INTERREG VI-A NEXT HUNGARY-SLOVAKIA-ROMANIA-UKRAINE PROGRAMME

ANNEX IV
TO THE 2ND CALL FOR PROPOSALS PACKAGE

ELIGIBILITY OF EXPENDITURES

INCLUDING PROCUREMENT RULES

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1. PREAMBLE

These rules of eligibility are applicable for all projects implemented under the INTERREG VI-A NEXT Hungary Slovakia Romania Ukraine Programme. Whenever it deems necessary, the document is modified and approved by the monitoring committee. Should be deviation in rules between the 1st and 2nd Call for Proposals, it is indicated in footnote and in the respective Call for Proposals.

2. ELIGIBILITY OF EXPENDITURES

2.1 General eligibility requirements

Expenditure is eligible for funding when it is in accordance with the regulatory framework mentioned in the Subsidy Contract (SC) and fulfils the following requirements:

- it complies with the principle of sound financial management, as set out in Article 33 of Regulation (EU) 2024/2509, in Regulation (EU) 2021/1059 and Regulation (EU) 2021/1060 of the European Parliament and of the Council;
- it is compliant with Programme, national, EU rules;
- it relates to costs of implementing a project as approved by the Monitoring Committee and activities listed in the Annex II of the Subsidy Contact;
- it is essential for the achievement of the project objectives/outputs and it would not be incurred if the project is not carried out, except the preparation cost;
- it is incurred during the preparation and implementation of a project and contributes to the objectives of the Project;
- it is included and described in the approved project budget (to be annexed to the Subsidy Contract for EU Contribution);
- it is not financed by other EU funds or other financial contributions from third parties, except national contributions to the Programme co-financing; i.e. no double-financing is allowed (Article 63(9) of EU Regulation 2021/1060;
- it complies with the principle of real costs except for costs calculated as flat rates (hereinafter as SCOs)
- it is registered in the partner's accounting records through a separate accounting system or an adequate accounting code set in place specifically for the project (with the exception of costs calculated as SCOs)[1];
- it has been incurred and paid by the Lead Partner or its Partner(s) within the eligibility period of the project, and it can be verified via INTERREG+ system on the basis of original invoices or other

[1] Please, note that in case of SCO not the cost, but the fact of receiving the relevant amount shall be included in the separate accounting.

accounting documents with equivalent probative value, available at the premises of the relevant partner (except for SCOs, where specific verification rules apply)
- observed all relevant procurement rules (in case of Ukrainian partners the relevant rules are mentioned in Appendix A of this document, in case of partners from Member states the main programme level rules can be found at the relevant Chapter of this document);
- has been verified via INTERREG+ system by an authorised controller.

Separate accounting

In order to ensure the separate accounting, all partners have to maintain either a separate accounting system or an adequate accounting code for transactions related to the project part with the following requirements:

The separate accounting has to contain:
- all expenditures, which were reported on real cost basis and the relevant reimbursement of these expenditures form the Programme (income).
- as income all payments from the Programme based on simplified cost option (e.g.: flat rates)

It is important to mention that the actual costs, which were reimbursed by the Programme based on simplified cost option, is not necessary to include in the separate accounting.

The proof of the separate accounting has to be submitted to the controllers in every project partner report. Additional national requirements (if any) shall be taken into account.

Documentation

The supporting documents shall be kept either in the form of the originals or certified true copies of the originals, or on commonly accepted data carriers including electronic versions of original documents or documents existing in electronic version only.

In case the original documents were created on paper, the paper form shall be kept. In case of electronic documents, the electronic version is to be archived.

Normally, the scanned original invoices or accounting documents with equivalent probative value and the relevant supporting documents should be submitted to the controller for verification via INTERREG+ system.

Invoices, accounting documents with the relevant supporting documents should be prepared in line with the national regulations of the country of origin.
The partner shall indicate on the invoice or on the accounting documents with equivalent probative value the followings:

- "The total amount of the invoice is reported in "xxx" Project ID", or

- Reported eligible amount[2] in "xxx" Project ID (in case the invoice is reported in more than one project)

Electronic and electronically generated invoices are also acceptable for control if the invoice contains the same information as above. In this case the information mentioned above must be indicated on the invoice by the invoice issuer. If an invoice is reported to multiple programmes, each project ID and the reported amount[3] must be indicated on the invoice.

Please, note that avoidance of double financing is key requirement. The controllers can send back the Project Partner Report if the information is missing from the invoice, with the need of completion decision in Interreg+ system. In the completion round in case of electronic and electronically generated invoices, the partner has to ask to invoice issuer to modify or cancel and reissue a new invoice with the necessary information. Then the partner has to modify the relevant invoice data in the Interreg+ system. In order to avoid the above mentioned situation, it is recommended to write an additional obligation in the contract concluded by partners with the provider setting out the necessary information to be mentioned on the invoice. In case of paper-based (hand-written) invoices, the clause on the invoices can be written by the partners. If the invoice (after completion) does not contain the necessary information, then the controllers has to reduce the eligible amount to zero.

2.2 Time-wise eligibility of expenditure

From a time-wise perspective, expenditure is eligible according to the following three phases:

Project Preparation

Preparation costs may be incurred and paid before start of implementation period of the project. Such preparatory costs relate to the studies and technical documentation for large infrastructural projects[4] and projects with infra components. All studies and technical documentation for projects have to be in appropriate quality and up to date. These costs are real costs expenditure supported by invoices and other supporting documents. Eligibility of preparation costs starts from **3 November, 2022**.

There is no dedicated budget heading for preparation costs. Those costs must be planned in the budget as per the subject of the given expenditure and, as general rule, included in the first Project Report.

Project Implementation Phase

[2] The reported eligible amount has to be indicated in the currency of the invoice.

[3] The reported amount has to be indicated in the currency of the invoice

[4] Please, note that large infrastructural project is not relevant in the 2nd Call for Proposals.

The implementation period of the Project means the period during which the Project is to be carried out, it begins on the start date defined in the SC and lasts at the latest on the end date mentioned in the SC.

Costs related to the project implementation and incurred between the project start date and the project closure date (both dates to be specified in the Subsidy Contract) are eligible as long as they are in line with the eligibility rules as outlined in the regulations, this guideline and respective national regulations.

Project Closure Phase

The latest possible date for the payment of expenditures incurred within the project implementation phase is 30 calendar days after the last day of the project implementation. All the costs should be paid before the submission of the final reports for verification.

In duly justified cases, the JS is entitled to extend the above-mentioned period upon the official request of the respective lead partner. However, the payment in no case allowed after the final date of eligibility, which is 31 December 2029.

2.3 Non-eligible expenditure

The following costs are not eligible:

a) Fines, financial penalties and expenditure on legal disputes and litigation;
b) Costs of gifts;
c) Costs related to fluctuation of foreign exchange rate;
d) Interest on debts;
e) Value added tax (VAT) , if the total budget of the project (including VAT) is at least EUR 5 000 000 and it is recoverable under national VAT legislation;
f) Value added tax in case the total budget of the project (including VAT) is below EUR 5 000 000 if it is recoverable under national legislation and it is not eligible based on national legislation/rules.
g) Value added tax (VAT) of a state aid relevant activity, based on Article 7 (1) of Regulation (EU) 651/2014.;
h) Bank charges, unless a separate bank account is opened for the project;
i) Conversion costs, charges and exchange losses, as well as other purely financial expenses, except for charges for transnational financial transactions;
j) Fees between partners of the same project for services and work carried out or equipment purchased within the project;
k) Purchase, rent or leasing of real estate[5] (except office rental for project purposes);
l) Leasing of vehicles and equipment;
m) Purchase of land;
n) Tips;
o) Costs of guarantees and similar charges, unless that the guarantees are required by national or Community legislation;

[5]Exceptions can be made in well justified cases on a case by case basis by the MC, e.g. for flood prevention.

p) Contributions in kind (e.g. free use of room, equipment or other facilities, unpaid voluntary work, generally any contribution without money flow);
q) Benefits apart from salary, which do not appear on payslips.

Furthermore, the following expenditure is not eligible:

- Any costs incurred after the implementation period of the project, as defined in the Subsidy Contract for EU Contribution;
- Commissions and dividends, profit payment;
- Purchase of business share and stock exchange share;
- Expenses of private consumption;
- If the subcontracted activities increases the expenditures without justified reason (justified reason can be e.g. lack of expertise, saving cost by subcontracting, more added value to the project)
- Cost of activities subcontracted by partners to other partners of the same project;
- Unpaid invoice amounts or undrawn reduction of the price (cash discount, discount);
- Services provided by contractors with whom there is a conflict of interest in the meaning of Commission Notice Guidance 2021/C121/01;
- Cost of subcontracts in which the payment is defined as a percentage of the total cost of the project (e.g. success fee);
- Cost of any services, purchase of goods, construction works or movable assets, not directly related to the project;
- Any expenditures not directly associated with the Lead Partner/Partner;
- Any form of double financing: expenditure, which is already supported by an EU or other international or national grant.

Expenses not included in the list above are not automatically eligible.

3. SPECIFIC COST CATEGORY PROVISIONS

Programme distinguishes between support in the form of simplified cost options (flat rates) and real costs. The Programme applies six different cost categories (CCs). This chapter gives specific provisions regarding the eligibility, form of reimbursement as well as reporting and audit trail on each of these cost categories:

FLAT RATES for:

1. Staff costs
2. Office and administrative costs
3. Travel and accommodation costs

REAL COSTS for:

4. External expertise and services costs
5. Equipment costs
6. Infrastructure and works

3.1 Staff costs

Definition

Expenditure on staff costs consists of the gross employment costs of staff employed by or engaged to the partner institution for implementing the project administratively and professionally (e.g. internal staff and internal experts).

Forms of reimbursement

As a general rule, staff costs of a partner shall be reimbursed on flat rate basis.
The flat rate is 20% of direct costs other than staff costs (i.e. cost categories 4 to 6), verified by controllers for SSP and RSP.
The flat rate is 5% of direct costs other than staff costs (i.e. cost categories 4 to 6), verified by controllers for LSP[6].

Direct costs are all costs that can be attributed directly to the project and are identified by the partner organisation as such, in accordance with accounting principles and internal rules of the organisation. It means direct costs are the following budget categories: 4. External expertise and services, 5. Equipment costs, 6. Infrastructure and works. Direct costs that form the basis for calculation of staff costs must be incurred and paid by the partner organisation as real costs.

Taking into account that direct costs used as calculation basis for determining staff cost, if direct cost is found to be ineligible, the determined staff costs must be re-calculated and reduced accordingly.

In special cases, detailed in chapter 4, the staff costs may be planned as real costs.

Audit trail

By applying the flat rate option, partners do not need to document that the expenditure has been incurred and paid.

Partners shall be required only to attach a declaration to all Partner Report stating that at least one employee is working on the project. If the declaration is not available (after completion), then no amount will be declared by controllers as eligible staff cost.

In the case of Lead Partner/Partner implementing staff-driven activities within Small Scale Projects or Regular Scale Projects without infra component, staff costs can be planned and reimbursed on real cost basis, and all remaining costs will be covered by applying 40% flat rate of direct staff costs, based on Article 56 of 2021/1060 EC Regulation. Details of real cost eligibility of staff cost is detailed in chapter 4.

