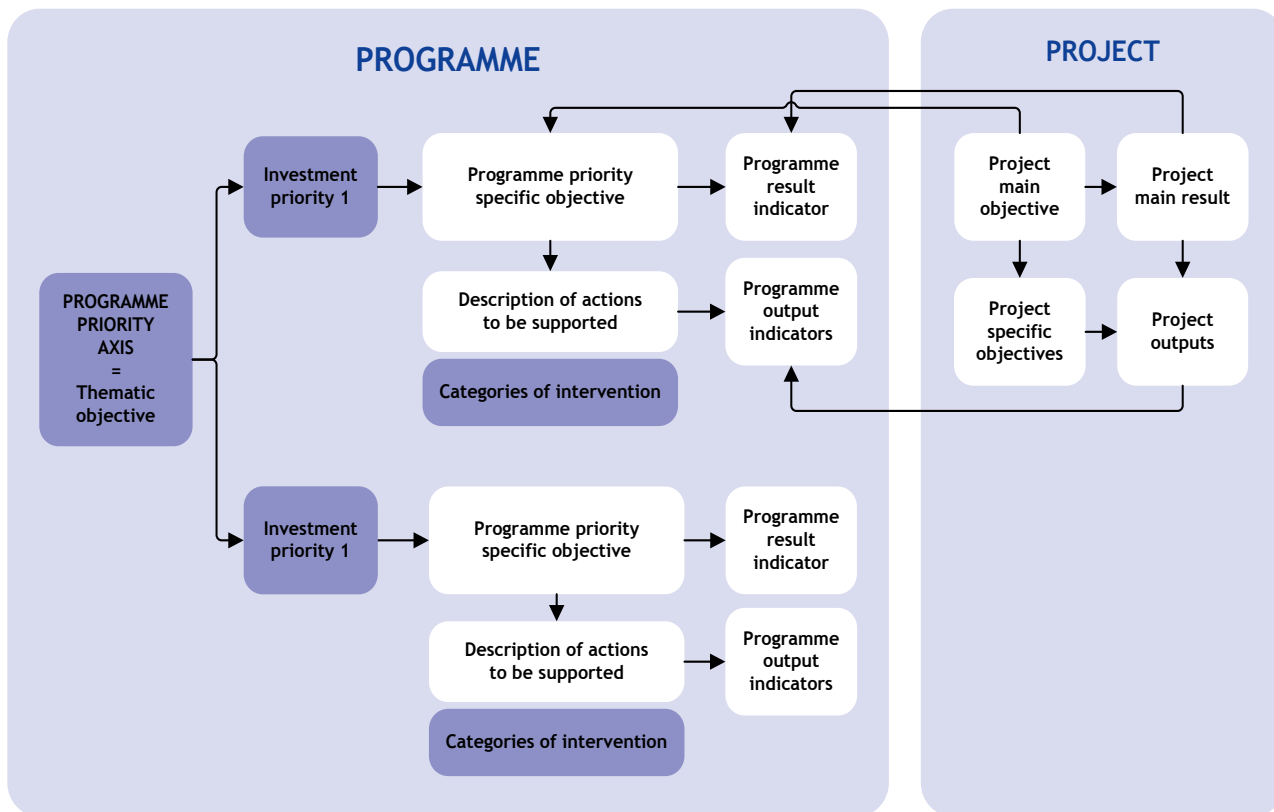
The creation of the general objective for the project and expected results should contribute to the achievement of the specific objective and results of programme's investment priorities.

The link between expected result/s of the project and the result indicator of the programme should be clearly identified, described and measured, in line with the description in paragraph 7.

Each specific project objective is linked to one or more output programme indicators and therefore the unit of measurement for the output project indicator should be linked to the programme output indicator.

The picture below shows the project intervention logic, which is closely linked to the programme intervention logic. The scheme was elaborated by the INTERACT programme, in the working document "*HARMONISED IMPLEMENTATION TOOLS FOR ETC PROGRAMMES – Establishing ETC Programme logic and linking Programme and Project Intervention Logics*".





7.2 PROJECT CHARACTERISTICS

Each project of the INTERREG V-A Italia Malta programme is divided into different *WORKPACKAGES* (WP) and *ACTIVITIES* producing *OUTPUTS* (project results) and *DELIVERABLES* (final products).

A partner is appointed in charge of each WP, with one or more partners contributing to its implementation, each having specific functions and tasks that shall be described in the application form.

The WP project (for a maximum of six, with two being mandatory) are work packages composed by a variable number of activities; start and end months should be indicated, as well as the total budgetary allocated for its implementation.

In case of "targeted call", the WPs that can be foreseen within the project are only those expressly provided for by the same Public Notice, under penalty of inadmissibility of the proposal itself to the evaluation phase. Furthermore, in case of targeted calls, each potential lead partner may present a project proposal in line with the provisions included in the Public Notice as indicated in "project purposes" and "project characteristics", under penalty of inadmissibility of the proposal to the evaluation phase



Each WP project produces a defined number of project outputs on the basis of activities included in the project. The output indicator of the programme it refers to should be indicated for each project output.

All the activities that make up each WP have a start and end date and are closely linked to one or more products (deliverables) that each activity carries out.

All the deliverables, together, make up the output.

Refer to the paragraph 7.3 below for detailed definitions of output, results and deliverables.

During the project's drafting phase, two mandatory work packages have to be prepared: WP1 "Project management" and WP2 "Communication activity". The other WP (up to a maximum of 4) shall include the description of the project core. Finally, there is the optional possibility to draw up the WP0 "Project preparation" and the WP "Investments", if relevant.

WP0 "Project preparation" (optional)

The activities aimed at the drafting and presentation of the application form may be included in this WP.

The type of eligible expenses for the WP0 implementation is exclusively limited to "staff costs", "travel and accommodation fees" and "external services and consultancy services costs". It is noted that the costs for the preparation of the project, duly justified and documented, cannot exceed the total value of €20,000.

Having regard to the eligibility costs related to WP0, please see section 9.4.2.

WP1 "Project management" (compulsory)

This WP project includes the description of modalities used to manage the project at a strategic and operational level, with specific reference to the following aspects:

- structure, responsibility and procedures for the daily management and coordination of the project;
- communication within the partnership;
- reporting as well as monitoring and evaluation procedures;
- quality and risk management.

By way of example, some typical WP1 "Project management" activities are listed below, together with the linked deliverables.



| Example of activity | Example of deliverable |
|---|--|
| Administrative and financial management | Internal regulation of the Steering Committee Guide lines for the internal coordination of the project Convening meetings Signature sheets + minutes accounting of 1 st period accounting of 2 nd period reimbursement application no. 1 reimbursement application no. 2 ... |

All activities and deliverables shall be carefully described in the application form.

WP2 “Communication activities” (compulsory)

The activities included in this WP refer to communication, information and dissemination actions of the project and its obtained results, in addition to the involvement of the project's target group.

The WP shall identify 1 or a maximum of 2 communication objectives for each project target and shall specify the modalities to be used to reach the project's target groups.

Actions in this WP should also be oriented towards the enhancement and capitalisation of the attained results, in order to allow the INTERREG V-A Italia Malta programme to share these results and integrate them with the mainstream programmes within the programme's area.

