

**Control Body Guidelines for**  
**BIH LP/PP in**  
**Interreg IPA Cross-border Cooperation Programme Croatia -**  
**Bosnia and Herzegovina - Montenegro 2014-2020**

<b>Version</b>	<b>Approved by</b>	<b>Signature</b>
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### List of abbreviations (in alphabetical order)

AF	Application Form
AR	Activity Report
AfR	Application for Reimbursement
BIC	Bank Identification Code
BiH	Bosnia and Herzegovina
CA	Certifying Authority
CB	Control Body
CBC	Cross Border Co-operation
CF	Cohesion Fund
CfP	Call for Proposals
CFCU	Central Financing and Contracting Unit
DEI	Directorate for European Integration
FLC Certificate	First Level Control Certificate
EC	European Commission
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FA	Financing Agreement
LB	Lead Beneficiary
PP	Project Partner
FLC	First Level Control
FR	Financial Report
FWA	Framework Agreement
IBAN	International Bank Account Number
IPA	Instrument for Pre-accession Assistance
JMC	Joint Monitoring Committee
JS	Joint Secretariat
LB	Lead Beneficiary
MA	Managing Authority
eMS	Electronic Information System
MoFT	Ministry of Finance and Treasury
OP	Operational Programme
PIM	Project Implementation Manual
PO	Payment Order
PR	Progress Report
PRAG	Procurement And Grants for European Union external actions - A Practical Guide
TA	Technical Assistance
VAT	Value added tax
WP	Work Package

## **1. INTRODUCTION**

### **1.1 GENERAL REMARKS**

These Control Guidelines at national level for beneficiaries from Bosnia and Herzegovina (BiH) who participate in the projects funded under the Interreg IPA Cross-border Cooperation Programme Croatia - Bosnia and Herzegovina - Montenegro 2014-2020 (hereinafter “the Programme”) have been developed by the Central Financing and Contracting Unit (CFCU) within the Ministry of Finance and Treasury (MoFT) as in its role as BIH Control Body (CB) for territorial cooperation programmes implemented under shared or indirect management.

These guidelines are intended for beneficiaries from Bosnia and Herzegovina (BiH) either in their role as Lead Beneficiary (LB) or as Project Partner (PP) involved in the implementation of projects financed under the Programme.

The main purpose of this document is to provide more detailed information about specific issues relevant in the context of BIH Control system to the beneficiaries from Bosnia and Herzegovina and draws attention to, inter alia, BIH legal framework applicable, the first level control system in place in Bosnia and Herzegovina, reporting obligations of the beneficiaries, rules regarding the eligibility of costs thereby taking into account any national legislation that may have an impact, obligations with respect to the retention of project documentation etc.

### **1.2 BIH CONTROL SYSTEM**

The Bosnia and Herzegovina (BIH) Control System has been set up by the Decision on nomination of Control System for EU Territorial Cooperation Programmes adopted by the BiH Council of Ministers on 20th June 2016, accordingly published in the Official Gazette of BiH No. 55/16.

Appointed Control Body (CB) in BIH is Central Financing and Contracting Unit (CFCU) within the Ministry of Finance and Treasury of Bosnia and Herzegovina.

The Head of the Control Body is the authorised official for the formal issuance of the FLC Declarations whereas the actual verification is to be carried out by a number of his/her staff as determined by him/her. Each controller is assigned the responsibility for the verification of a dedicated number of projects.

The controllers are performing an administrative desk-based verification within eMS of 100% of the expenditure declared, both in terms of form and content and in addition on-site verifications. The controllers are planning on-site visits on the basis of the Risk Analysis Chart, recalculated and updated annually. On-site visits make it possible for the controller to get better acquainted with the project and to verify in real life the existence and realities of the project and thus are of added value to the checks performed on the basis of the documents in the CB premises.