Please note that in order to avoid double financing, management staff cost calculated on flat rate financing cannot be combined with external management costs. This means in case the cost of external service for

[6] Please, note that large infrastructural project is not relevant in the 2nd Call for Proposals

management activities will be reimbursed on real cost basis on the budget heading External expertise and services costs, no staff flat rate will be reimbursed for the project partner[7].

3.2 Office and administration

Definition

Office and administrative costs cover operating and administrative expenses of the partner organisation necessary for the implementation of the project.

Forms of reimbursement

Office and administration expenditure incurred by the partner shall be reimbursed by the Programme according to a flat rate of 15 % of staff costs.

Taking into account that staff costs used as calculation basis for determining office and administration, if staff expenditure is found to be ineligible, the determined office and administration costs must be re-calculated and reduced accordingly.

Expenditure included under this cost category:

Office and administrative expenditure shall be limited to the following elements:

a) Office rent;
b) Insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire safety, theft insurances);
c) Utilities: expenditures such as heating, electricity, lighting, service charges, etc. can be considered as overheads.
d) Office supplies, costs of stationery (like paper, pencils), other supplies of small value (toner), costs of copying;
e) Accounting;
f) Archives;
g) Maintenance, cleaning and repairs;
h) Security;
i) IT systems (operating/administrative IT services of general nature, linked to the implementation of the project);
j) Communication (e.g. telephone, fax, internet, postal services, business cards);
k) Costs of opening and administering of the separate project bank account;
l) Charges for transnational financial transactions.

[7] Please, be informed that in case no staff flat rate applies, office&admin and travel&accomodation flat rate cannot be calculated and reimbursed.

The above list is exhaustive.
Cost items listed above cannot be reimbursed under any other cost category.

Audit trail

Partners do not need to document that the expenditure has been incurred and paid.

3.3 Travel and accommodation

Definition

Expenditure on travel and accommodation costs for missions necessary for the project implementation (e.g. participation in project meetings, project site visits, meetings with the Programme bodies, seminars, conferences, etc.).

Travel and accommodation costs of a project are to be calculated at a flat rate of 15 % of the 'Staff cost' budget heading.

Although no management verification checks shall be performed at programme level, expenditure on travel and accommodation costs shall be limited to the following elements:

a) Travel costs (such as tickets, travel and car insurance, fuel, car mileage, toll, and parking fees)
b) The cost of meals
c) Accommodation costs
d) Visa costs and other documents required for the international travel
e) Daily allowances

regardless whether such costs are incurred and paid in or outside the programme area, as long as they relate with the project's delivery and are essential for the project activities.

The above list is exhaustive and projects cannot add additional types of costs to this list. Moreover, any element listed in points a) to d) which is covered by a daily allowance cannot be reimbursed in addition to the daily allowance. Apart from flat rate travel costs no other costs related to travel can be reimbursed on this cost category.

The travel and accommodation expenses of external experts and service providers fall under external expertise and services costs.

Taking into account that staff cost used as calculation basis for determining travel and accommodation, if staff expenditure is found to be ineligible, the determined travel and accommodation must be re-calculated and reduced accordingly.

Audit trail:

- Management verifications will examine project partner reports, referring to travel and accommodation as part of the project's activities. Since the programme is obliged to check the existence of the cost category of the travel expenditures, it is enough to indicate in the repot that partners travel. If travel and accommodation is not explicitly mentioned in a project partner reports still any documents as a proof related to travel and/or accommodation is to be considered sufficient evidence. It is sufficient to provide evidence (narrative in the report or any proof) of only a single occurrence of travel and accommodation, during the entire implementation period of the project.

3.4 External expertise and services costs

Definition

External expertise and services are provided by a public or private body or a natural person outside of the partner organisation. External expertise and services cover costs paid on the basis of contracts or written agreements and according to the invoices or requests for reimbursement to external experts and service providers sub-contracted to carry out certain tasks or activities directly linked to the implementation of the project.

Expenditure on external expertise and service costs shall be limited to the following elements:

a) Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
b) Training (e.g. venue and trainers);
c) Translation;
d) IT systems and website development, maintenance, modifications and updates;
e) Promotion, communication, publicity or information;
f) Services related to the organisation and implementation of events or meetings (including rent, catering or interpretation) The costs of services can not contain any cost relating to the project staff (catering, accommodation and transportation as well), because these costs are covered by travel and accommodation flat rate;
g) Participation in events (e.g. registration fees);
h) Legal consultancy and notarial services, technical and financial expertise, other consultancy services;
i) Intellectual property rights;
j) Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
k) Technical plans, studies and permits (except building permits);
l) Other specific expertise and services needed for the project

The above list is exhaustive and projects cannot add additional types of costs to this list.

Forms of reimbursement

External expertise and service costs shall be reimbursed by the Programme on a real cost basis.

Additional eligibility requirements

- External expertise and services must clearly link to the project and be essential for its effective implementation.
- Eligibility of costs for external expertise and services is subject to the full respect of procurement rules as follows:
  a) In case of Ukrainian partners the relevant rules mentioned in Appendix A of this document.
  b) In case of partners from Member states the main programme level rules are the following (irrelevant that the relevant partner is contracting authority or not):
     - Selection procedure must be in line with latest EU, Programme or national public procurement rules, depending on the type of entities and net amount contracted.
     - For expenditures where no public procurement procedure or legally set rule at national level is required:
       - Above EUR 10 000 (excl. VAT): partners must perform and document the execution of adequate market researches (e.g. through collecting bids – at least three valid independent and comparable offers requested , or using centralised e-procurement services, etc.)
       - This is meant to provide a sound knowledge and sufficient information on the relevant market allowing for a sound comparison of offers in terms of price and/or quality and a profound assessment of the adequacy of the price to be paid.
       - Consequently, the value and the complexity of the service should be reflected in the specification and breakdown of the terms of reference, as well as in the respective offer.
       - Partners shall also avoid conflict of interest when performing the proof of market prices.
       - Below 10 000 € (excl. VAT): the principles of sound financial management must be applied, but no specific proof of the market price is required. Nevertheless, please note that the controllers will check it during the verification of expenditures. Note that procurement must not be split artificially to circumvent the 10 000 € threshold.
- Beyond the above mentioned rules, the controllers check the compliance with the market prices according to the national legislation/national rules/national practice in line with sound financial management principle. In case, the compliance is not ensured, the relevant amount will be deducted.
- The procurement must comply with the basic principles of transparency, non-discrimination and equal treatment.
- Where applicable, deliverables and outputs produced by experts/service providers must respect the relevant publicity requirements in line with visibility manual.
- Sub-contracting between partners within the same project is not allowed.
- For experts paid on the basis of a daily/hourly fee, the daily/hourly rate together with the number of days/hours contracted and the total amount of the contract must be provided. The invoice must include a clear quantification of the days/hours charged, price per unit and total price.
- Additional national requirements (if any) shall be taken into account.

Description of budget lines:

- 4.1 Publications
- 4.2 studies or surveys (such as evaluations, strategies, concept notes, handbooks)[8]:
- 4.3 Expenditure verification, if it is a case
- 4.4 Translation, interpreters
- 4.5 Financial services
- 4.6 Costs of events (Conferences, seminars, project meetings) – The budget line can include the fees of lecturers / performers / trainers / experts, as well as costs related to the organisation of the conference/seminar, e.g. rental costs, catering costs, travel and accommodation of the lecturers / performers / trainers / experts, translation/interpretation costs, etc.
  Budget line 4.6 also includes expenditure of project events/meetings (for project team members and partners) e.g. rental of venue with the exception of catering, accommodation and travel expenses for internal project management meetings, which are covered by travel and accommodation flat rate.
- 4.7 Visibility and communication actions - Communication package shall be chosen by each partner. Costs related to promotion, visibility and publicity activities (in line with the applicable visibility rules) shall be presented here. For further information please check Visibility Manual.
- 4.8 Studies, technical documentations, feasibility studies, environmental impact assessments, architectural or engineering activities, supervision of engineering, procurement expertise.
  4.9 Other services – the type of expenditure must be defined in the project application and has to be directly related to the project.

Documentation for the audit trail

- The audit trail is applicable also for expenditures which incurred before the start date of project implementation.[9]
- Evidence of the selection process, in compliance with the relevant procurement rules and national regulations/ national rules depending on the net amount contracted[10]. Any modifications to the contract must comply with the relevant procurement rules and must be documented. [11]
- Partners must follow the procurement rules. Contract or written agreement laying down the services to be provided with a clear reference to the project and the Programme. For experts paid on the basis of a daily/hourly fee, the daily/hourly rate together with the number of days/hours contracted and the total amount of the contract must be provided.
- Invoice or request for reimbursement providing all relevant information in line with the applicable accountancy rules as well as references to the project and the Programme and a detailed description of the services provided in line with the contents of the contract / order. For experts paid on the basis of a daily/hourly fee, the invoice must include a clear quantification of the days/hours charged, price per unit and total price.

[8] The studies in relation of infrastructures have to be reported not here, but on budget line 4.8.

[9] Those expenditures, which were procured based on the previous requirements of this document are eligible.

[10] In case of in-house procurement national rule shall apply except for UA, where Appendix A applies.

[11] Please, note that procurement rules are differ from Member States and Partner countries.

- Deliverables produced (e.g. studies, promotional materials) or, where applicable, documentation of the delivery (e.g. in case of events: agenda, list of participants, photo-documentation, etc.).
- Document proving the completion of the service (proof of fulfilment).
- In case of studies a declaration by the author that the study (as a whole or any part of it) was not financed by other Programme.
- Proof of payment (e.g. bank statement, extract from a reliable accounting system of the Partner).
- Any other document based on the requirements of the national rules (if any).

3.5 Equipment

Definition and eligibility requirements

Equipment expenditure refers to equipment purchased or rented by a partner other than those covered by the cost category 'office and administration expenditure' and necessary for the implementation of the project, and necessary to achieving the project's objectives.

Therefore, expenditure for the financing of equipment purchased, rented by the partner of the operation other than those covered by Article 43 of Regulation (EU) No 2021/1059 shall be limited to the following:

a) Office equipment
b) IT hardware and software (clear project relevance is necessary);
c) Furniture and fittings;
d) Laboratory equipment;
e) Machines and instruments,
f) Tools or devices;
g) Vehicles[12]
h) Other specific equipment needed for the project.

Additional eligibility requirements

In addition to the general provisions on eligibility (see section 2.1.) the following applies:

- Equipment must be clearly linked to the project and be essential for its effective implementation.
- All equipment items have to be clearly described in the application form or if not the case, must be agreed by the MA/JS according to the modification rules.
- Eligibility of costs for equipment is subject to the full respect of procurement rules as follows:
  a) In case of Ukrainian partners the relevant rules mentioned in Appendix A of this document.
  b) In case of partners from Member states the main programme level rules are the following (irrelevant that the relevant partner is contracting authority or not):

[12] Vehicles needed for performing specific tasks of the organizations defined in statutory documents (vehicles for emergency cases, hospital and medical vehicles, off road infrastructure vehicles, construction and cleaning vehicles etc.) and the purchase of vehicles is needed for the implementation of the project and for achieving the project's objectives.