By way of example, some typical WP2 "Communication activities" activities are listed below, together with their deliverables.

| Example of activity | Example of deliverable |
|--|--|
| Internal and external communication with the project | Communication plan Guidelines for the internal communication coordination with the project ... |
| Dissemination | Leaflets |



| | |
|-----------------------|---|
| | Posters Brochures ... |
| Exchange of knowledge | Thematic reports Meeting reports Meetings with specific target groups Reports of thematic workshops ... |

All activities and deliverables shall be carefully described in the application form.

7.3 WORK PACKAGE, ACTIVITY, FINAL PRODUCT, OUTPUT, RESULT

Work package: activities delivering products (deliverables), aiming at the realisation of an output. (E.g.: WP 2 project communication)

Activity: a component of the work package delivering products (deliverables). (E.g. activity 2.1 organising info days related to the risk prevention activities)

Deliverable: specific product delivered within the framework of an activity, which represents concrete evidence. A deliverable and/or a set of deliverables from the same activity contribute to the physical implementation of the project output. (E.g.: signature sheet + minutes, etc.)

Output: numerically quantifies the actual production through the funding of an activity arising from one or more deliverables. (E.g.: no. 1 info day organised). The output contributes to the achievement of the project result.

Result: the concrete advantage produced by the achievement of an output, to the benefit of the cross-border territory. The result, expressed in qualitative terms, measures a change/improvement from an initial condition. (E.g.: 20 people trained in relation to risk prevention activities).

7.4 PARTNERSHIP

Participation to the programme is open to public, public equivalent and private beneficiaries having a registered office within the Programme's eligible area.

If the registered office is not located inside the programme area, then the beneficiary has to demonstrate the existence of a premises within the programme's eligible territory, i.e. an operational and administrative structure with suitable specific equipment and qualified staff for the implementation of activities included in their institutional mission. In addition, the beneficiary shall



guarantee that the premises will remain within the eligible territory for at least 5 years after the project's conclusion date.

The quality of a project is closely linked to the quality of the established partnership. A good partnership shall gather competent institutional abilities on the subjects dealt within the project, in order to reach the set targets.

The following aspects should be taken into account when establishing a partnership (lead partner and partner):

- The partnership has to involve at least two (2) beneficiaries, one from Sicily and one from Malta, and in any case with a maximum of 8 beneficiaries;
- Importance of the partnership with regard to the project objectives;
- Partnership skills that are relevant to the expected results;
- Distribution of activities amongst the partnership members, in accordance with the individual competences of each partner;
- Involvement of the entire partnership during the project drafting phase;
- Financial capacities of the partnership that will ensure the launch of the activities and expenses by each partner from the day following the signature of the subsidy contract / partnership agreement.

The entities whose “main activities” are exclusively linked in project coordination, management, communication activities or support to other entities cannot be involved as project partners but should be contracted by means of a procurement procedures.

The partners' suitability is verified during the qualitative verification phase of the project.

The list of beneficiaries that are eligible for each priority axis is specified within each Public Notice for the selection of cooperation projects. Beneficiaries can be public entities, public equivalent entities or private bodies in order to participate in the programme.

The Directive 2014/24/EU of the European Parliament and Council of 26 February 2014 related to public procurement defines the “**contracting authorities**” and the “**bodies governed by public law**” (public equivalent entities).

| | |
|---------------------------------------|--|
| <p>Contracting authorities</p> | <p>The State, regional or local authorities, public entities or associations incorporated by one or more similar authorities or by one or more similar public equivalent entities.</p> |
|---------------------------------------|--|



| | |
|--|--|
| <p>Bodies governed by public law (public equivalent entities)</p> | <p>Entities having the following characteristics:</p> <p>a) they were created to meet specific needs of general interest and their nature is neither industrial nor commercial.</p> <p>b) they have a legal personality; and</p> <p>c) they are mostly funded by the State, regional or local authorities or other public law entities, or their management is supervised by these authorities or entities, or at least half of the members of their administration, management or monitoring body are appointed by the State, regional or local authorities or other public law entities.</p> |
|--|--|

The beneficiaries that do not fall within the above-mentioned categories are considered as "private".

7.5 LOCATION OF ACTIVITIES

The cooperation programme eligible area includes the NUTS III territories referred to in the Implementation Decision of the European Commission of 16/06/2014. More specifically, the area of the programme is:

For Italy

Sicily - NUTS 3 areas: Palermo, Trapani, Caltanissetta, Agrigento, Ragusa, Siracusa, Enna, Catania and Messina.

For Malta

The entire territory of the Maltese Islands.

In duly motivated cases, the Programme can finance the implementation of a part of the operations outside the programme eligible area, as envisaged by art. 20 of EU Regulation no. 1299/2013. The total value of activities carried out outside eligible areas cannot exceed 20% of ERDF resources earmarked for the project.

The activities carried out by the lead partner or by the partners in the EU regions that do not belong to the eligible areas of the INTERREG V-A Italia Malta programme - e.g. the participation in missions, study visits or events - are only eligible in exceptional and duly justified cases.

In particular, the following requirements must be justified:

- The activity is meant for the benefit of the programme area
- The activity is an essential instrument for the project's implementation



- The activity is included in the project's application form or, if this is not the case, it has been authorised beforehand by the Managing Authority.

However, in any case, activities carried out outside the programme area should be limited as much as possible.



8. SELECTION OF PROJECTS

The operation evaluation and selection system is based on established common principles at a cross-border level related to the notices that will be published (projects notices, "targeted call", etc.).

The modalities, requirements and rules will be detailed in every published notice.

The Application Forms are evaluated by the Steering Committee in accordance with a preparatory assessment performed by the Joint Secretariat (JS). The evaluation is based on objective criteria specified in the selection criteria approved by the Monitoring Committee before the publication of notices. The Monitoring Committee (MC) shall ratify the outcomes of the assessment performed by the Steering Committee.

In case of specific public notices, the Monitoring Committee (MC) may also approve negotiation forms with potential beneficiaries after the presentation of the concept note (if applicable).

For all types of public notices (Application Form presentation – 1st phase or concept note (if applicable) presentation followed by the Application Form presentation – 2nd phase), the JS shall check the eligibility requirements that will be followed by a qualitative evaluation of the Application Form.

Once the projects have been selected, the MA shall conclude the selection process and will inform the lead partners about the evaluation outcome. The MA will then invite them to sign the "*subsidy contract*" accompanied by the "*partnership agreement*" and will then launch the projects, followed by the start of implementation.

8.1 PROJECT SELECTION PROCEDURE– ONE STEP

The cooperation projects created by the "*one step*" procedure refer to specific, concrete and feasible proposals consisting of at least two beneficiaries belonging to both Member States that, through a set of integrated actions, shall cooperate directly to achieve specific goals as well as the outcomes corresponding to a pre-established investment priority envisaged by the programme priority axis.

Within the project partnership, one of the beneficiaries must take on the role of the lead partner. The partners and lead partner commit themselves reciprocally through a *Partnership Agreement*. The lead partner shall sign a *Subsidy Contract* with the MA and shall represent the entire partnership ensuring the fulfilment of the implementation commitments in accordance with the community and national rules.