### 1.3 REGISTER OF MODIFICATIONS

Version No.	Section modified	Nature of the change
2	7. Public Procurement	The section refers to the Programme Implementation Manual which regulates the subject in detail.
2	8. Non-compliance with the rules	The section refers to the Programme Implementation Manual which regulates the subject in detail.

## 2. LEGAL BASIS

### 2.1 RELEVANT PROGRAMME LEGISLATIVE FRAMEWORK<sup>1</sup>

The programme framework encompasses the following documents, relevant valid version:

- Interreg IPA Cross-border Cooperation Programme Croatia – Bosnia and Herzegovina - Montenegro 2014 – 2020
- Memorandum of Understanding between Republic of Croatia and Bosna and Herzegovina nad Montenegro on the implementation of the Interreg IPA CBC 2014-2020
- Financing Agreement for Interreg IPA Cross-border Cooperation Programme Croatia – Bosnia and Herzegovina - Montenegro 2014 – 2020 between EC and BIH

### 2.2 APPLICABLE BIH LEGISLATION

The main specific national provisions according to legislation in place in Bosnia and Herzegovina and which may have an impact on the financial management and verification of expenditure are, per expenditure category and per government level (non-exhaustive list):

#### **STAFF COSTS:**

BiH institutions (state level)

Zakon o radu u institucijama BiH (Sl.glasnik BiH, br 26/04, 7/05, 48/05, 60/10, 32/13 i 93/17)

Zakon o državnoj službi u institucijama BiH (Sl. glasnik BiH, br 19/02, 35/03, 4/04, 17/04, 26/04, 37/04, 48/05, 2/06, 32/07, 43/09, 8/10, 40/12 i 93/17)

Zakon o platama i naknadama u institucijama BiH (Sl.glasnik BiH, br. 50/08, 35/09, 75/09,32/12, 42/12, 50/12, 32/13, 87/13, 75/15, 88/15,94/16, 46/17)

Odluka o visini osnovice za obračun plate zaposlenim u institucijama BiH, sa godišnji izmjenama

Odluka o visini novčane naknade zaposlenim u institucijama BiH za ishranu u toku rada

Odluka o načinu i postupku ostvarivanja prava na godišnji odmor u institucijama BiH

Odluka o načinu i postupku ostvarivanja prava na naknadu za godišnji odmor i plaćeno odsustvo u institucijama BiH

Odluka o ostvarivanja prava na regres za godišnji odmor u institucijama BiH

Odluka o visini regresa za godišnji odmor u institucijama BiH

Odluka o visini, načinu i postupku ostvarivanja prava na naknadu za prevoz na posao i sa posla u institucijama BiH, sa izmjenama

Odluka o postupku ostvarivanja prava na naknadu za prekovremeni rad, rad u neradne dane, noćni rad i rad u dane državnih praznika u institucijama BiH

Odluka o okvirnim kriterijima za dodjelu novčane nagrade zaposlenim u institucijama BiH

Odluka o načinu i postupku ostvarivanja prava na naknadu za porodijsko odsustvo u institucijama BiH

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<sup>1</sup> PROGRAMME RULES ON ELIGIBILITY OF EXPENDITURES

Odluka o načinu i postupku ostvarivanja prava na naknadu za bolovanje u institucijama BiH  
Odluka o načinu i postupku ostvarivanja prava na troškove smještaja, odvojenog života i privremenog rasporeda  
Odluka o načinu i postupku ostvarivanja prava na naknadu državnih službenika za obavljanje poslova drugog radnog mjesta u institucijama BiH