- Selection procedure must be in line with latest EU, Programme or national public procurement rules, depending on the type of entities and net amount contracted.
- For expenditures where no public procurement procedure or legally set rule at national level is required
    - Above EUR 10 000 (excl. VAT): beneficiaries must perform and document the execution of adequate market researches (e.g. through collecting bids – at least three valid independent and comparable offers requested , or using centralised e-procurement services, etc.)
    - This is meant to provide a sound knowledge and sufficient information on the relevant market allowing for a sound comparison of offers in terms of price and/or quality and a profound assessment of the adequacy of the price to be paid.
    - Consequently, the value and the complexity of the equipment should be reflected in the specification and breakdown of the terms of reference, as well as in the respective offer.
    - Partners shall also avoid conflict of interest when performing the proof of market prices.
    - Below 10 000 € (excl. VAT): the principles of sound financial management must be applied, but **no specific proof of the market price** is required. Note that procurement must not be split artificially to circumvent the 10 000 € threshold.

- Beyond the above mentioned rules, the controllers check the compliance with the market prices according to the national legislation/national rules/national practice in line with sound financial management. In case, the compliance is not ensured, the relevant amount will be deducted.
- The procurement of equipment must comply with the basic principles of transparency, sustainable development, non-discrimination and equal treatment.
- Equipment expenditure cannot refer to items already financed by other subsidies (e.g. EU, national or regional) and must not be already depreciated.
- Where applicable, if the equipment purchased forms a deliverable or an output of the project, the relevant publicity requirements must be respected in line with the visibility manual.
- Contractual advances in accordance with normal commercial law and practice, stipulated in a contract between the Partner and the supplier, supported by receipted invoices (e.g. advance payment for the purchase of a piece of equipment) are eligible but depend on later confirmation that the equipment has been properly and timely delivered.
- Equipment cannot be purchased or rented from another Partner within the project and cannot be leased.
- Second-hand equipment may be purchased only in special and well justified cases in accordance with Article 43 (2) of the Interreg Regulation, as a main rule eligible only if approved within the assessment phase of the application.
- Additional national requirements (if any) shall be taken into account.

Forms of reimbursement

Equipment costs shall be reimbursed by the Programme on a real cost basis.

Rules of origin

Based on the procurement rules, goods and materials supplied under a procurement, financed under the new Multiannual Financial Framework for the years 2021-2027 are fully untied and can originate in any country, except the sanctions published by the EU on https://www.sanctionsmap.eu/#/main.

The rule of origin should be in line with Council Regulation (EU) 2023/1214 of 23 June 2023 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine.

In case of non-compliance with the above-mentioned rules, all related cost is ineligible and has to deducted by controllers.

Description of budget lines:

3.1 Purchase or rent of equipment

3.2 Others

Documentation for the audit trail

The following documents must be provided to the controller:

a) Evidence of the selection procedure, in line with EU, Programme or national (including institutional) public procurement rules for Member States and with Appendix A for Ukraine, depending on the net amount contracted and on the type of the partner: applicable rules are the same as in case of external experts and services.
b) Contract or written agreement including adequate technical specifications and sufficiently detailed financial information about the purchase of equipment, with a clear reference to the project and the Programme.
c) Invoice (or a supporting document having equivalent probative value to invoices) providing all relevant information in line with the applicable accountancy rules, documentation of inventory and, where applicable, references to the project and the Programme.
d) Proof of payment (e.g. bank statement, extract from a reliable accounting system of the Partner).
e) Other supporting documents (e.g. documents of book-keeping, proof of receipt, documents of guarantees, photo documentation, proof of fulfilment).
f) Any other supporting documents based on the requirements of national rules (if any).

3.6 Infrastructure and works

Definition

Expenditure for the financing of works refers to costs incurred by the Partner for the execution of an infrastructure. Works expenditure may refer either to an object (e.g. building) that will be set up *ex-novo* or to the adaptation of an already existing infrastructure.

Based on Article 44 of the Interreg Regulation, Costs for infrastructure and works shall be limited to the following:

- building permits;
- building material;
- labour; and
- specialised interventions (such as soil remediation, mine-clearing)

Forms of reimbursement

Works expenditure shall be reimbursed by the Programme on a real cost basis.

Additional eligibility requirements

- Works must clearly link to the project and be essential for its effective implementation.
- Works have to be duly described in the application form or, if not the case, must have been agreed by the MA/JS or MC beforehand in order to be considered as eligible.
- Full cost for realising infrastructure and works within the project is eligible.
- Eligibility of costs for infrastructure and works is subject to the full respect of procurement rules as follows:
  a) In case of Ukrainian partners the relevant rules mentioned in Appendix A of this document.
  b) In case of partners from Member states the main programme level rules are the following (irrelevant that the relevant partner is contracting authority or not):
     - Selection procedure must be in line with latest EU, Programme or national public procurement rules, depending on the type of entities and net amount contracted.
     - For expenditures where no public procurement procedure or legally set rule at national level is required
       - Above EUR 10 000 (excl. VAT): partners must perform and document the execution of adequate market researches (e.g. through collecting bids – at least three valid independent and comparable offers must be requested, or using centralised e-procurement services, etc.)
       - This is meant to provide a sound knowledge and sufficient information on the relevant market allowing for a sound comparison of offers in terms of price and/or quality and a profound assessment of the adequacy of the price to be paid.
       - Consequently, the value and the complexity of the works should be reflected in the specification and breakdown of the terms of reference, as well as in the respective offer.
       - Partners shall also avoid conflict of interest when performing the proof of market prices.
       - Below 10 000 € (excl. VAT): the principles of sound financial management must be applied, but no specific proof of the market price is required. Nevertheless, please note that the controllers will check it during the verification of expenditures. Note

that procurement must not be split artificially to circumvent the 10 000 € threshold.

- Beyond the above mentioned rules, the controllers check the compliance with the **market prices** according to the national legislation/national rules/national practice in line with sound financial management. In case, the compliance is not ensured, the relevant amount will be deducted.
- The procurement of works must comply with the basic principles of transparency, non-discrimination and equal treatment.
- Furthermore, and depending on the nature of the intervention linked to the works to be carried out, all compulsory requirements set by Community and national legislation on environmental policies or other relevant policies released by national/regional/local authorities (e.g. building permit), must be fulfilled. In particular, any requirement deriving from the different Directives in force must be strictly observed.
- The land and/or buildings where the works will be carried out must be in the ownership or long-term use of the Partner for at least 10 years from the end of project implementation.
- Infrastructure and works expenditure cannot refer to items financed by other subsidies (e.g. EU, national or regional) and must not be already depreciated.
- In the case of works being part of a larger infrastructural investment, the part realised by the INTERREG VI-A NEXT Hungary Slovakia Romania Ukraine project must be clearly and unequivocally identifiable.
- The relevant publicity requirements must be respected in line with the visibility manual.
- All files, documents and data related to the project must be retained for audit purposes. The documents, the ownership and maintenance must be kept for at least a 5-year retention period from 31 December of the year in which the last payment by the MA to the project is made. The retention period is 10 years in case of state aid relevance.
- Contractual advance payments in accordance with normal commercial law and practice, stipulated in a contract between the Partner and the provider, supported by received invoices (e.g. advance payment for the company selected for construction works) are eligible but depend on later confirmation that infrastructure and works have been properly and timely executed.
- The existence of infrastructure and works realised by the project and their clear identification to the project must be verified on-the-spot by controllers.
- Sub-contracting for the implementation of infrastructure and works between project partners within the same project is not allowed.
- Additional national requirements (if any) shall be taken into account (e.g. proof of fulfilment).

Please, note that the cost of building permit shall be budgeted under Infrastructure and work heading.
The costs of feasibility studies, environmental impact assessments, architectural or engineering activities and any other expertise needed for the realisation of the infrastructure, shall be allocated under the cost categories 'External expertise and services'!

Description of budget lines

- 6.1 Construction of buildings, works, infrastructure – these costs comprise expenditure related to construction activities.
- 6.2 Reconstruction, renovation of buildings, works, infrastructure – these costs comprise expenditure related to works needed for the alteration, reconstruction, expansion of an already existing building.

Documentation for the audit trail

The following documents must be available for the audit trail:

- Legal documents specifying the ownership or permission to use of land and/or buildings where the works will be carried out must be available in form of annexes to the application form.
- Plans that enable a proper cost calculation (available draft technical drawings and plans, based on which the building permit is issued if applicable, if not, a sufficient description of the works, in case of renovations a short technical specification of the works).
- Where applicable, necessary permits for the execution of the works, issued by the national/regional/local relevant authorities must be available at latest by contracting for EU contribution.
- Feasibility study related to the investment, if the case.
- Evidence of the appropriate selection procedure, in line with EU, Programme or national (including institutional) procurement rules for Member States and Appendix A for Ukraine, depending on the nature of the concerned works and of the contracted net amount and the type of the partner: applicable rules are the same as in case of external experts and services.
- Contract or written agreement laying down the supplies and/or services to be provided with a clear reference to the project and the Programme.
- Invoice providing all relevant information in line with the applicable accountancy rules as well as references to the project and the Programme and a detailed description of the works carried out in line with the content of the contract.
- Proof of payment (e.g. bank statement, extract from a reliable accounting system of the Partner).
- If applicable, after the finalisation of the works at latest with the final Partner Report either the usage permit, or any other equivalent document issued by the relevant authority or according to national legislation/rules[13].
- Construction log.
- Photo documentation of the works.
- Documents of registration if applicable.
- Any other document based on the requirements of the national rules (if any).

4. STAFF COST PLANNED AS REAL COSTS

4.1 General provisions

In the case of **an SSP** or **RSP without infrastructure**[14] a Lead Partner/Partner (meaning at partner level), where staff costs represent the majority of expenditure (e.g. where a significant number of internal experts work on the project), staff costs can be planned and reimbursed on real cost basis. In the case, the applicable flat rate is defined as a percentage of the staff costs.

[13] In duly justified cases, if national legislation stipulates, the national authority after consultation with the managing authority may give derogation and the controller may accept the expenditures with conditions.

[14] Project parts having no costs budgeted on investment and works budget line.

Note: SSP and relevant RSP can choose from 2 different options: staff cost to be reimbursed on flat rate, or staff cost to be reimbursed on real cost.

This means that all other expenses related to project implementation (except staff costs) are reimbursed as a single cost category on a flat rate basis. The applicable flat rate at partner level is 40% based on Article 56 of 2021/1060 EC Regulation. (In this case no flat rate for office and administration and for travel and accommodation applies, the 40% shall cover those costs.)

Correctness of the applied 40% needs to be checked by controllers as well (mathematic check). Moreover, the deliverables and outputs defined in the finalized project form (Annex II to the Subsidy Contract) will be checked if those were implemented accordingly. (In case of no or insufficient results, cost cuts may be applicable. in line with sound financial management.)

Staff costs shall consist of gross employment costs of staff employed by the Lead Partner/Partner in one of the following ways:

- Full-time in the project (employee who works 100 % of the working time on a project, regardless of the number of hours he/she was hired for);
- Part-time with a fixed percentage of time per month dedicated to the project

It is highly recommended that the chosen option for the reporting of costs related to the individual employees is maintained during the whole project implementation. Justified changes are, however, possible in the following cases:

- between full time employment and part time employment with a fixed percentage
- different percentage in the option part time employment with fixed percentage
- replacement of an employee

Expenditure is limited to:

- Salary payments related to the activities which the entity would not carry out if the project concerned was not undertaken:
  Payments have to be based on an employment document (employment contract or any other equivalent legal agreement/appointment decision that permit the identification of the employment relationship with the Partner's organisation) or by legislation, and relating to responsibilities specified in the job description of the staff member concerned.