With reference to the financial allocations of the project proposals and the selection procedures (verification of admissibility compliance and quality check), reference should be made to the provisions that will be specified within each public notice for presentation of co-operation projects.



9. PROJECT MANAGEMENT

The INTERREG V-A Italia Malta programme funds are aimed at financing activities that rigorously adopt a strong approach aimed at obtaining measurable results, which are directly connected to the challenges and development needs of the cross-border area.

Each beneficiary shall use the resources dedicated to the project in accordance with the *sound financial management principle*, i.e. in accordance with the economical, efficiency and effectiveness principles.

In accordance with the economical principle, the resources used by the beneficiary in the implementation of their activities should be aimed at acquiring the best quality at the best price. Allocations for the implementation of works, services and goods shall also respect the principles of free competition, equality of treatment, non-discrimination, transparency, proportionality and publicity envisaged by community, national and regional law. According to the principle of efficiency, the best relationship between utilised resources and the respective results achieved must be found. The principle of effectiveness deals with the attainment of the respective objective and achievement of the envisaged results.

9.1 BENEFICIARIES OBLIGATIONS

9.1.1 Lead partner

The INTERREG V-A Italia Malta programme applies the *Lead Partner Principle* referred to in art. 13 of EU Regulation 1299/2013. Therefore, while drafting the project, the partnership designates a lead partner that will assume responsibility for the implementation of the whole operation.

The lead partner's main tasks consist of the following:

- coordination of the project in accordance with the *sound financial management principle*, i.e. in accordance to the economical, efficiency and effectiveness principles;
- being the only point of contact with the Managing Authority, the Joint Secretariat and the Certification Authority;
- coordination of all beneficiaries within the project.

The lead partner performs the following functions:

- ensuring that expenses claimed by all the beneficiaries are related with the implementation of the project as well as with the activities agreed upon by all the beneficiaries;
- ensuring that expenses claimed by the other beneficiaries have been verified by the controllers;



- ensuring that the other beneficiaries receive the total amount of the funds as swiftly as possible. No amount shall be deducted or withheld and no specific fees or other amounts that may reduce the allocated sums shall be charged in favour of the other beneficiaries;
- informing the partners about the outcome of the preliminary stage as well as the decisions made by the Monitoring Committee/ Steering Committee. They also inform the Managing Authority about the acceptance of the adopted amendments and provisions;
- organising the coordinated project launch and ensuring that the activities are implemented in line with the modalities and timeframes indicated in the application form;
- informing the Managing Authority about the project launch date;
- assuring the Managing Authority that the implementation of a separate accounting system or an appropriate accounting codification shall be applied;
- regularly informing the Managing Authority about the project's physical, administrative and financial progress that is essential to the monitoring system implementation;
- is responsible for the project's progress in terms of physical implementation and, in particular, is responsible for the ERDF granted by the Managing Authority;
- is also responsible towards the MA for the recovery of the allocated sums in case of irregularities.

The lead partner signs a *subsidy contract* with the *Managing Authority* that will outline their obligations, responsibilities and functions.

The lead partner ensures an appropriate internal communication flow within the partnership and guarantees an effective exchange of information that allows all beneficiaries to work in the best possible way to achieve the project objectives.

The relationship between the lead partner and the project partners, in terms of obligations and responsibilities, are disciplined by the "*partnership agreement*".

The respective templates related to the "*subsidy contract*" and the "*partnership agreement*" will be made available by the Managing Authority.

In order to fulfil their obligations as well as the above-mentioned activities, the lead partner and the beneficiaries of the project must possess adequate technical, institutional and managing competences as well as sound financial abilities.

Institutional and technical competences, necessary for the project and the proposed actions that must be documented with a list of the beneficiary's main operational activity sectors, by emphasising the most relevant technical and institutional abilities related to the project



implementation.

Project management and partnership coordination competences that need to be verified by means of information related to the beneficiary's structure and organisation, including the function and organisation charts, the structures, the equipment and the project implementation sites.

Financial ability in order to support the funding of applicable project activities, thus opening a budgetary line item dedicated to expenditure related to the project implementation, following its approval, and a separate accounting system. In addition, the lead partner shall endorse a formal administrative document in order to approve the project that must indicate the overall budgetary amount.

9.1.2 Partners

The project partners are public, public equivalent, or private subjects having a legal personality who:

- sign and undertake to fulfil the obligations referred to in the "partnership agreement";
- are indicated as partners in the application form, in the "*partnership agreement contract by the partners*", in the "*funding contract*" and are entitled to a part of the resources earmarked for the project, following its approval;
- perform the proposed activities and support the corresponding costs;
- receive ERDF contributions and are responsible for their use.

The partners accept the technical and administrative coordination by the lead partner in order to allow the latter to fulfil the obligations towards the Managing Authority and the programme bodies.

They undertake to:

- swiftly answer requests for information and provide supplementary documents necessary for the preliminary investigation phase;
- inform the lead partner about their consent and possibly amend the project if necessary;
- perform all activities in accordance with the modalities and timeframes set forth in the project file;
- inform the lead partner about the project's physical, administrative and financial progress that is essential to the monitoring system implementation;
- account for the received ERDF.



Each beneficiary partner must possess adequate technical, institutional and managing competences as well as sound financial abilities in line with the table indicated in the previous paragraph.

9.1.3 Associated partners

The term indicates the entities involved in the project without financial compensation. They are involved in the partnership by means of a “Memorandum of un Understanding” attached to the application form.

Such partners do not receive an ERDF funding; they must use their own funds and cannot be taken into consideration for the obligations related to the project partnership.

The associated partners are typically the stakeholders related to the project objectives. More specifically, they are interested parties within the project objectives or in the achievement of results as long as this does not go against the norms related to public tenders.

Therefore, a project partner cannot delegate the performance of the project activities, or some of its parts, to an associated partner.

In duly justified cases, the programme Authorities can allow the inclusion, in the project costs, the participation of an associated partner in some project activities (e.g. travel and accommodation expenses in order to take part in project meetings).

9.2 ADVANCE PAYMENT TO START THE ACTIVITIES

The Financial resources (ERDF and NC³) made available by the programme following the funding of a project are allotted exclusively by way of reimbursement for the expenses effectively borne by the beneficiaries and deemed eligible pursuant to EU Delegated Regulation no. 481 of the European Commission of 4 March 2014 by the programme competent bodies.

Resources can be advanced up to 50% of the ERDF for each partner within the approved project. The following tranche will be equal to 30% of the budget, will be transferred to the partners who will have utilised and certified, the entire previously advanced balance.

The beneficiaries will receive advanced balances within approximately 3 months from the presentation of the request to the MA made by the lead partner on behalf of the other partners.

Without prejudice to the possibility to receive the above-mentioned advance, each beneficiary (Lead Partner and Partners) must ensure - following the approval of the project proposal - the necessary financial resources to start up the project activities.

³ In the case of Maltese partners, the reimbursement of funds will consist only of ERDF.