#### Federation of Bosnia and Herzegovina

Zakon o radu FBiH, (Službene novine FBiH, br 43/99,32/00,29/03, 62/15, 26/16, 89/18)  
Zakon o obligacionim odnosima, (Sl list R BiH, br 2/92,13/93, 13/94 i Sl novine FBiH, br 29/03 i 42/11)  
Zakon o namještenicima u organima državne službe u FBiH, (Sl.novine FBiH, 49/05)  
Zakon o državnoj službi FBiH, (Sl. novine FBiH, br 29/03, 23/04, 39/04, 54/04, 67/05, 08/06, 4/12 i 99/15)  
Zakon o mirovinskom i invalidskom osiguranju, (Sl novine FBiH, br 29/98, 49/00, 32/01, 18/05, 73/05, 59/06 i 4/09)  
Zakon o plaćama i naknadama u organima vlasti FBiH, (Sl. novine FBiH, br 45/10, 20/17)  
Zakon i podzakonski propisi o državnim službenicima i namještenicima u organima državne službe po kantonima u FBiH  
Uredba o naknadama koje nemaju karakter plaće, (Sl novine FBiH, br 63/10, 22/11, 66/11 i 51/12) i za sve kantone pojedinačno  
Uredba o naknadama koje pripadaju članovima Vlade Federacije Bosne i Hercegovine i njihovim savjetnicima koje nemaju karakter plaće ("Sl.novine F BiH", br 87/10,22/11 i 9/16)  
Opšti kolektivni ugovor za teritoriju Federacije BiH, (Sl novine FBiH, br 54/05, 48/16, 62/16) sa svim granskim kolektivnim ugovorima  
Zakon o poreznoj upravi Federacije BiH, (Sl. novine FBiH, br 33/02, 28/04, 57/09, 40/10,27/12, 7/13, 71/14 i 91/15)  
Zakon o porezu na dohodak, (Sl novine FBiH, broj 10/08, 9/10, 44/11, 7/13 i 65/13)  
Pravilnik o primjeni Zakona o porezu na dohodak, (Sl novine FBiH 67/08, 4/10, 86/10, 10/11, 53/11, 20/12, 27/13, 71/13, 90/13, 45/14, 52/16, 59/16, 38/17, 03/18, 30/18)  
Zakon o doprinosima, (Sl novine FBiH, br 35/98, 54/00, 16/01, 37/01, 1/02, 10/02, 17/06, 14/08, 91/15, 104/16 i 34/18)  
Zakon o vodama, (Sl novine FBiH, br 70/06 (stopa 0,5% na osnovicu)  
Pravilnik o načinu obračunavanja, postupku i rokovima za obračunavanje, plaćanje i kontrolu izmirivanja obaveza po osnovu OVN i posebnih vodnih naknada, (Sl.novine FBiH, br 92/07, 46/09)  
Uputstvo o načinu obračunavanja i uplati posebne naknade za zaštitu od prirodnih i drugih nesreća (Sl novine FBiH br 81/08 (stopa je 0,5%)  
Zakon o zaštiti i spašavanju ljudi i materijalnih dobara od prirodnih i drugih nesreća, (Sl. novine FBiH, br 39/03, 22/06 i 43/10)  
Pravilnik o načinu obračunavanja i uplate doprinosa, (Sl novine FBiH, br 64/08, 81/08, 98/15, 6/17, 38/17 i 39/18)  
Pravilnik o podnošenju prijave za upis i promjene upisa u jedinstveni sistem registracije i kontrole i naplate doprinosa, (Sl. novine FBiH, br 73/09, 38/10, 77/10, 9/11, 1/13, 83/14, 1/15, 48/16 i 28/17)

#### Republika Srpska

Zakon o radu, (Službeni glasnik RS br 1/16 i 66/2018)