- Any other costs directly linked to salary payments:
  incurred and paid by the employer (such as employment taxes and social security including pensions) as long as they are:
  - Fixed in an employment document or by legislation;
  - In accordance with the legislation referred to in the employment document and with standard practices in the country and/or institution where the individual staff member is working;
  - Not recoverable by the employer.

The following general requirements apply to staff costs determined on a real cost basis:

- Salaries, other payments are only eligible if foreseen in the legislation, company's internal regulation, collective wage agreements or in a Works Council agreement and they are in line with the employment policy of the Partner organisation (ad hoc regulations applicable only to the project are not allowed).
- Unjustified ad-hoc salary increases or bonuses for project purposes are not eligible.
- Where foreseen by the employment document, overtime is eligible, provided it is in compliance with the national eligibility rules and the standard practice of the Partner.
- Staff costs must be calculated individually for each staff member assigned to the project.
- The remuneration of civil servants is an eligible cost, only if it is related to the project activities and not related to their usual day-to-day management tasks and statutory responsibilities, in accordance with national legislation.

The following documents must be provided to the controller for each employee:

- employment contract or an appointment decision/contract considered as an employment document;
- job description providing information on responsibilities related to the project (if not included in the employment document);
- documentation of the monthly gross staff costs;
- proofs of payments;
- salary contributions (social contributions, PIT advance, etc.): declaration that there are no outstanding debts related to ancillary wage costs or proof that salary contributions are paid (to be provided per reporting period).
- payslips;
- periodic staff report containing a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period. The periodic staff report must be signed both by the employee and her/his supervisor. (the applicable template will be available on the webpage of the programme);
- other additional documents based on national requirements (if any).

4.2 Full-time-employment

For individuals employed by the Partner to work full-time on the project, the total gross employment costs incurred by the employer are to be considered as eligible as far as they are in line with the general provisions on eligibility (chapter 2) and the additional eligibility requirements for staff costs (please see 4.1.).

Documents for the audit trail:

- See the necessary documents in point 4.1.

4.3 Part-time employment with fixed percentage of time per month dedicated to the project

For individuals employed by the Partner to work part of their time on the project according to a fixed percentage of time per month, the reimbursement of staff costs shall be calculated by applying the percentage stipulated in the employment contract (and/or an official assignment of the employee to the project) to the monthly gross employment cost.

The proportion of the engagement in the project has to be indicated in the application.

Beyond the documents mentioned in point 4.1., the following additional documents have to be provided to the controller for each employee as part of the audit trail:

- The employment document and/or the official assignment to the project, signed by both the employer (delegated person) and the employee at the beginning of the assignment, containing the following in-formation (if not incl. in the employment document and/or job description):
  - the percentage of the employee's working time on the project;
  - in the case that the employee is involved in other EU and/or national co-funded projects, name and funding reference of the concerned project(s) as well as the percentage of the employee's working time on each co-funded project;
  - description of the main tasks to be performed by the employee within the duration of the assignment to the project, making reference to the outputs and deliverables as foreseen in the application form.
- The employment document and/or the official assignment to the project must be reviewed in case of changes in the assignment (e.g. shift of tasks or change in the percentage of time worked in the project).
- other additional documents based on national requirements (if any).

5. TABLE ON REIMBURSEMENT OPTION

		LSP projects[15]	SSP and RSP (both option, with or without infrastructure budget line)	SSP and RSP[16]without infrastructure budget line
No.	Budget lines	Category	Category	Category
1	**Staff cost**	Flat Rate: **5%** of direct costs other than staff cost	Flat Rate: **20%** direct costs other than staff cost	**Real Cost**

[15] Please, note that large infrastructural project is not relevant in the 2nd Call for Proposals.

[16] Please, note that Type B budget (staff cost planned as real cost) is not applicable for RSP without infrastructure budget line in the 2nd Call for Proposals.

2	**Office and Administrative costs**	Flat Rate: 15% of Staff cost	Flat Rate: 15% of Staff cost	Flat Rate: 40% of Staff cost
3	**Travel**	Flat Rate: 15% of Staff cost	Flat Rate: 15% of Staff cost	
4	**External expertise and services costs**	Real Cost	Real Cost	
5	**Equipment and supplies**	Real Cost	Real Cost	
6	**Investment/Works**	Real Cost	Real Cost	

6. APPENDIX A – PROCUREMENT RULES FOR UKRAINIAN PARTNERS[17]

Please, note that in order to help the Ukrainian partners, TESIM has elaborated an indicative package for procurements. It is available on programme website.

General provisions

1. Principles applicable to contracts and scope (mirroring art. 160 of the Financial Regulation[18])

1. All contracts financed by a grant contract shall respect the principles of transparency, proportionality, equal treatment and non-discrimination.
2. All contracts shall be put out to competition on the broadest possible basis, except when use of negotiated procedure. The estimated value of a contract shall not be determined with a view to circumventing the applicable rules, nor shall a contract be split up for that purpose. The grant beneficiary, acting as contracting authority, shall divide a contract into lots, whenever appropriate, with due regard to broad competition.
3. Grant beneficiaries shall not use framework contracts improperly or in such a way that their purpose or effect is to prevent, restrict or distort competition.

2. Mixed contracts and common procurement vocabulary (mirroring art. 162 of the Financial Regulation)

1. A mixed contract covering two or more types of procurement (works, supplies or services), shall be awarded in accordance with the provisions applicable to the type of procurement that characterises the main subject matter of the contract in question.
2. In the case of mixed contracts consisting of supplies and services, the main subject matter shall be determined by a comparison of the values of the respective supplies or services.
3. Any references to nomenclatures in the context of procurement shall be made using the Common Procurement Vocabulary (CPV).

3. Publicity measures (mirroring art. 163 of the Financial Regulation with thresholds of 178.1 and point 5 of its Annex I)

1. For procedures with a value equal to or greater than EUR 300 000 for service and supply contracts or than EUR 5 000 000 for works contracts the grant beneficiary shall publish in the *Official Journal of the European Union*:

[17] Please, note that the final content of the procurement rules may change following the negotiation with the European Commission. Therefore, the managing authority reserves the right to modify accordingly.

[18] 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

a) a contract notice to launch a procedure, except in the case of negotiated procedure;
b) a contract award notice on the results of the procedure.

2. If applicable, the prior information notice for calls for tender following the restricted procedure or the open procedure as referred to, respectively, in points (a) and (b) of point 4.1, shall be sent to the Publications Office by electronic means as early as possible.

   The award notice shall be sent when the contract is signed except where, if still necessary, the contract was declared secret or where the performance of the contract must be accompanied by special security measures, or when the protection of the essential interests of the Union or the beneficiary country so requires, and where the publication of the award notice is deemed not to be appropriate.

3. Procedures with a value below the above-mentioned thresholds shall be advertised by appropriate means.

4. In addition to the advertising provided for in paragraph 1 and in point 30.2, procurement procedures may be advertised in any other way, in particular in electronic form. Any such advertising shall refer to the notice published in the Official Journal of the European Union, if the notice has been published, and shall not precede the publication of that notice, which alone is authentic.

   Such advertising shall not introduce any discrimination between candidates or tenderers nor contain details other than those contained in the contract notice, if the notice has been published.

5. Publication of certain information on a contract award may be withheld where its release would impede law enforcement, or otherwise be contrary to the public interest, would harm the legitimate commercial interests of economic operators or might prejudice fair competition between them.

A. Types of procedures

4. Procurement procedures (mirroring art. 164 of the Financial Regulation)

1. Procurement procedures for awarding concession contracts or public contracts, including framework contracts shall take one of the following forms:
   a) open procedure;
   b) restricted procedure;
   c) negotiated procedure, including without prior publication;
   d) competitive procedure with negotiation;
   e) procedures involving a call for expression of interest.

2. In open procedures any interested economic operator may submit a tender.

3. In restricted procedures and competitive procedures with negotiation, any economic operator may submit a request to participate by providing the information that is requested by the grant beneficiary. The grant beneficiary shall invite all candidates, that satisfy the selection criteria and that are not in any of the situations for exclusion or rejection referred to in Articles 136(1) and 141(1) of the Financial

Regulation[19], to submit a tender.

Notwithstanding the first paragraph, the grant beneficiary may limit the number of candidates to be invited to participate in the procedure on the basis of objective and non-discriminatory selection criteria, which shall be indicated in the contract notice or the call for expression of interest. The number of candidates invited shall be sufficient to ensure genuine competition.

4. In all procedures involving negotiation, the grant beneficiary shall negotiate with tenderers the initial and any subsequent tenders or parts thereof, except their final tenders, in order to improve their content. The minimum requirements and the criteria specified in the procurement documents shall not be subject to negotiation. A grant beneficiary may award a contract on the basis of the initial tender without negotiation where it has indicated in the procurement documents that it reserves the possibility to do so.

5. The grant beneficiary may use:

   a) the open or restricted procedure for any purchase;
   b) the procedures involving a call for expression of interest for contracts with a value below the thresholds referred to in point 3 of this Annex, to preselect candidates to be invited to submit tenders in response to future restricted invitations to tender, or to collect a list of vendors to be invited to submit requests to participate or submit tenders;
   c) the competitive procedure with negotiation, for the service contracts for social and other specific services[20], and for cases where this is justified by the specific circumstances linked, inter alia, to the nature or the complexity of the subject matter of the contract or to the specific type of contract, as further detailed in point 7.2;
   d) the negotiated procedure without prior publication for specific types of purchases falling outside the scope of Directive 2014/24/EU or in the clearly defined exceptional circumstances set out in this Annex.

5. Thresholds and procedures (mirroring point 38 of Annex I of the Financial Regulation)

1. The procurement procedures in the field of external actions shall be as follows:

   a) the restricted procedure as provided for in point 4.1.b of this Annex;
   b) the open procedure as provided for in point 4.1.a of this Annex;
   c) the local open procedure;
   d) the simplified procedure.

2. The use of procurement procedures according to thresholds shall be as follows:

   a) the open or restricted procedure may be used for:
      i. service and supply contracts and service concession contracts with a value of at least EUR 300 000;
      ii. works contracts and works concessions contracts with a value of at least EUR 5 000 000;
   b) the local open procedure may be used for:

[19] Other provisions on situations of exclusion and rejection in this document should be understood as referred to Articles 136(1) and 141(1) of the Financial Regulation

[20] As referred to in Annex XIV to Directive 2014/24/EU

i. supply contracts with a value of at least EUR 100 000 and less than EUR 300 000;
ii. works contracts and works concessions contracts with a value of at least EUR 300 000 and less than EUR 5 000 000;

c) the simplified procedure may be used for:
i. service contracts, service concession contracts, works contracts and works concessions contracts with a value of less than EUR 300 000;
ii. supply contracts with a value of less than EUR 100 000;

d) contracts with a value of less than or equal to EUR 20 000 may be awarded on the basis of a single tender;

e) payments of amounts less than or equal to EUR 2 500 in respect of items of expenditure may be carried out simply as payment against invoices, without prior acceptance of a tender.

3. In the restricted procedure referred to in point (a) of paragraph 1, the contract notice shall state the number of candidates who will be invited to submit tenders. For service contracts at least four candidates shall be invited. The number of candidates allowed to submit tenders shall be sufficient to ensure genuine competition. The list of selected candidates shall be published on the grant beneficiary's website.

   If the number of candidates satisfying the selection criteria or the minimum capacity levels is less than the minimum number, the grant beneficiary may invite to submit a tender only those candidates who satisfy the criteria to submit a tender.