In case of State Aid, the advance payment eventually paid should be in line with the provisions of Art. 131. 4 of the Reg. 1303/2013 which establishes that:

- a. advances are subject to a guarantee and
- b. advances do not exceed 40 % of the total amount of the aid to be granted to a beneficiary for a given operation

Possible delays in the allocation of the advanced funds by the MA cannot be used by the beneficiaries (Lead Partner and Partners) as a barrier to the achievement of expenditure targets, the objectives and the outputs for each Work package as stipulated by the "*subsidy contract*" and the "*partnership agreement*".

9.3 TRANSFER OF PUBLIC RESOURCES

Within the INTERREG V-A Italia Malta programme, projects eligible for financing receive an ERDF co-financing contribution equal to 85% of the approved budget.

Each project partner, under penalty of inadmissibility of the proposal, shall guarantee the commitment of the remaining national contribution share (NC), equal to 15% of the approved budget, by means of "letter of intent and co-financing". Under the CIPE resolution No. 10 of 28 January 2015, financial coverage amounting to 15% of the Italian beneficiaries' budget is charged to the rotation Fund, except for the one charged to private subjects.

The Managing Authority will provide the lead partner with their ERDF share corresponding to the advanced sum and/or reimbursement. The lead partner shall swiftly (within 30 days) transfer the ERDF amounts to the partners, in accordance to the advanced sum received by the MA or the expenditure effectively borne, verified by first level controller as well as by the Managing Authority. The lead partner must prove to the MA that the ERDF resources have been transferred to the partners successfully.

The Managing Authority will also transfer the NC share to the entitled Italian partners, as stipulated by the CIPE Resolution no. 10 of 28 January 2015.

The private partners will ensure the national contribution share through their own resources. Alternatively, a third party (either internal or external to the partnership, public or private) shall ensure the national contribution share of the project private partner.

The public Maltese partners must act in accordance with the guidelines contained in the MFIN Circular No 5/2014.

All the other categories of Maltese partners will ensure the national contribution share through their own resources or, alternatively, through a third party (either internal or external to the partnership, public or private).

9.4 ELIGIBLE EXPENSES



9.4.1 General principles

The principles regarding expenses admissibility are disciplined by the following regulations:

- EU Regulation No. 1303/2013 of the European Parliament and Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, on the Cohesion Fund, the European Agricultural Fund for Rural Development, 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 - articles 65-71;
- EU Regulation no. 1299/2013 of the European Parliament and the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal - articles 18-19;
- EU Delegated Regulation no. 481/2014 of the Commission of 4 March 2014 integrating EU Regulation no. 1299/2013 of the European Parliament and of the Council with regard to specific rules on eligibility of expenditure for cooperation programmes - articles 1-7.

The expenditure submitted by beneficiaries must fall within one of the categories listed below:

- a) staff costs;
- b) office and administrative expenditure;
- c) travel and accommodation costs;
- d) external expertise and services costs;
- e) equipment expenditure;
- f) infrastructure expenditure.

The items of expenditure "staff costs", "travel and accommodation costs", " external expertise and services costs ", "equipment expenditure" and "infrastructure expenditure" represent direct costs, i.e. costs that are directly linked to a specific project activity, whose direct link can be proven.

The item "office and administrative expenditure" represents an indirect cost, i.e. a cost whose specific link to a project activity cannot be proven.

The public notice for the selection of projects could establish that some categories of expenditure do not apply.

9.4.2 Eligibility of costs



Costs eligibility within the project commences upon receipt by the lead partner of the notification of eligibility for financing issued by the Managing Authority.

The "*subsidy contract*" and the "*partnership agreement*" shall contain the exact launch date of the activities. The formal eligibility of project costs shall commence upon this date.

The Partnership can decide whether to match the notification date by the MA with the formal launch of the project activities. In any case, the project launch date cannot be established later than 30 calendar days following the notification date.

The closure date of the project, which must be indicated in both the "*subsidy contract*" and "*partnership agreement*", shall coincide with the closure of formal costs eligibility. More specifically, the costs issued before the closure of the project are still considered eligible.

Any supporting document for expenditure issued the day after the project closure will not be considered eligible, will not be reimbursed by the programme and the payment will rely on the partner's resources through their own budget.

The closure of all financial circuits - payments and payment receipts - must take place within 40 calendar days following the date of the project closure.

The costs from the WP0 " preparatory costs" (optional), concerning "staff costs", "travel and accommodation costs" as well as "consultancy and external services costs" are eligible from the publication date of the public notice for the projects selection until the deadline for the presentation of projects proposals.

The costs related to the project preparation are eligible only if expressly included in the project application form and subject to the condition that the project has been approved by the competent programme bodies.

The maximum amount for the preparatory costs is capped at € 20.000.

9.4.3 Real and Simplified Costs

The beneficiaries' expenses can be claimed in accordance to the **real costs** or through the adoption of one of the options related to **simplified costs**.

The expenses claimed in accordance to "real costs" are accounted for through the presentation of all supporting documents related to the costs and payments, up to the claimed amount.

The expenses claimed using "simplified costs" are calculated in relation to a flat rate and the presentation of supporting documents is not required during the accounting stage. However, the beneficiary must retain all proof of payment that could be provided to the programme Authorities upon request.



The expenses that fall under "staff costs" category can be accounted for at real costs or through the simplified costs option. During the project presentation phase, the *application form* must indicate the way each beneficiary intends to account for the above-mentioned costs.

The expenses that fall under the "office and administrative expenditure" category can be exclusively accounted through the simplified costs option.

The expenses that fall under the "travel and accommodation costs", " external expertise and services costs", "equipment expenditure" and "infrastructure expenditure" categories can be exclusively reported as real costs.

With reference to the Public Notice 1/2016 for the presentation of cooperation projects with a "one step" procedure based on the Priority Axis I, II, III of the INTERREG V - A Italy Malta programme, a summary table which highlights the possibility of using real costs and simplified costs is presented here below.

| Item of expenditure | Cost | Accounting Modality | |
|--|----------|--|--|
| Staff costs | direct | Flat rate equal to 20% of other direct costs (art.19 Reg. 1299/2013) | or Real cost, up to 40% of direct costs |
| Office and administrative expenditure | indirect | Flat rate equal to 10% of staff costs (art. 68 para. 1 lett. b Reg. 1304/2013) | |
| Travel and accommodation costs | direct | Real cost | |
| External expertise and services costs | direct | Real cost | |
| Equipment expenditure | direct | Real cost | |
| Infrastructure expenditure | direct | Real cost | |

With reference to public notices for targeted calls, the possibility of using real costs and simplified costs and the relative percentages of use will be disciplined by the Public Notice.

9.5 EXPENDITURE CATEGORIES



9.5.1 Staff costs

The expenses related to staff are limited to the following:

- a) salary payments related to the activities which the entity would not carry out if the operation concerned was not undertaken, fixed in an employment/work contract;
- b) any other costs directly linked to salary payments incurred and paid by the employer, such as employment taxes and social security including pensions provided that they are:
 - i. fixed in an employment document or by law;
 - ii. in accordance with the legislation referred to in the employment document and with standard practices in the country and/or organisation where the individual staff member is actually working;
 - iii. not recoverable by the employer.