Zakon o obligacionim odnosima ("Službeni list SFRJ", broj 27/78 i "Službeni glasnik RS, broj 17/93, 3/96)  
Zakon o državnim službenicima, (Sl glasnik RS br 118/08, 117/11, 37/12, 57/16)  
Zakon o administrativnoj službi u upravi RS, (Sl glasnik RS br 16/02,38/03, 42/04, 49/06, 20/07 i 118/08)  
Zakon o PIO, sa izmjenama (Službeni glasnik RS, br 134/11, 82/13 i 103/15)  
Zakon o platama zaposlenih u organima uprave RS, (Sl glasnik RS, br 31/14, 33/14,116/16 I 66/18  
Opšti kolektivni ugovor, (Sl.glasnik RS, br 40/10)  
Odluka o najnižoj plati, (Sl.glasnik RS br 2/17, 69/18 I 120/18)  
Odluku o utvrđivanju uvećanja plate, visine primanja po osnovu rada i visine pomoći radniku, (Sl.Glasnik RS br 53/16)  
Zakon o porezu na dohodak, (Sl.glasnik RS, br 60/15, 5/16, 66/18)  
Zakon o doprinosima, (Sl.glasnik RS, br 103/15, 116/12 I 114/2017)  
Pravilnik o uslovima, načinu obavještanja, obračunavanja i uplate doprinosa, (Sl.glasnik RS, br 19/11 I 68/18)

### ***TRAVEL AND ACCOMMODATION:***

BiH institutions (state level)

Odluka o visini dnevnice za službeno putovanje (Sl glasnik BiH, broj 32/07, 6/12)  
Odluka o načinu i postupku ostvarivanja prava zaposlenih u institucijama BiH na naknadu za službeno putovanje (Sl glasnik BiH, broj 6/12)

Federation of Bosnia and Herzegovina

Uredba o naknadama troškova za službena putovanja, (Službene novine FBiH, broj 44/16, 50/16)

Republika Srpska

Uredba o naknadama za službena putovanja u zemlji i inostranstvu, za zaposlene u javnom sektoru RS, (Službeni glasnik RS, broj 73/10)

### ***LEGISLATION RELATED TO VALUE ADDED TAX (VAT):***

Zakon o porezu na dodatnu vrijednost, Sl. Glasnik BiH, broj 9/05, 35/05 i 100/08  
Instrukcija o postupku ostvarivanja carinskih i poreskih oslobođenja u skladu sa Okvirnim sporazumom između BiH i Evropske Komisije o aranžmanima za provođenje finansijske pomoći Unije Bosni i Hercegovini u okviru instrumenta predpristupne pomoci (IPA II), (Sl. Glasnik BiH br 91/15).

### ***LEGISLATION RELATED TO DEPRECIATION:***

BiH institutions (state level)

Odluka o visini godišnjih stopa otpisa stalne imovine kod budžetskih korisnika na nivou BiH



Pravilnik o računovodstvu s računovodstvenim politikama i procedurama za korisnike budžeta institucija BiH

Federation of Bosnia and Herzegovina

Zakon o porezu na dobit u FBiH (Službene novine FBiH br 15/16)  
Pravilnik o primjeni Zakona o porezu na dobit u FBiH (Sl. novine FBiH br 88/16)  
Zakon o računovodstvu i reviziji u FBiH(Službene novine FBiH br 83/09)

Republika Srpska

Zakon o porezu na dobit RS (Sl. Glasnik RS br 94/15, 01/17)  
Pravilnik o obračunu amortizacije na stalnu imovinu (Sl. Glasnik RS br 98/11)  
Zakon o računovodstvu i reviziji u RS (Sl. Glasnik RS br 94/15)

## 2.3 PROGRAMME RULES

Expenditure verification is to be performed on the basis of (relevant valid version):

- Control Guidelines for INTERREG IPA CBC Programmes
- Programme Rules on Eligibility of Expenditures for Interreg IPA Cross-border Cooperation Programme Croatia – Bosnia and Herzegovina - Montenegro 2014 – 2020
- Project Implementation Manual in force
- Programme Visibility Guidelines
- eMS Manual
- Call specific documents (e.g. Application package, Project Implementation Manual, etc.)
- This BIH Control guidelines and
- Internal working procedures in BIH Control Body

For matters not covered by eligibility rules laid down in, or on the basis of EU or Programme rules, the legislation in place in BIH shall apply.