4. Under the local open procedure referred to in point (c) of paragraph 1, the contract notice shall be published at least in the official gazette of the recipient State or in any equivalent publication for local invitations to tender.

5. Under the simplified procedure referred to in point (d) of paragraph 1, the contracting authority shall draw up a list of at least three tenderers of its choice, without publication of a notice. Tenderers for the simplified procedure may be chosen from a list of vendors as referred to in point (b) of point 9. 1 advertised by a call for expression of interest.

   If, following consultation of the tenderers, the contracting authority receives only one tender that is administratively and technically valid, the contract may be awarded provided that the award criteria are met.

6. For legal services not covered in point (g) of point 6.1, the contracting authorities may use the simplified procedure, whatever is the estimated value of the contract.

6. Use of a negotiated procedure without prior publication of a contract notice (mirroring point 11 of Annex I of the Financial Regulation)

1. Where the grant beneficiary uses the negotiated procedure without prior publication of a contract notice, it shall comply with the arrangements on negotiation set out in point 7.1. The grant beneficiary may use the negotiated procedure without prior publication of a contract notice, regardless of the estimated value of the contract, in the following cases:

   a) where no tenders, or no suitable tender, or no request to participate or no suitable request to participate as provided for in paragraph 2 have been submitted in response to an open procedure or restricted procedure after that procedure has been completed, provided that the original procurement documents are not substantially altered;

   b) where the works, supplies or services can only be provided by a single economic operator under

the conditions set out in paragraph 3 and for any of the following reasons:

i. the aim of the procurement is the creation or acquisition of a unique work of art or an artistic performance;
ii. competition is absent for technical reasons;
iii. the protection of exclusive rights, including intellectual property rights, must be ensured;

c) in so far as is strictly necessary where, for reasons of extreme urgency brought about by unforeseeable events, it is impossible to comply with the time limits laid down in point 22 of this Annex and where the justification of such extreme urgency is not attributable to the contracting authority;

d) for new services or works consisting in the repetition of similar services or works entrusted to the economic operator to which the same grant beneficiary awarded an original contract, provided that those services or works are in conformity with a basic project for which the original contract was awarded after publication of a contract notice, subject to the conditions set out in paragraph 4;

e) for supply contracts:

i. for additional deliveries which are intended either as a partial replacement of supplies or installations or as the extension of existing supplies or installations, where a change of supplier would oblige the contracting authority to acquire supplies having different technical characteristics which would result in incompatibility or disproportionate technical difficulties in operation and maintenance; when Union institutions award contracts on their own account, the duration of such contracts shall not exceed three years;
ii. where the products are manufactured purely for the purpose of research, experimentation, study or development; however, such contracts shall not include quantity production to establish commercial viability or to recover research and development costs;
iii. for supplies quoted and purchased on a commodity market;
iv. for purchases of supplies on particularly advantageous terms, from either an economic operator which is definitively winding up its business activities, or the liquidators in an insolvency procedure, an arrangement with creditors, or a similar procedure under national law;

f) for building contracts, after prospecting the local market;

g) for contracts for any of the following:

i. legal representation by a lawyer in arbitration or conciliation or judicial proceedings;
ii. legal advice given in the preparation of the proceedings referred to in point (i), or where there is tangible indication and high probability that the matter to which the advice relates will become the subject of such proceedings, provided that the advice is given by a lawyer;
iii. arbitration and conciliation services;
iv. document certification and authentication services which must be provided by notaries;

2. A tender shall be considered unsuitable where it does not relate to the subject matter of the contract and a request to participate shall be considered unsuitable where the economic operator is in an exclusion situation or does not meet the selection criteria.

3. The exceptions set out in points (b)(ii) and (iii) of paragraph 1 shall only apply when no reasonable alternative or substitute exists and the absence of competition is not the result of an artificial

narrowing down of the parameters when defining the procurement.

4. In the cases referred to in point (d) of paragraph 1, the basic project shall indicate the extent of possible new services or works and the conditions under which they will be awarded. As soon as the basic project is put up for tender, the possible use of the negotiated procedure shall be disclosed, and the total estimated amount for the subsequent services or works shall be taken into consideration in applying the thresholds referred to in point 3 of this Annex.

7. Use of competitive procedure with negotiation (mirroring point 12.1(b) of Annex I and Art. 164.4 of the Financial Regulation)

1. When the grant beneficiary uses the competitive procedure with negotiation, it shall take into consideration the following arrangements on negotiation:
   a) the grant beneficiary shall negotiate with tenderers the initial and any subsequent tenders or parts thereof, except their final tenders, in order to improve their content. The minimum requirements and the criteria specified in the procurement documents shall not be subject to negotiation;
   b) a grant beneficiary may award a contract on the basis of the initial tender without negotiation where it has indicated in the procurement documents that it reserves the possibility to do so.
2. The contracting authority may use this procedure, regardless of the estimated value of the contract, with regard to works, supplies or services fulfilling one or more of the following criteria:
   a) where the needs of the contracting authority cannot be met without the adaptation of a readily available solution;
   b) the works, supplies or services include design or innovative solutions;
   c) the contract cannot be awarded without prior negotiations because of specific circumstances related to the nature, complexity or the legal and financial make-up of the contract or the risks attached to the subject matter of the contract;
   d) the technical specifications cannot be established with sufficient precision by the contracting authority with reference to a standard.

8. Use of the negotiated procedure for service, supply and works contracts (mirroring point 39 of Annex I of the Financial Regulation)

1. Grant beneficiaries may use the negotiated procedure with a single tender in the following cases:
   a) where the services are entrusted to public-sector bodies or to non-profit institutions or associations and relate activities of an institutional nature or are designed to provide assistance to people in the social field;
   b) where the tender procedure has been unsuccessful, that is to say, where no qualitatively and/or financially worthwhile tender has been received, in which case, after cancelling the tender procedure, the grant beneficiary may negotiate with one or more tenderers of its choice, from among those that took part in the invitation to tender, provided that the procurement documents are not substantially altered;
   c) where a new contract has to be concluded after early termination of an existing contract.
2. For the purposes of point 6.1(c) operations carried out in a crisis shall be considered to satisfy the test of extreme urgency. The grant beneficiary shall establish that a situation of extreme urgency exists and shall review his or her decision regularly having regard to the principle of sound financial

management.

3. Activities of an institutional nature referred to in point (a) of point 8.1 shall include services directly linked to the statutory mission of the public sector bodies.

9. Procedure involving a call for expression of interest (mirroring points 13.1 & 13.2 of Annex I of the Financial Regulation)

1. For contracts with a value below the thresholds referred to in point 3 of this Annex, and without prejudice to points 6 and 7 of this Annex, the grant beneficiary may use a call for expression of interest to do either of the following:
   a) to pre-select candidates to be invited to submit tenders in response to future restricted invitations to tender;
   b) to collect a list of vendors to be invited to submit requests to participate or tenders.
2. The list drawn up following a call for expression of interest shall be valid for not more than four years from the date on which the notice is published. The list referred to in the first paragraph may include sub-lists. Any interested economic operator may express interest at any time during the period of validity of the list, with the exception of the last three months of that period.

10. Use of electronic auctions (mirroring point 22 of Annex I of the Financial Regulation)

1. The grant beneficiary may use electronic auctions, in which new prices, revised downwards, or new values concerning certain elements of tenders are presented.

   The grant beneficiary shall structure the electronic auction as a repetitive electronic process, which occurs after an initial full evaluation of the tenders, enabling them to be ranked using automatic evaluation methods.

2. In open, restricted or competitive procedures with negotiation, the grant beneficiary may decide that the award of a public contract is preceded by an electronic auction when the procurement documents can be established with precision.

   An electronic auction may be held on the reopening of competition among the parties to a framework contract as referred to point (b) of the second subparagraph of point 1.3 of Annex I of the Financial Regulation.

   The electronic auction shall be based on one of the award methods set out in point 17.4 of this Annex.

3. The contracting authority which decides to hold an electronic auction shall state that fact in the contract notice. The procurement documents shall include the following details:
   a) the values of the features which will be the subject of an electronic auction, provided that those features are quantifiable and can be expressed in figures or percentages;
   b) any limits on the values which may be submitted, as they result from the specifications relating to the subject matter of the contract;
   c) the information which will be made available to tenderers in the course of the electronic auction and, where appropriate, when it will be made available to them;
   d) the relevant information concerning the electronic auction process including whether it includes phases and how it will be closed, as set out in point 10.7;
   e) the conditions under which the tenderers will be able to tender and, in particular, the minimum differences which will, where appropriate, be required when submitting the tender;

f) the relevant information concerning the electronic equipment used and the arrangements and technical specifications for connection.

4. All tenderers who have submitted admissible tenders shall be invited simultaneously by electronic means to participate in the electronic auction using the connections in accordance with the instructions. The invitation shall specify the date and time of the start of the electronic auction.

   The electronic auction may take place in a number of successive phases. The electronic auction shall not start sooner than two working days after the date on which invitations are sent out.

5. The invitation shall be accompanied by the outcome of a full evaluation of the relevant tender. The invitation shall also state the mathematical formula to be used in the electronic auction to determine automatic re-rankings on the basis of the new prices and/or new values submitted. That formula shall incorporate the weighting of all the criteria fixed to determine the most economically advantageous tender, as indicated in the procurement documents. For that purpose, any ranges shall, however, be reduced beforehand to a specified value.
   Where variants are authorised, a separate formula shall be provided for each variant.

6. Throughout each phase of an electronic auction the contracting authority shall instantaneously communicate to all tenderers at least sufficient information to enable them to ascertain their relative rankings at any moment. It may also, where this has been previously indicated, communicate other information concerning other prices or values submitted as well as announce the number of tenderers in any specific phase of the auction. It shall not however disclose the identities of the tenderers during any phase of an electronic auction.

7. The grant beneficiary shall close an electronic auction in one or more of the following ways:

   a) at the previously indicated date and time;

   b) when it receives no more new prices or new values which meet the requirements concerning minimum differences, provided that it has previously stated the time which it will allow to elapse after receiving the last submission before it closes the electronic auction;

   c) when the previously indicated number of phases in the auction has been completed.

8. After closing an electronic auction, the contracting authority shall award the contract on the basis of the results of the electronic auction.

11. Electronic catalogues (mirroring point 27 of Annex I of the Financial Regulation)

1. Where the use of electronic means of communication is required, the contracting authority may require tenders to be presented in the format of an electronic catalogue or to include an electronic catalogue.

2. Where the presentation of tenders in the form of electronic catalogues is accepted or required, the contracting authority shall:

   a) state so in the contract notice;

   b) indicate in the procurement documents all the necessary information concerning the format, the electronic equipment used and the technical connection arrangements and specifications for the catalogue.

3. Where a multiple framework contract has been concluded following the submission of tenders in the form of electronic catalogues, the contracting authority may provide that the reopening of competition for specific contracts takes place on the basis of updated catalogues by using one of the following methods:
   a) the contracting authority invites contractors to resubmit their electronic catalogues, adapted to the requirements of the specific contract in question;
   b) the contracting authority notifies contractors that it intends to collect from the electronic catalogues which have already been submitted the information needed to constitute tenders adapted to the requirements of the specific contract in question, provided that the use of that method has been announced in the procurement documents for the framework contract.
4. When using the method referred to in point (b) of point 11.3, the contracting authority shall notify contractors of the date and time at which they intend to collect the information needed to constitute tenders adapted to the requirements of the specific contract in question and shall give contractors the possibility to refuse such collection of information.