The staff costs may be reimbursed either:

- a) as a flat rate in accordance with article 19 of regulation (EU) no. 1299/2013, by applying a flat rate of up to 20% of the direct costs other than the staff costs. The public notice for the selection of projects could set a lower percentage than 20%.
- b) on a real cost basis, up to 40% of direct costs, unless different provisions of the public notice for the selection of projects

The choice must be made when presenting the project and cannot be changed after the project has been approved. The partnership agreement contract and the funding contract indicate the option chosen by each beneficiary.

Flat rate of up to 20% of other direct costs

In accordance with art. 19 of EU Regulation no. 1299 of 17 December 2013, the staff costs borne by a project partner can be calculated on a flat rate basis for an amount of up to 20% of the direct costs other than staff costs incurred by the beneficiary for the operation.

By adopting this option, the beneficiaries are not required to submit supporting documentation related to staff. However, the beneficiary must retain all proof of payment that could be provided to the programme Authorities upon request.

Real costs up to 40% of direct costs

The staff costs can be claimed in accordance to the real costs and are limited up to 40% of the direct costs for each beneficiary.

Staff can take part in the operation:



- a) on a full-time basis;
- b) on a part-time basis with a flexible number of hours worked per month;

The staff costs related to **part-time** staff are calculated as a flexible share of the gross employment cost, in line with a number of hours varying from one month to the other worked on the operation, based on a time registration system covering 100 % of the working time of the employee.

Reimbursement of part-time staff costs is calculated in accordance to an hourly rate determined by dividing the most recent and documented yearly gross labour cost by 1,720 hours. The hourly rate is multiplied by the number of hours worked within the project.

Through this modality, the staff unit has to draw up a monthly time sheet report that includes the activities carried out and the number of hours dedicated to the project compared to the employee's overall number of hours.

The provisions referred to in this paragraph may be amended due to possible regulations issued by the national legislator in respect of labour and contractual forms.

9.5.2 Office and administrative expenditure

The office and administrative expenditure is limited to the following items:

- a) office rent;
- b) insurance and taxes to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances);
- c) utilities (e.g. electricity, heating, water);
- d) office supplies;
- e) general accounting provided inside the beneficiary organisation;
- f) archives;
- g) maintenance, cleaning and repairs;
- h) security;
- i) IT systems;
- j) communication (e.g. telephone, fax, Internet, postal services, business cards);
- k) bank charges for opening and administering the account or accounts where the implementation of an operation requires a separate account to be opened;
- l) charges for transnational financial transactions.



With regard to office expenditure and administrative costs, each partner will apply the flat rate amounting to 10% of staff costs.

Flat rate amounting to 10 % of staff costs

In accordance with art. 68 par. 1 lett. b) of EU Regulation 1303 of 17 December 2013, the office and administrative costs borne by a beneficiary involved in a project can be calculated at a flat rate equal to 10% of staff direct costs borne by each beneficiary.

By adopting this option, the beneficiaries are not required to submit supporting documentation related to office and administrative costs. However, the beneficiary is required to keep all the supporting documentation justifying the expenses and payments that must be submitted to the programme Authorities upon request.

9.5.3 Travel and accommodation costs

Only the real costs related to travel and accommodation are eligible and these are limited to the following items:

- a) travel costs (e.g. tickets, travel and car insurance, fuel, car mileage, toll, and parking fees);
- b) the costs of meals;
- c) accommodation costs;
- d) visas costs;
- e) daily allowances.

The above-mentioned costs are eligible only if they are included in the regulations/internal memoranda in force at the beneficiary's offices.

The regulations/circulars envisaged for the Sicilian Region staff shall be applied for the Italian beneficiaries that don't have specific rules related to travel and accommodation costs. The Maltese national regulations shall apply for Maltese beneficiaries.

Any element listed from a) to d) that are covered by a per diem/daily allowance shall not be reimbursed in addition to the daily allowance.

The travel and accommodation expenses of external experts and service providers fall under external expertise and services costs. Therefore, they must be reported in the " external expertise and services costs" category, as detailed in par. 9.5.4.

The missions performed by the project partners outside the Programme area must be clearly justified by proving their relation with the project activities and must also be authorised in advance. Missions carried out outside the EU area are not considered eligible.



9.5.4 External expertise and services costs

Only real costs related to consultancy and external services are eligible.

These are limited to the consultancy services listed below. Such services must be provided by a public, public equivalent or private subject, or by a natural person other than the beneficiary involved in the project;

- a) studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- b) training;
- c) translations;
- d) IT systems and website development, modifications and updates;
- e) promotion, communication, publicity or information linked to an operation;
- f) financial management;
- g) services related to the organisation and implementation of events or meetings (including rents, catering or interpretation);
- h) participation in events (e.g. registration fees);
- i) legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services *including planning fees*;
- j) intellectual property rights;
- k) verifications under Article 125 paragraph 4 letter a), of Regulation (EU) no. 1303/2013 and Article 23, paragraph 4 of Regulation (EU) no. 1299/2013.
- l) the provision of guarantees by a bank or other financial institution where required by Union or national law or in a programming document adopted by the monitoring committee;
- m) travel and accommodation costs for external experts, speakers, chairpersons of meeting and service providers;
- n) other specific expertise and services needed for operations.

With reference to the **Italian and Maltese beneficiaries** (lead partner and partners), the 1st level control costs must be included in the Application Form - financial section under the title "first level control costs" for each beneficiary participating in the project. The said costs must be calculated taking into account a maximum 4% allocated budget percentage to each beneficiary. Then, for the Italian beneficiaries, the MA will assign a controller, identified through appropriate public procedures, for the activities mentioned in Art.125, paragraph 4 letter a) of EU Reg. 1303/2013. In



case of Maltese beneficiaries, they will provide for the identification of a controller in line with the provisions included within the document “*RFQ Auditor-Controller – Annex 2 to the National Complementary Requirements - Territorial Cooperation Programmes and the ENI CBC Med Programme 2014 – 2020*”.

9.5.5 Equipment expenditure

Only real costs connected with equipment are eligible.

Costs related to funding of purchases, rental or the lease of equipment by the operation beneficiary, other than "office and administrative costs", are limited to the following categories:

- a) office equipment;
- b) IT hardware and software;
- c) furniture and fittings;
- d) laboratory equipment;
- e) machines and instruments;
- f) tools or devices;
- g) vehicles;
- h) other specific equipment needed for operations.

The purchase costs of second-hand equipment may be eligible subject to the following conditions:

- a) no other assistance has been received for it from the ESI Funds;
- b) its price does not exceed the generally accepted price on the market in question;
- c) it has the technical characteristics necessary for the operation and complies with applicable norms and standards.

The costs related to “equipment expenditures” are eligible if the equipment bought is core equipment. In this case, the full cost may be claimed in one amount. If the equipment is necessary for the project but it is not considered as core, only the respective depreciated amounts should be claimed. If the equipment is used for other tasks, apportionment should be applied. The Depreciation must be reported in compliance with the regulations in force in the countries participating in the programme.

9.5.6 Infrastructure expenditure

Only real costs connected with the infrastructure are eligible.