The list of legislation and programme specific rules and documents is not exhaustive and may have to be amended and/or complemented during the implementation of the Programme due to regulatory changes.

## 3. REPORTING

### 3.1 BASIC RULES

Reporting takes place at two levels:

- (i) all project partners are obliged to report implemented activities and expenditures incurred and paid within respective reporting period by filling in the **Partner Progress Report** in eMS. The report includes also a statement of expenditure which is supported by relevant documents, such as invoices, tender documentation, payment slips, etc.).
- (ii) Additionally, the LP has to prepare the **Project Progress Report** and submit to the Joint Secretariat (JS)

#### 4.1.1 Language

The language of the Programme is English and the reports shall also be issued in English.

#### 4.1.2 Currency

All expenditure reported in the Statement of expenditure must be denominated in euro.

The expenditures incurred in a currency other than euro shall be converted into euro using the monthly exchange rate of the Commission in the month during which that expenditure was submitted for verification to the designated FLC.

#### 4.1.3 Principle of reimbursement

The Programme operates on the basis of reimbursement of eligible expenditure. This means in practice that Beneficiaries have to first pay (pre-finance) the expenses and afterwards will be reimbursed by the Programme Authorities for the expenditure validated by the First Level Control Office (FLCO).

Expenses that have emerged in a given period but that were not paid in that period will have to be reported with the next Progress Report given that expenditure can only be validated by the First Level Controllers if proof of actual payment is included in the supporting documentation.

#### 4.1.4 Partner Progress Report from Project Partners to Control Body

### *Reporting schedule*

The first reporting period starts with the first day of the project implementation period. The final reporting period always ends by the end date of the project implementation period. Period "0" covers preparatory and closure activities and costs incurred outside project implementation period as specified in Programme rules on eligibility of expenditures.

The "0" Progress Report refers to preparatory and closure costs (if approved in the Application). The 1st progress report is related to the first 3 months of the project implementation period. From 4<sup>th</sup> month of project implementation all PPs (including LPs) are obliged to report the progress of the project implementation on the basis of six-month period, with the exception of the last months of project implementation (last six/or less months period) covered by final report.

Detailed reporting schedule is defined in Article 6 of Subsidy Contracts. Partner Progress Reports have to be submitted to the FLC within 15 days from the end of the reporting period. Final Partner Progress Reports have to be submitted within 30 days from the end of the implementation of the project.

### *Nature of report*

The BiH Project Partners reports on its activities (**Activity Report**) and expenditure incurred to complete these activities clearly linked to budget expenditure categories and Work Packages (**Financial Report**), together making up the Progress Report.

### *Report template*

The Partner Progress Report is prepared in English language using a defined template in the eMS which can be found on the following website:

<http://ems.interreg-hr-ba-me2014-2020.eu/eMS/app/main?execution=e3s1>

Accompanying documentation is listed in the "Programme Rules on Eligibility of Expenditures" and in the "Project Implementation Manual".

Accompanying documentation shall be uploaded into the eMS by Project Partner. Likewise, the controller and the Project Partner shall communicate through eMS.

## *Uploading the accompanying documentation into the eMS*

In order to speed up the reporting and controlling process Project Partners shall upload the accompanying documentation as follows:

### **Staff costs**

#### General supporting documents for all staff costs based on real costs basis

List of personnel; employment document and Job description shall be uploaded in the Partner Report – Attachments. These documents shall be uploaded with first progress report. In the following progress reports the aforementioned documents shall be uploaded only in the case of changes.

Proof of payment of gross salary (such as payslips and bank statements) shall be uploaded in the Progress Report – List of expenditure - Specific expenditure.

Accounting records for reported staff cost shall be uploaded in Partner Report – Attachments.