   The contracting authority shall allow for an adequate period between the notification and the actual collection of information.

   Before awarding the specific contract, the contracting authority shall present the collected information to the contractor concerned so as to give it the opportunity to contest or confirm that the tender thus constituted does not contain any material errors.

C. Preparation

12. Preparation of a procurement procedure (mirroring art. 166 of Financial Regulation)

1. Before launching a procurement procedure, the grant beneficiary may conduct a preliminary market consultation with a view to preparing the procedure.
2. In the procurement documents, the grant beneficiary shall identify the subject matter of the procurement by providing a description of its needs and the characteristics required of the works, supplies or services to be bought, and shall specify the applicable exclusion, selection and award criteria. The grant beneficiary shall also indicate which elements define the minimum requirements to be met by all tenders. Minimum requirements shall include compliance with applicable environmental, social and labour law obligations established by Union law, national law, collective agreements or the applicable international social and environmental conventions listed in Annex X to Directive 2014/24/EU.

13. Joint procurement (simplified adaptation of Art. 165 of the Financial Regulation)

1. Where a contract or a framework contract is of interest to two or more grant beneficiaries in the same operation, and whenever there is a possibility for realising efficiency gains, the grant beneficiaries concerned may carry out the procedure and the management of the subsequent contract or framework contract on an interinstitutional basis under the lead of one of the grant beneficiaries.

   The terms of a framework contract shall only apply between those contracting authorities that are identified for that purpose in the procurement documents and those economic operators that are

party to the framework contract.

2. Where a contract or a framework contract is necessary for the implementation of a joint action between one or more grant beneficiaries from partner countries and one or more grant beneficiaries from Member States, the procurement procedure may be carried out jointly. The procedural provisions applicable will be the ones of the grant beneficiary leading the procurement procedure.

14. Procurement documents (mirroring point 16 of Annex I of the Financial Regulation)

1. The procurement documents shall include the following:

   a) if applicable, the contract notice or other advertising measure as provided for in point 3.4;
   b) the invitation to tender;
   c) the tender specifications, including the technical specifications and the relevant criteria;
   d) the draft contract based on the model contract.

   Point (d) of the first paragraph shall not apply to cases where, due to exceptional and duly justified circumstances, the model contract cannot be used.

2. The invitation to tender shall:

   a) specify the rules governing the submission of tenders, including in particular the conditions to maintain them confidential until opening, the closing date and time for receipt and the address to which they are to be sent or delivered or the internet address in case of electronic submission;
   b) state that submission of a tender implies acceptance of the terms and conditions set out in the procurement documents and that such submission binds the contractor to whom the contract is awarded during performance of the contract;
   c) specify the period during which a tender will remain valid and shall not be modified in any respect;
   d) forbid any contact between the contracting authority and the tenderer during the procedure, save, exceptionally, under the conditions laid down in point 23 of this Annex, and, where provision is made for an on-the-spot visit, specify the arrangements for such a visit;
   e) specify the means of proof for compliance with the time limit for receipt of tenders;
   f) state that submission of a tender implies acceptance of receiving notification of the outcome of the procedure by electronic means.

3. The tender specifications shall contain the following:

   a) the exclusion and selection criteria;
   b) the award criteria and their relative weighting or, where weighting is not possible for objective reasons, their decreasing order of importance, which shall also apply to variants if they are authorised in the contract notice;
   c) the technical specifications referred to in point 16 of this Annex;
   d) if variants are authorised, the minimum requirements which they must meet;
   e) the evidence of access to procurement;
   f) the requirement to indicate in which country the tenderers are established and to present the supporting evidence normally acceptable under the law of that country;
   g) in the case of electronic catalogues, information on the electronic equipment used and the technical connection arrangements and specifications needed.

4. The draft contract shall:

a) specify the liquidated damages for failure to comply with its clauses;
b) specify the details which must be contained in invoices and in the relevant supporting documents;
c) specify the competent court for hearing disputes;
d) specify that the contractor shall comply with applicable obligations in the fields of environmental, social and labour law established by Union law, national law, collective agreements or by the international social and environmental conventions listed in Annex X to Directive 2014/24/EU;
e) specify whether the transfer of intellectual property rights will be required;
f) state that the price quoted in the tender is firm and non-revisable, or lay down the conditions or formulas for revision of prices during the lifetime of the contract.

For the purposes of point f), if a revision of prices is set out in the contract, the grant beneficiary shall take particular account of:

a) the subject matter of the procurement and the economic situation in which it is taking place;
b) the type of contract and tasks and its duration;
c) the financial interests of the contracting authority.

15. Access to procurement documents and time limit to provide additional information (mirroring point 25.1 of Annex I of the Financial Regulation)

The grant beneficiary shall offer direct access free of charge by electronic means to the procurement documents from the date of publication of the contract notice or, for the procedures without contract notice or referred to in point 9 of this Annex, from the date of dispatch of the invitation to tender.

In justified cases, the grant beneficiary may transmit the procurement documents by other means it specifies if direct access by electronic means is not possible for technical reasons or if the procurement documents contain information of a confidential nature.

The grant beneficiary may impose on economic operators requirements aimed at protecting the confidential nature of information contained in the procurement documents. It shall announce those requirements as well as how access to the procurement documents concerned can be obtained.

C. Technical specifications and criteria for assessment

16. Technical specifications (mirroring point 17.1, 17.2 & 17.8 of Annex I of the Financial Regulation)

1. Technical specifications shall allow equal access of economic operators to the procurement procedures and not have the effect of creating unjustified obstacles to the opening up of procurement to competition.

   Technical specifications shall include the characteristics required for works, supplies or services, including minimum requirements, so that they fulfil the use for which they are intended by the contracting authority.

2. The characteristics referred to in paragraph 1 may include as appropriate:

   a) the quality levels;

b) environmental performance and climate performance;
c) for purchases intended for use by natural persons, the accessibility criteria for people with disabilities or the design for all users, except in duly justified cases;
d) the levels and procedures of conformity assessment;
e) performance or use of the supply;
f) safety or dimensions, including, for supplies, the sales name and user instructions, and, for all contracts, terminology, symbols, testing and test methods, packaging, marking and labelling, production processes and methods;
g) for works contracts, the procedures relating to quality assurance and the rules relating to design and costing, the test, inspection and acceptance conditions for works and methods or techniques of construction and all the other technical conditions which the contracting authority is in a position to prescribe under general or specific regulations in relation to the finished works and to the materials or parts which they involve.

3. Unless justified by the subject matter of the contract, technical specifications shall not refer to a specific make or source, or a particular process which characterises the products or services provided by a specific economic operator, or to trademarks, patents, types or a specific origin or production with the effect of favouring or eliminating certain products or economic operators.

   Such reference shall be permitted on an exceptional basis where a sufficiently detailed and intelligible description of the e subject matter of the contract is not possible. Such reference shall be accompanied by the words 'or equivalent'.

17. Award of contracts (mirroring art. 167 of the Financial Regulation)

1. Contracts shall be awarded on the basis of award criteria provided that the contracting authority has verified the following:
   a) the tender complies with the minimum requirements specified in the procurement documents;
   b) the candidate or tenderer is not excluded or rejected;
   c) the candidate or tenderer meets the selection criteria specified in the procurement documents and is not subject to conflicts of interest which may negatively affect the performance of the contract.
2. The grant beneficiary shall apply the selection criteria to evaluate the capacity of the candidate or tenderer. Selection criteria shall only relate to the legal and regulatory capacity to pursue the professional activity, the economic and financial capacity, and the technical and professional capacity.
3. The grant beneficiary shall apply the award criteria to evaluate the tender.
4. The grant beneficiary shall base the award of contracts on the most economically advantageous tender, which shall consist in one of three award methods: lowest price, lowest cost or best price-quality ratio. For the lowest cost method, the grant beneficiary shall use a cost-effectiveness approach including life-cycle costing. For the best price-quality ratio, the contracting authority shall take into account the price or cost and other quality criteria linked to the subject matter of the contract.

18. Exclusion and selection criteria (mirroring point 18 of Annex I of the Financial Regulation)

1. For the purpose of declaring and evidencing the absence of an exclusion situation in accordance with Article 137 of the Financial Regulation, the grant beneficiary shall accept a declaration on honour signed and dated.

2. The grant beneficiary shall indicate in the procurement documents the selection criteria, the minimum levels of capacity and the evidence required to prove that capacity. All requirements shall be related and proportionate to the subject matter of the contract. The grant beneficiary shall specify in the procurement documents how groups of economic operators are to meet the selection criteria taking into account point 18.6.

   Where a contract is divided into lots, the grant beneficiary may set minimum levels of capacity for each lot. It may set additional minimum levels of capacity in the event that several lots are awarded to the same contractor.

3. With regard to capacity to pursue the professional activity, the contracting authority may require an economic operator to fulfil at least one of the following conditions:

   a) be enrolled in a relevant professional or trade register, except when the economic operator is an international organisation;
   b) for service contracts, hold a particular authorisation proving that it is authorised to perform the contract in its country of establishment or be a member of a specific professional organisation.

4. When receiving requests to participate or tenders, the contracting authority shall accept a declaration on honour stating that the candidate or tenderer fulfils the selection criteria. The requirement to submit a declaration on honour may be waived for very low value contracts, that is, not exceeding EUR 15 000.

   The grant beneficiary may ask tenderers and candidates at any moment during the procedure to submit an updated declaration or all or part of the supporting documents where this is necessary to ensure the proper conduct of the procedure.

   The grant beneficiary shall require the candidates or successful tenderers to submit up- to-date supporting documents except where it has already received them for the purpose of another procedure and provided that the documents are still up-to-date or it can access them in a national database free of charge.

5. The grant beneficiary may, depending on its assessment of risks, decide not to require evidence of the legal, regulatory, financial, economic, technical and professional capacity of economic operators in the following cases:

   a) procedures for contracts awarded, with a value not exceeding the thresholds referred to in point 3 of this Annex;
   b) procedures for contracts awarded in accordance with points (b), (d), (e)(i) and (iv) and (g) of point 6.1.

   Where the grant beneficiary decides not to require evidence of the legal, regulatory, financial, economic, technical and professional capacity of economic operators, no pre-financing shall be made except in duly justified cases.

6. An economic operator may, where appropriate and for a particular contract, rely on the capacities of other entities, regardless of the legal nature of the links which it has with them. It shall in that case

prove to the grant beneficiary that it will have at its disposal the resources necessary for the performance of the contract by producing a commitment by those entities to that effect.

With regard to technical and professional criteria, an economic operator shall only rely on the capacities of other entities where the latter will perform the works or services for which those capacities are required.

Where an economic operator relies on the capacities of other entities with regard to criteria relating to economic and financial capacity, the contracting authority may require that the economic operator and those entities be jointly liable for the performance of the contract.

The grant beneficiary may request information from the tenderer on any part of the contract that the tenderer intends to subcontract and on the identity of any subcontractors.

For works or services provided at a facility directly under the oversight of the grant beneficiary, the grant beneficiary shall require the contractor to indicate the names, contacts and authorised representatives of all subcontractors involved in the performance of the contract, including any changes of subcontractors.

7. The grant beneficiary shall verify whether the entities on whose capacity the economic operator intends to rely and the envisaged subcontractors, when subcontracting represents a significant part of the contract, fulfil the relevant selection criteria.