In accordance with Regulation 1301/2013, this category includes the costs related to:

- a) infrastructures providing basic services to citizens in the energy, environment, transports and TIC sectors;
- b) social, health, research, innovation, economic and educational infrastructures;
- c) small size infrastructures, including infrastructures for culture and sustainable tourism, company services, support to research and innovation entities as well as investments in technology and research applied to businesses;
- d) the sharing of structures and human resources and all kinds of transnational infrastructures.

These expenses are admissible if they are directly linked to the project objectives, with the investment impact and utility clearly identified in relation to the attainment of the project.

The financed infrastructural investment must remain the property of the said beneficiaries in relation to the specific exigencies for at least 5 years from the date of the project conclusion as indicated in the funding contract (including possible extensions).

In case the operation envisages an investment in infrastructure, the contribution provided by the programme is reimbursed provided that, within 10 years from the beneficiary's final payment, the production activity is outsourced outside the European Union, unless the beneficiary is a SME . In the event that the programme contribution is in the form of State aid, then the ten-year period is substituted by the deadline applicable in compliance with the norms regarding State aid. (art. 71 reg. 1303/2013 operations stability).

9.6 SPECIFIC PROVISIONS

9.6.1 VAT

The VAT amount due on the net amount is an eligible cost only if the VAT is not recoverable by the beneficiary.

If a partner recovers VAT on the activities performed within the project, then the costs must be indicated in the AF as “net” of VAT; if these are not recoverable, then the costs must be budgeted in the AF as including VAT.

Each beneficiary must always include a statement certifying the recovery or non-recovery of VAT during the project presentation phase.

9.6.2 Depreciation



With reference to "equipment costs" and "infrastructure costs", the depreciated amount is usually eligible and this is calculated in accordance with accountancy regulations in force in each country as well as with the conditions referred to in art. 69 para. 2 of Regulation no. 1303/2013⁴.

The depreciation costs can be considered as eligible under the following conditions:

- a) the expense amount is duly justified by documents having a probative value equivalent to the invoices for eligible costs;
- b) the costs cover exclusively the duration of the operation;
- c) no public subsidy has been used when purchasing depreciated assets.

9.6.3 Revenue

The term "net revenue" refers to cash in-flows directly paid by users for the goods or services provided by the operation, such as charges borne directly by users for the use of infrastructure, sale or rent of land or buildings, or payments for services less any operating costs and replacement costs of short-life equipment incurred during the corresponding period. Operating cost-savings generated by the operation shall be treated as net revenue unless they are offset by an equal reduction in operating subsidies.

The net revenue forecast is in advance, when submitting the project proposal. The eligible expenditure will be calculated on the project closure, in accordance to the exact revenues amount declared by the beneficiary.

9.6.4 State aid and *de minimis regime*

In line with art. 107 of the Treaty of the Functioning on the European Union, State aid is a form of aid granted by the State, i.e. through state resources, under any form, that, by favouring some companies or productions, distort or threaten to distort competition by favouring the production of some goods/services to the extent to which these hinder trade among Member States. The main elements defining State aid are:

1. the existence of a company performing an economic activity;
2. the responsibility of financing through state resources;
3. the granting of an advantage;
4. the specific nature of measures;
5. the possible distortion effect on competition as well as on the internal UE market.

⁴ Maltese partners are obliged to follow national guidelines in this regard.



It must be underlined that the five criteria are collective and, therefore, all the five elements must be regularly evaluated in order to establish whether the measure can be considered as state aid or not.

In line with the art. 1-Annex 1 of the EU Regulation no. 651/2014 of the Commission of 17 June 2014, an **enterprise** is any entity that is engaged in an economic activity, irrespective of its legal form. **Economic activities** are all activities consisting in the offer of goods or services on the market.

Activities performed within the framework of statutory tasks normally performed by public authorities do not belong to the notion of a company, considering the non-commercial purposes of public entities. Nevertheless, while assessing the existence of state aid, the legal status of the beneficiary is irrelevant since, for example a non-profit organisation may also perform an economic activity.

This being said, the aspect to be taken into consideration is the nature of the activities that the project beneficiary intends to carry out through the programme resources.

When such economic activities financed with **public resources** create a **selective advantage** for an entity that, under normal free market conditions and without public financing, would not have been obtained, then we deem this as being state aid. This is due to the fact that the performance of such activities affects the free competition principle and determines an **effect that distorts the free market principle** within the European Union.

It must also be noted that state aid implications also apply when the entity reports costs related to its routine operations that, should the entity not have participated in any project it would have had to sustain anyway.

Within the INTERREG V-A Italia Malta programme, activities considered for State aid purposes are assessed by the programme authorities.

All potential beneficiaries are required to provide, during the project proposal presentation phase, a self-evaluation of the envisaged activities in order to determine their relevance for State aid.

All the Maltese beneficiaries must present the self-evaluation for the envisaged activities in order to determine their relevance for the State aid during the presentation of the project proposal. Maltese beneficiaries can also be required to send an official declaration, at a later stage, issued by the State Aid Monitoring Board (SAMB).

Through the self-evaluation, the beneficiary will be able to choose between the application of either the provisions referred to in art. 20 of EU Regulation no. 651/2014 of the Commission of 7 June 2014 or of the provisions envisaged by the *de minimis* regime (EU Regulation no. 360/2012 of the Commission of 25 April 2012 and EU Regulation no. 1407/2013 of the Commission of 18 December 2013).



The choice outlined in the paragraph above related to the content of either art. 20 of EU Regulation no. 651/2014 or of EU Regulation no. 360/2012 and no. 1407/2013 is up to the potential project beneficiary and must be effected through a declaration during the project presentation.

Regulation (EU) no 651/2014.

Art. 20 of EU Regulation no. 651/2014 **only applies to SMEs** that are compliant with the requirements envisaged in articles 4-9 of the above-mentioned regulation (notification threshold, aids transparency, incentive effects, aid intensity and eligible costs, accumulation, publication and information).

The following investment costs, both tangible and/or intangible, strictly related to the cooperation project are eligible:

- a) cooperation costs between the various organisations, including staff expenses and expenses related to the offices provided that they are linked to the project;
- b) costs related to consultancy and support services intended for cooperation but provided by external services providers and consultants;
- c) travel expenses, equipment costs and expenditure for investments directly connected with the project, depreciation on tools and equipment used for the project.

For services referred to in letter b), these cannot be provided on an ongoing or periodic basis and they must be excluded from the company's ordinary costs connected with regular activities, such as financial or legal consultancy or publicity.

The aid intensity cannot exceed 50% of eligible costs.

De minimis regime

The *De minimis* regime **is applied to enterprises**, as defined in annex 1 of EU Regulation no. 651/2014, i.e. every entity that performs an economic activity, independently from its legal status.

The overall amount of *de minimis* aids granted by a Member State to a single company cannot exceed EUR 200,000.00 over three financial years (except for specific maximums envisaged by Regulation no. 717/2014 for the fisheries and water cultural sector, by Regulation no. 1408/2013 for the agricultural sector and by Regulation no. 360/2012 for the provision of services of general economic interest).

The aid amount is equal to the gross share of any tax or charge.

The maximum EUR 200,000.00 ceiling applies regardless of the *de minimis* aid form or the pursued objective independently from the fact that the provided aid by a Member State is entirely or partially financed with resources coming from the European Union.



The period of three financial years is determined by taking into account the financial years used by the company within the said Member State.

De minimis aid grants are considered as applicable at the moment at which the entity is granted the right to receive such aid and is not subject to the date at which the payments have been or are transferred.

9.7 INELIGIBLE COSTS

The following costs are ineligible:

- a) passive interests;
- b) the purchase of vacant and built land for an amount exceeding by 10% of the overall project eligible expenditure. Derelict sites and sites previously used by industries, including buildings, will entail an increase in this limit to 15%. In exceptional and duly justified cases, the limit can be raised higher than the above-mentioned percentages for environment protection activities;
- c) recoverable VAT;
- d) fines, penalties and costs related to legal disputes and litigation;
- e) costs of gifts, except for those having a monetary value that does not exceed EUR 50 if related to promotion, communication, publicity or information activities;
- f) costs related to exchange rate fluctuations;
- g) decommissioning or construction of nuclear plants;
- h) investments aimed at reducing green house gases arising from activities listed in annex I of directive 2003/87/CE;
- i) manufacturing, transformation and commercialisation of tobacco and its products;
- j) companies in difficulty, as defined by the Union's rules concerning State aid;
- k) investments in airport infrastructures except for those related to environment protection or accompanied by investments deemed necessary to mitigate or reduce their negative environmental impact.

9.8 EXPENDITURE REPORTING⁵

The expenses incurred by partner beneficiaries and lead partner beneficiaries within each operation should be accounted exclusively through the "Ulysses" IT system in order to allow the

⁵ Maltese partners should also refer to the national guidelines further detailed information.



programme authorities as well as the designated authorities to perform all the required control and evaluation procedures for expenses related to the projects' implementation.

The accounting process is required in order to allow the MA to perform the 1st level control on the expenses borne by the beneficiaries in connection with the project implementation.

The first level control, in accordance with Art.23.4 of EU Regulation 1299/2013, aims at ensuring that co-financed products and services have been provided, that beneficiaries have paid the claims expenses and that these are compliant with applicable laws (regional, national and community laws), with the cooperation programme as well as with the conditions for operation support. The first level control also ensures that the beneficiaries involved in the operations implementation keep a separate accounting system or an appropriate coded system in respect of all transactions related to the operation.

Each Member State is responsible for the verifications performed on its own territory through the designated controllers assigned with the evaluation of the legitimacy and regularity of expenses incurred and claimed by each beneficiary participating to the project.

Such first level control includes:

- a) desk administrative controls, through IS Ulysses, for 100% of claimed expenditure borne by the beneficiary for the operation implementation;
- b) on-site inspections of the single operations on a sample basis.

The partner and lead partner beneficiaries are responsible for the budget allocated to them as well as for the implementation of the activities referred to in the project workplan.

Failure to achieve yearly expenditure targets indicated in the project and included in the funding contract and in the agreement contract by the partners can lead to the decommitment of the project balances.

9.9 MODIFICATION OF PROJECT

After having been admitted to financing, the project cannot be modified in essence however minor modifications outlined below are permitted:

Without prejudice to the fact that all provisions concerning modifications to items of expenditure related to the operations are disciplined in detail by the subsidy contract and the partnership agreement, it is being highlighted that minor modifications concerning a partner's items of expenditure can be considered, as long as this does not affect the cost of the project or:

- a. the project's targets;



- b. the location of activities;
- c. the total amount of expenditure envisaged by the partner.

Modifications of items of expenditure can be divided into three main categories:

1. Budget shifts between expenditure categories for the same partner can be allowed as long as the amount is not higher than 10% of the overall partner's expenditure. The project lead partner can submit, to the MA, only one modification, which must be lower than 10% for one or more partners, as long as this does not affect in any way the project indicators. Such modification must be communicated to the entire partnership and must be approved by the Steering Committee. Following the identification and approval of the modifications below 10% of the budget, then the lead partner shall send all the relevant documentation to the Joint Secretariat in order to highlight the approval procedures as well as a detailed report concerning the said modification. Therefore, the amended documents must be attached to the request (separate list of costs, project file, etc.) explaining in detail the said modifications. The MA, through the Joint Secretariat, will communicate the approval of the requested modifications or justify the reason for which these modifications have not been accepted..
2. For possible successive modifications (for instance shifting among items of expenditure that are higher than 10% of the overall budget), the lead partner must present a specific request to the MA using the indicated forms. The MA, after having channelled the request through the Joint Secretariat, will proceed with the approval of the request through the programme's Steering Committee, which is responsible for the project selection.

9.10 CLOSURE OF PROJECTS

In accordance with par. 9.4.2, the costs issued before the project's closing date (invoices, debit notes, etc.) are eligible. Such expenses must be paid and documented by the beneficiary within 40 calendar days following project closure indicated in the subsidy contract and partnership agreement.

Once all the project activities and requirements linked to the closure of the project financial circuits have been concluded, then the lead partner must carry out the following activities within 4 months:

- Drawing up the final request for reimbursement;
- Presenting all outputs and deliverables related to the project or the documents attesting their implementation;
- Assuring the project sustainability and durability in accordance with art. 71 of EU Reg. 1303/2013 that entails the collecting of such documents also drawn up by the other project partners.



The Managing Authority, with the Joint Secretariat support, will evaluate the above-mentioned requirements.

The balance for each beneficiary is calculated in accordance with the evaluated expenses only after a positive preliminary phase and evaluation of the above-mentioned requirements, upon project closure and in the absence of penalties or financial corrections.

9.11 AUTOMATIC DECOMMITMENT

In accordance with art. 136 of EU Reg. 1304/2013, the European Commission decommits the amount that has not been used by the 31 December of the third financial year following the year of the budget commitment within the programme.

The automatic decommitment of ERDF by the European Commission will immediately reflect on the projects that have not respected the expenditure targets, thus affecting the achievement of the envisaged expenditure levels.

It is noted that payment forecasts for the projects provide information on every single project contribution for the achievement of yearly financial targets. Therefore, each project has to identify the ERDF yearly commitments, in order to respect them, in line with the accounts envisaged by the programme.

The payment forecast is included in the subsidy contract and the partnership agreement and can only be modified in exceptional circumstances following the Steering Committee's evaluation.

In case the programme should not meet the yearly expenditure target, then the projects that struggle to achieve the envisaged expenditure levels, or the ones that do not report expenditures within the programme deadlines, after an Steering Committee decision, may incur a reduction of the budgetary allocation that will be calculated on the basis of their claimed expenditure vis-a-vis their yearly spending target and the decommitment amount on a programme level.

It is therefore essential that projects:

- present a realistic expenditure forecast and monitor its implementation;
- promptly start the project following its approval;
- ensure the regular, punctual and complete reporting of expenditure.



10. FIRST LEVEL CONTROLS

The Italian and Maltese authorities shall designate the controllers responsible for evaluating expenditure in accordance to the territorial origin of the beneficiaries.

Italian beneficiaries

For Italian beneficiaries, the controls will be performed by the Managing Authority offices independently from the programme management or implementation functions, through the support of the technical assistance service i.e. these can be carried out through the decentralisation of control activities that are conferred to external controllers who will be selected through public procedures.