   The grant beneficiary shall require that the economic operator replaces an entity or subcontractor which does not meet a relevant selection criterion.

8. In the case of works contracts, service contracts and siting or installation operations in the context of a supply contract, the grant beneficiary may require that certain critical tasks be performed directly by the tenderer itself or, where the tender is submitted by a group of economic operators, a participant in the group.

9. The grant beneficiary shall not demand that a group of economic operators have a given legal form in order to submit a tender or request to participate, but the selected group may be required to adopt a given legal form after it has been awarded the contract if such change is necessary for the proper performance of the contract.

19. Economic and financial capacity (mirroring point 19 of Annex I of the Financial Regulation)

1. To ensure that economic operators possess the necessary economic and financial capacity to perform the contract, the contracting authority may require in particular that:
   a) economic operators have a certain minimum yearly turnover, including a certain minimum turnover in the area covered by the contract;
   b) economic operators provide information on their annual accounts showing ratios between assets and liability;
   c) economic operators provide an appropriate level of professional risk indemnity insurance.

   For the purposes of point (a), the minimum yearly turnover shall not exceed two times the estimated annual contract value, except in duly justified cases linked to the nature of the purchase, which the grant beneficiary shall explain in the procurement documents.

   For the purposes of point (b), the grant beneficiary shall explain the methods and criteria for such

ratios in the procurement documents.

2. The grant beneficiary shall define in the procurement documents the evidence to be provided by an economic operator to demonstrate its economic and financial capacity. It may request in particular one or more of the following documents:
   a) appropriate statements from banks or, where appropriate, evidence of relevant professional risk indemnity insurance;
   b) financial statements or their extracts for a period equal to or less than the last three financial years for which accounts have been closed;
   c) a statement of the economic operator's overall turnover and, where appropriate, turnover in the area covered by the contract for a maximum of the last three financial years available.

If, for any valid reason, the economic operator is unable to provide the references requested by the grant beneficiary, it may prove its economic and financial capacity by any other document which the grant beneficiary considers appropriate.

20. Technical and professional capacity (mirroring point 20, except 20.4, of Annex I of the Financial Regulation)

1. The grant beneficiary shall verify that candidates or tenderers fulfil the minimum selection criteria concerning technical and professional capacity in accordance with points 20.2 to 20.4 of this Annex.
2. The grant beneficiary shall define in the procurement documents the evidence to be provided by an economic operator to demonstrate its technical and professional capacity. It may request one or more of the following documents:
   a) for works, supplies requiring siting or installation operations or services, information on the educational and professional qualifications, skills, experience and expertise of the persons responsible for performance;
   b) a list of the following:
      i. the principal services provided and supplies delivered in the past three years, with the sums, dates and clients, public or private accompanied upon request by statements issued by the clients;
      ii. the works carried out in the last five years, accompanied by certificates of satisfactory execution for the most important works;
   c) a statement of the technical equipment, tools or the plant available to the economic operator for performing a service or works contract;
   d) a description of the technical facilities and means available to the economic operator for ensuring quality, and a description of available study and research facilities;
   e) a reference to the technicians or technical bodies available to the economic operator, whether or not belonging directly to it, especially those responsible for quality control;
   f) in respect of supplies: samples, descriptions or authentic photographs or certificates drawn up by official quality control institutes or agencies of recognised competence attesting the conformity of the products clearly identified by references to technical specifications or standards;
   g) for works or services, a statement of the average annual manpower and the number of managerial staff of the economic operator for the last three years;
   h) an indication of the supply chain management and tracking systems that the economic operator

will be able to apply when performing the contract;

i) an indication of the environmental management measures that the economic operator will be able to apply when performing the contract.

For the purposes of point (b)(i) of the first paragraph, where necessary in order to ensure an adequate level of competition, the grant beneficiary may indicate that evidence of relevant supplies or services delivered or performed more than three years before will be taken into account.

For the purposes of point (b)(ii) of the first paragraph, where necessary in order to ensure an adequate level of competition, the grant beneficiary may indicate that evidence of relevant works delivered or performed more than five years before will be taken into account.

3. Where the supplies or services are complex or, exceptionally, are required for a special purpose, evidence of technical and professional capacity may be secured by means of a check carried out by the contracting authority or on its behalf by a competent official body of the country in which the economic operator is established, subject to that body's agreement. Such checks shall concern the supplier's technical capacity and production capacity and, if necessary, its study and research facilities and quality control measures.

4. Where the grant beneficiary requires the provision of certificates drawn up by independent bodies attesting that the economic operator complies with certain environmental management systems or standards, it shall refer to the European Union Eco-Management and Audit Scheme or to other environmental management systems as recognised in accordance with Article 45 of Regulation (EC) No 1221/2009 of the European Parliament and of the Council or other environmental management standards based on the relevant European or international standards by accredited bodies. Where an economic operator had demonstrably no access to such certificates, or no possibility of obtaining them within the relevant time limits for reasons that are not attributable to that economic operator, the contracting authority shall also accept other evidence of environmental management measures, provided that the economic operator proves that those measures are equivalent to those required under the applicable environmental management system or standard.

5. A grant beneficiary may conclude that an economic operator does not possess the required professional capacity to perform the contract to an appropriate quality standard where the contracting authority has established that the economic operator has conflicting interests which may negatively affect its performance.

21. Award criteria (mirroring point 21 of Annex I of the Financial Regulation)

1. Quality criteria may include elements such as technical merit, aesthetic and functional characteristics, accessibility, design for all users, social, environmental and innovative characteristics, production, provision and trading process and any other specific process at any stage of the life cycle of the works, supplies or services, organisation of the staff assigned to performing the contract, after-sales service, technical assistance or delivery conditions such as delivery date, delivery process and delivery period or period of completion.

2. The grant beneficiary shall specify in the procurement documents the relative weighting which it gives to each of the criteria chosen to determine the most economically advantageous tender except when using the lowest price method. Those weightings may be expressed as a range with an appropriate maximum spread. The weighting applied to price or cost in relation to the other criteria shall not result in the neutralisation of price or cost. If weighting is not possible for objective reasons, the grant

beneficiary shall indicate the criteria in decreasing order of importance.

3. The grant beneficiary may lay down minimum levels of quality. Tenders below those levels of quality shall be rejected.

4. Life-cycle costing shall cover parts or all of the following costs, to the extent relevant, over the life cycle of works, supplies or services:

   a) costs, borne by the contracting authority or other users, such as:
      i. costs relating to acquisition;
      ii. costs of use, such as consumption of energy and other resources;
      iii. maintenance costs;
      iv. end-of-life costs, such as collection and recycling costs;
   b) costs attributed to environmental externalities linked to the works, supplies or services during their life cycle, provided their monetary value can be determined and verified.

5. Where the grant beneficiary assesses the costs using a life-cycle costing approach, it shall indicate in the procurement documents the data to be provided by the tenderers and the method which it will use to determine the life-cycle costs on the basis of those data.

   The method used for the assessment of costs attributed to environmental externalities shall fulfil the following conditions:

   a) it is based on objectively verifiable and non-discriminatory criteria;
   b) it is accessible to all interested parties;
   c) economic operators can provide the required data with reasonable effort.

   Where applicable, the contracting authority shall use the mandatory common methods for the calculation of life-cycle costs provided for in Union legal acts listed in Annex XIII to Directive 2014/24/EU.

D. Submission, evaluation and award decision

22. Time limits for procedures (mirroring point 41 of Annex I of the Financial Regulation)

1. For service contracts, the minimum time between the day following the date of dispatch of the letter of invitation to tender and the final date for receipt of tenders shall be 50 days. However, in urgent cases other time limits may be authorised.
2. Tenderers may put questions in writing before the closing date for receipt of tenders. The grant beneficiary shall provide the answers to the questions before the closing date for receipt of tenders.
3. In restricted procedures, the time limit for receipt of requests to participate shall be no less than 30 days from the date following that on which the contract notice is published. The period between the date following that on which the letter of invitation is sent and the final date for the receipt of tenders shall be no less than 50 days. However, in certain exceptional cases other time limits may be authorised.
4. In open procedures, the time limits for receipt of tenders, running from the date following that in which the contract notice is published, shall be at least:

   a) 90 days for works contracts;
   b) 60 days for supply contracts.

However, in certain exceptional cases other time limits may be authorised.

5. In local open procedures, the time limits for receipt of tenders, running from the date when the contract notice is published, shall be at least:
   a) 60 days for works contracts;
   b) 30 days for supply contracts.

   However, in certain exceptional cases other time limits may be authorised.
6. For the simplified procedures referred to in point (d) of point 5.1, candidates shall be allowed at least 30 days from the date of dispatch of the letter of invitation to tender in which to submit their tenders.

23. Contacts during the procurement procedure (mirroring art. 169 of the Financial Regulation)

1. Before the time limit for receipt of requests to participate or tenders, the grant beneficiary may communicate additional information about the procurement documents if it discovers an error or omission in the text or upon request from candidates or tenderers. Information provided shall be disclosed to all candidates or tenderers.
2. After the time limit for receipt of requests to participate or tenders, in every case where contact has been made, and in the duly justified cases where contact has not been made as provided for in Article 151 of the Financial Regulation, a record shall be kept in the procurement file.

24. Submission, electronic communication and evaluation (mirroring art. 168 of the Financial Regulation)

1. The grant beneficiary shall lay down time limits for the receipt of tenders and requests to participate taking into account the complexity of the purchase, leaving an adequate period for economic operators to prepare their tenders.
2. If deemed appropriate and proportionate, the grant beneficiary may require tenderers to lodge a guarantee to make sure that the tenders submitted are not withdrawn before contract signature. The required guarantee shall represent 1 to 2 % of the total estimated value of the contract. The grant beneficiary shall release the guarantees:
   a) in respect of tenderers or tenders rejected as referred to in point 26.2.b) or c), after having provided the information on the outcome of the procedure;
   b) in respect of tenderers ranked as referred to in point 26.2.e), after the contract is signed.
3. The grant beneficiary shall open all requests to participate and tenders. However, it shall reject:
   a) requests to participate and tenders which do not comply with the time limit for receipt, without opening them;
   b) tenders already open when they are received, without examining their content.
4. A tender shall be considered irregular in any of the following cases:
   a) when it does not comply with the minimum requirements specified in the procurement documents;
   b) when it does not comply with the requirements for submission set out in point 24.3 of this Annex;
   c) when the tenderer is rejected for the following reasons:
   i. has misrepresented the information required as a condition for participating in the

procedure or has failed to supply that information;

ii. was previously involved in the preparation of documents used in the award procedure where this entails a breach of the principle of equality of treatment, including distortion of competition, that cannot be remedied otherwise.

d) when the grant beneficiary has declared the tender to be abnormally low.

5. A tender shall be considered unacceptable in any of the following cases:

a) when the price of the tender exceeds the grant beneficiary's maximum budget as determined and documented prior to the launching of the procurement procedure;

b) when the tender fails to meet the minimum quality levels for award criteria.

6. Requests to participate and tenders which are suitable under point 6.2 and neither irregular under paragraph 4 nor unacceptable under paragraph 5 of this point shall be considered admissible.

7. By way of derogation from point 14.3, for all procedures involving a request to participate, the tender specifications may be split according to the two stages of the procedure and the first stage may contain only the information referred to in points (a) and (e) of point 14.3.

8. The grant beneficiary shall evaluate all requests to participate or tenders not rejected during the opening phase as laid down in paragraph 3 on the basis of the criteria specified in the procurement documents with a view to awarding the contract or to proceeding with an electronic auction.