In the latter case, the Managing Authority, in accordance to yearly-approved plans, shall perform quality evaluations on the activities carried out by the controllers aimed at ensuring the effectiveness of first level controls. The said verifications will be performed through the preparation of reports and check lists.

The first level controls on reported expenditure aim at ensuring the provision of goods and services to all Italian beneficiaries. They also ensure that the expenses claimed by the beneficiaries have been paid in compliance with the laws in force, the programme rules and the requirements to access financing.

Such evaluations, together with check lists and specific reports, will be performed on 100% of claimed expenses through desk checks and on-the-spot controls carried out on a sample basis.

As regards the controls on expenditure borne by the Managing Authority within Axis 4 of the programme, these will be carried out by a Managing Authority office that is independent from the programme functions and duties, management and implementation of the programme.

Maltese beneficiaries

For Maltese beneficiaries, the first level control system is decentralised. The first level controller can be either internal or external, as long as s/he possesses the requested requirements and is independent from the project activities.

The Funds and Programmes Division (FPD), within the Parliamentary Secretariat for European Funds and Social Dialogue, Ministry for European Affairs and Equality (MEAE), is responsible for issuing the authorisation to the auditor selected by the project partner. In this regard, the FPD shall designate an independent and qualified auditor (either internal or external) in order to perform the first level controls, in accordance with the project's partner proposal, based on the line of action outlined below.

Once the project has been selected for funding, the Territorial Cooperation Unit of FPD, as the National Coordinator of the Territorial Cooperation Programmes, will organise bilateral meetings



with the beneficiaries. During such meetings, the FPD will outline the salient points in connection with project implementation, including reporting of expenditure incurred under such projects. Further to such meetings, the project partners shall commence the procedure for selecting their respective auditor.

In case of an external auditor, the beneficiaries participating in the project will select the auditors/auditing company, through a public call procedure. The minimum requirements (but not only) possessed by controllers should include:

1. Knowledge of community regulations, programme and national laws;
2. Sufficient knowledge of the English language.

FPD shall provide partners with a template for the selection call/notification indicating all requirements that the designated auditor must satisfy. The project partner must indicate all these requirements in the selection call/notification for external auditors. The beneficiaries will be required to start the public procedures for the controller selection specifically stating in the call/notification the independence of the latter from the project. The selected auditor shall perform spot checks on the assessed expenditure. Such activity falls within the auditor's tasks and is included in the call/notification published by the beneficiary as well as in the approbation certificate issued by the FPD to the selected auditor.

In case of an internal auditor, if the first level controller operates within the beneficiary organisation, then the latter shall provide information attesting the independence of the controller. In addition, the internal auditors shall declare the possession of the above-mentioned requirements in the request for appointment submitted to the FPD.

Following these procedures, the beneficiary shall communicate the name of the selected controller to the FPD who shall verify that s/he is included in the Maltese Registered Auditors List: <https://accountancyboard.gov.mt/>

Auditing companies can participate in the calls for quotations / tenders but they must indicate who the auditor that will be responsible for the first level control of the respective project shall be. If the name of the auditor is in the above-mentioned register, the FPD shall assign the first level control functions to the auditor by issuing an approbation certificate.

Only after having received such certificate shall the auditor start the activities linked to first level control within the project. In case of replacement of the first level controller, a new request shall have to be presented for approval.

The approbation certificate issued by the FPD shall include the timeframe within which the first level controls shall take place, as per programme requirements. The beneficiaries will be required to include such deadlines in the call/notification for the auditors' selection. In addition, the auditor must transmit the validation certificate to the FPD, following the conclusion of the evaluation process, in order for the latter to be in a position to monitor possible delays in the control activities.



In the case of such delays, FPD shall solicit the beneficiaries to initiate procedures for the verification of the expenditure at the earliest possible.

The selected auditor shall perform desk checks on 100% of the costs claimed by the beneficiaries and spot checks on a sample basis on the expenditures. Such activities fall under the controller's responsibility and should be included in the call/notification published by the beneficiary as well as in the approbation certificate issued by the FPD to the selected auditor.

Once all auditors are appointed, the FPD shall organise bilateral meetings and training sessions (as required) with the beneficiaries and first level controllers on the issues regarding the project implementation, expenditure eligibility, reimbursement modalities, etc. All the relevant documentation (guidelines, memoranda, manuals, etc.) shall be made available to the beneficiaries and FPD controllers. In addition to the above, the Financial Control Unit (FCU), within the FPD, shall perform verifications on a sample basis on the first level control performance, on the quality of the control system and on the correct implementation of the contents of art. 23(4) of EU Reg. no. 1299/2013. The sampling methodology is based on a risk assessment analysis exercise that ought to be revised from time to time as deemed fit.

Given that the FCU has the objective to provide an added level of assurance to the Director General of the FPD, it reports directly to him. The nature of its function and its governance structure make it a very important aspect of the management and control structures of the FPD. Any general areas of concern will be communicated to the DG for any action deemed necessary, including on-the-spot checks.

The FCU shall issue a report on the controls and shall indicate possible irregularities in a specific report. The expenses linked to first level control shall be borne by the beneficiaries and are deemed as eligible expenses within the project under the item of expenditure referred to in paragraph 9.5.4, Consultancy and external services.

With reference to expenses related to the financing of technical assistance operations addressed to Maltese Authorities, the first level control shall be carried out by the auditor selected by the MEAE and designated by the FPD.

The programme beneficiaries and controllers shall implement the programme information system in line with Commission Implementing Regulation no. 184/2014 of the 25 February 2014.

Italy and Malta shall both ensure that the document entitled "management and control system" is drafted in accordance with the requirements established by the community regulations and that the said system is effective. Guidelines regarding the evaluation modalities for first level controls at programme level shall also be drafted. These guidelines will also describe the modalities related to the procedures to be adopted in case of a systemic error/s, above a certain percentage.



11. SECOND LEVEL CONTROLS

In line with art. 127 of the Common Provisions 1303/2013, the Audit Authority (AA) will guarantee the performance of audit activities linked to the correct implementation of the management and control system and on an adequate sample of operations based on the claimed expenditure

The AA draws an audit opinion and an annual report, including the controls performed in the previous financial year.

The AA prepares the "audit strategy" document in order to carry out auditing activities, within eight months from the adoption of the programme. The strategy defines the working methodology, the sampling methodology for auditing activities on the operations as well as the planning of auditing activities related to the current accounting period and the following two accounting periods.

The audit strategy is updated annually, starting from 2016 until 2024 (both included).

The AA is assisted by a Group of Auditors (GoA) that includes a representative of each Member State participating in the programme, in order to ensure uniform standards for the entire programme area.

The GoA is established within three months from the cooperation programme's approval. The Internal Audit and Investigations Department within the Office of the Prime Minister, Malta, forms part of the GoA and is responsible for furnishing information required by the AA related to the evaluation of expenditure incurred in its territory.

The auditing strategy also describes the modalities and procedures related to the presentation of the control results on the area programme, carried out by the GoA that will be submitted to the AA.