9. The grant beneficiary may waive the appointment of an evaluation committee for procedures having a value of less than or equal to EUR 20 000.

10. Requests to participate and tenders which do not comply with all the minimum requirements set out in the documents shall be rejected.

25. Abnormally low tenders (mirroring point 23 of Annex I of the Financial Regulation)

1. If, for a given contract, the price or costs proposed in a tender appears to be abnormally low, the grant beneficiary shall request in writing details of the constituent elements of the price or costs which it considers relevant and shall give the tenderer the opportunity to present its observations. The grant beneficiary may, in particular, take into consideration observations relating to:

a) the economics of the manufacturing process, of the provision of services or of the construction method;

b) the technical solutions chosen or the exceptionally favourable conditions available to the tenderer;

c) the originality of the tender;

d) compliance of the tenderer with applicable obligations in the fields of environmental, social and labour law;

e) compliance of subcontractors with applicable obligations in the fields of environmental, social and labour law;

f) the possibility of the tenderer obtaining State aid in compliance with applicable rules.

2. The contracting authority shall only reject the tender where the evidence supplied does not satisfactorily account for the low price or costs proposed.

The contracting authority shall reject the tender where it has established that the tender is abnormally low because it does not comply with applicable obligations in the fields of environmental, social and

labour law.

26. Results of the evaluation and award decision (mirroring article 170.1 of the Financial Regulation and point 30 of Annex I)

1. The outcome of the evaluation shall be an evaluation report containing the proposal to award the contract. The evaluation report shall be dated and signed by the person or persons who carried out the evaluation or by the members of the evaluation committee. That report may be signed in an electronic system providing sufficient identification of the signatory.

   If the evaluation committee was not given responsibility to verify the tenders against the exclusion and selection criteria, the evaluation report shall also be signed by the persons who were given that responsibility by the authorising officer responsible.

2. The evaluation report shall contain the following:
   a) the name and address of the contracting authority, and the subject matter and value of the contract, or the subject matter and maximum value of the framework contract;
   b) the names of the candidates or tenderers rejected and the reasons for their rejection or to selection criteria;
   c) the references to the tenders rejected and the reasons for their rejection by reference to any of the following:
      i. non-compliance with minimum requirements as set out in point 17.1.a) of this Annex;
      ii. not meeting the minimum quality levels laid down in point 21.3 of this Annex;
      iii. tenders found to be abnormally low as referred to in point 25 of this Annex;
   d) the names of the candidates or tenderers selected and the reasons for their selection;
   e) the names of the tenderers to be ranked with the scores obtained and their justifications;
   f) the names of the proposed candidates or successful tenderer and the reasons for that choice;
   g) if known, the proportion of the contract or the framework contract which the proposed contractor intends to subcontract to third parties.

3. The contracting authority shall take its award decision providing any of the following:
   a) an approval of the evaluation report containing all the information listed in point 26.2 complemented by the following:
      i. the name of the successful tenderer and the reasons for that choice by reference to the pre-announced selection and award criteria, including where appropriate the reasons for not following the recommendation provided in the evaluation report;
      ii. in the case of negotiated procedure without prior publication, competitive procedure with negotiation, the circumstances referred to in points 6, 7 and 8 which justify their use;
   b) where appropriate, the reasons why the grant beneficiary has decided not to award a contract.

4. The grant beneficiary may merge the content of the evaluation report and the award decision into a single document and sign it in any of the following cases:
   a) for procedures below the thresholds referred to in point 3 of this Annex where only one tender was received;
   b) when reopening competition within a framework contract where no evaluation committee was nominated;
   c) for cases referred to in points (c), (d), (e)(i), (f)(iii) and (g) of point 6.1 where no evaluation

committee was nominated.

5. For a procurement procedure launched on a joint basis, the decision referred to in point 26.3 shall be taken by the grant beneficiary responsible for the procurement procedure.

6. The grant beneficiary shall decide to whom the contract is to be awarded, in compliance with the selection and award criteria specified in the procurement documents.

27. Information to candidates or tenderers (mirroring art. 170 of the Financial Regulation and point 31 of its Annex I)

1. The grant beneficiary shall notify all candidates or tenderers, whose requests to participate or tenders are rejected, of the grounds on which the decision was taken, as well as the duration of the standstill period. The standstill period shall have a duration of 10 days when using electronic means of communication and 15 days when using other means.

   For the award of specific contracts under a framework contract with reopening of competition, the contracting authority shall inform the tenderers of the result of the evaluation.

2. The grant beneficiary shall inform each tenderer who is not in an exclusion situation, who is not rejected, whose tender is compliant with the procurement documents and who makes a request in writing, of any of the following:

   a) the name of the tenderer, or tenderers in the case of a framework contract, to whom the contract is awarded and, except in the case of a specific contract under a framework contract with reopening of competition, the characteristics and relative advantages of the successful tender, the price paid or contract value, whichever is appropriate;
   b) the progress of negotiation and dialogue with tenderers.

   However, the grant beneficiary may decide to withhold certain information where its release would impede law enforcement, would be contrary to the public interest or would prejudice the legitimate commercial interests of economic operators or might distort fair competition between them.

3. The grant beneficiary shall inform all candidates or tenderers, simultaneously and individually, by electronic means of decisions reached concerning the outcome of the procedure as soon as possible after any of the following stages:

   a) the opening phase for the cases referred to in point 24.3 of this Annex;
   b) a decision has been taken on the basis of exclusion and selection criteria in procurement procedures organised in two separate stages;
   c) the award decision.

   In each case, the grant beneficiary shall indicate the reasons why the request to participate or tender has not been accepted and the available legal remedies.

   When informing the successful tenderer, the grant beneficiary shall specify that the decision notified does not constitute a commitment on its part.

4. The grant beneficiary shall communicate the information provided for in point 27.2 as soon as possible and in any case within 15 days of receipt of a request in writing. When the grant beneficiary awards contracts on its own account, it shall use electronic means. The tenderer may also send the request by electronic means.

5. When the grant beneficiary communicates by electronic means, information shall be deemed to have been received by candidates or tenderers if the grant beneficiary can prove to have sent it to the electronic address referred to in the tender or in the request to participate.

   In such case, information shall be deemed to have been received by the candidate or tenderer on the date of dispatch by the grant beneficiary.

28. Cancellation of the procurement procedure (mirroring art. 171 of the Financial Regulation)

The grant beneficiary may, before the contract is signed, cancel the procurement procedure without the candidates or tenderers being entitled to claim any compensation. The decision shall be justified and brought to the attention of the candidates or tenderers as soon as possible.

29. Standstill period before signature of the contract (mirroring point 35 of Annex I of the Financial Regulation)

1. The standstill period shall run from either of the following dates:
   a) the day after the simultaneous dispatch of the notifications to successful and unsuccessful tenderers by electronic means;
   b) where the contract or framework contract is awarded pursuant to point (b) of point 6.1, the day after the award notice has been published in the *Official Journal of the European Union*.

   If necessary, the grant beneficiary may suspend the signature of the contract for additional examination if this is justified by the requests or comments made by unsuccessful or aggrieved candidates or tenderers or by any other relevant information received during the period set out in point 27.1 of this Annex. In the case of suspension all the candidates or tenderers shall be informed within three working days following the suspension decision.

   Where the contract or framework contract cannot be signed with the successful envisaged tenderer, the contracting authority may award it to the following best tenderer.

2. The period set out in point 29.1 shall not apply in the following cases:
   a) any procedure where only one tender has been submitted;
   b) specific contracts based on a framework contract;
   c) negotiated procedure without prior publications referred to in point 6 except for contracts awarded in accordance with point b) of point 6.1.

F. Contract performance

30. Performance and modifications of the contract (mirroring art. 172 of the Financial Regulation and point 2.5 of Annex I)

1. Performance of the contract shall not start before it is signed.
2. The grant beneficiary may modify a contract or framework contract without a procurement procedure only in the cases provided for in paragraph 3 and provided the modification does not alter the subject matter of the contract or framework contract. The grant beneficiary shall publish in the Official Journal of the European Union a notice of modification of contract during its duration in the cases set out in points (a) and (b) of point 30.4 where the value of the modification is equal to or greater than the thresholds referred to in point 3 of this Annex.

3. A contract, a framework contract or a specific contract under a framework contract may be modified without a new procurement procedure in any of the following cases:

a) for additional works, supplies or services by the original contractor that have become necessary and that were not included in the initial procurement, where the following conditions are fulfilled:
   i. a change of contractor cannot be made for technical reasons linked to interchangeability or interoperability requirements with existing equipment, services or installations;
   ii. a change of contractor would cause substantial duplication of costs for the contracting authority;
   iii. any increase in price, including the net cumulative value of successive modifications, does not exceed 50 % of the initial contract value;

b) where all of the following conditions are fulfilled:
   i. the need for modification has been brought about by circumstances which a diligent grant beneficiary could not foresee;
   ii. any increase in price does not exceed 50 % of the initial contract value;

c) where the value of the modification is below the following thresholds:
   i. the thresholds referred to point 3 of this Annex, applicable at the time of the modification; and
   ii. 10 % of the initial contract value for public service and supply contracts and works or services concession contracts and 15 % of the initial contract value for public works contracts;

d) where both of the following conditions are fulfilled:
   i. the minimum requirements of the initial procurement procedure are not altered;
   ii. any ensuing modification of value complies with the conditions set out in point (c) of this paragraph, unless such modification of value results from the strict application of the procurement documents or contractual provisions.

The initial contract value shall not take into account price revisions. The net cumulative value of several successive modifications under point (c) of the first paragraph shall not exceed any threshold referred to therein. The contracting authority shall apply the *ex post* publicity measures set out in point 3 of this annex.

31. Performance guarantees and retention money guarantees (mirroring recital 115 and Art. 173 of the Financial Regulation)

1. The grant beneficiary may require a performance guarantee in relation to works, supplies and complex services in order to guarantee compliance with substantial contractual obligations and to ensure proper performance throughout the duration of the contract. The grant beneficiary may also require a retention money guarantee to cover the contract liability period.

2. A performance guarantee shall amount to a maximum of 10 % of the total value of the contract. It shall be fully released after final acceptance of the works, supplies or complex services, within a period specified in the contract. The release shall be made within:

a) 90 calendar days for technical services or actions which are particularly complex to evaluate and for which payment depends on the approval of a report or a certificate;
b) 60 calendar days for all other contracts for which payment depends on the approval of a report or a certificate;

c) 30 calendar days for all other contracts.

The guarantee may be released partially or fully upon provisional acceptance of the works, supplies or complex services.

3. A retention money guarantee amounting to a maximum of 10 % of the total value of the contract may be constituted by deductions from interim payments as and when they are made or by deduction from the final payment.

   The grant beneficiary shall determine the amount of the retention money guarantee which shall be proportionate to the risks identified in relation to the performance of the contract, taking into account its subject matter and the usual commercial terms applicable in the sector concerned.

   A retention money guarantee shall not be used in a contract where a performance guarantee has been requested and not released.

4. Subject to approval by the grant beneficiary, the contractor may request to replace the retention money guarantee by a guarantee issued by a bank or by an authorised financial institution or by a joint and several guarantee of the contractor and a third party.

5. The grant beneficiary shall release the retention money guarantee after the expiry of the contractual liability period, within a period subject to the time limits set out in paragraph 2 and to be specified in the contract.