#### Specific supporting documentation for staff costs

Specific supporting documentation for each approved type of staff cost (such as: Periodic Staff Report, Time Sheets, calculation of staff costs etc. where applicable)<sup>2</sup> shall be uploaded in the Partner Report – List of Expenditure – Specific expenditure.

### **Travel and accommodation costs**

Supporting documentation for each travel and accommodation cost shall be uploaded into the eMS in Partner Report – List of expenditure – specific expenditure.

Regardless of the fact that supporting documentation related to specific event is uploaded in the Progress Report under outputs and deliverables, please note that specific supporting documentation which proofs the reality of the expenditure (such as: invitation, agenda, list of participants, photos, presentations, meeting minutes etc.) have to be uploaded also in Partner Report – List of expenditure – specific expenditure.

Accounting records shall be uploaded in Partner Report – Attachments.

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<sup>2</sup> Please note that specific supporting documentation shall depend on the type of the staff cost approved in the Application form. For more details on specific supporting documentation please see the Project Implementation Manual

**External expertise and services costs**

Supporting documentation for each external expertise and services cost shall be uploaded into the eMS in Partner Report – List of expenditure – specific expenditure.

Regardless of the fact that supporting documentation related to specific external expertise and services cost is uploaded in the Progress Report under outputs and deliverables, please note that specific supporting documentation which proves the reality of the expenditure (such as: public procurement procedure, outputs etc.) have to be uploaded also in Partner Report – List of expenditure – specific expenditure.

Accounting records shall be uploaded in Partner Report – Attachments.

**Equipment expenditure**

Supporting documentation for each equipment cost shall be uploaded into the eMS in Partner Report – List of expenditure – specific expenditure.

Regardless of the fact that supporting documentation related to specific equipment is uploaded in the Progress Report under outputs and deliverables, please note that specific supporting documentation which proves the reality of the expenditure (such as: photos of equipment etc.) have to be uploaded also in Partner Report – List of expenditure – specific expenditure.

Accounting records shall be uploaded in Partner Report – Attachments

**Infrastructure and works expenditure**

Supporting documentation for each infrastructure and works cost shall be uploaded into the eMS in Partner Report – List of expenditure – specific expenditure.

Regardless of the fact that supporting documentation related to specific infrastructure and works is uploaded in the Progress Report under outputs and deliverables, please note that specific supporting documentation which proves the reality of the expenditure (such as: photos of works etc.) have to be uploaded also in Partner Report – List of expenditure – specific expenditure.

Accounting records shall be uploaded in Partner Report – Attachments

Depending on situation, the Controllers at national level may request additional information related to control activity, e.g. clarifications, declarations, public procurement questions, etc.

### Reporting flow<sup>3</sup>

Reporting period:	defined in the Application and the Subsidy Contract
Date of submission:	15 days after the end of the reporting period
Submission from:	All project partners (including LPs) individually
Submission to:	Designated national controller (FLC) via the eMS
Outcome:	FLC issues a FLC Certificate within 3 months from the submission of Partner Progress Report

Within 15 days after the end of each reporting period each project partner (including the LP) must fill in the Partner Progress Report and submit the report with all mandatory annexes and supporting documents to its national FLC. The Partner Progress Report is prepared in English language using a defined template in the eMS. Each partner needs to describe activities, deliverables, outputs that are implemented and costs incurred during the reporting period.

### First Level Control Certificate (FLC Certificate)

The FLC confirms eligible expenditures in a form of the FLC Certificate, which is available in the eMS.

First level controllers (FLCs) will check:

- activities performed by PPs during the reporting period taking into account the content as approved in the Subsidy Contract and in the Application;
- whether the costs requested within the Statement of Expenditure are in line with approved budget, comparing the projects' expenses with the activities of the project;
- the invoices (whether the expenditure is eligible and paid, the invoices are formally compliant to relevant programme and national rules);
- whether the reported expenditures comply with the EU, Programme and national eligibility rules, whether public procurement and accounting rules are respected, checks the fulfilment of requirements related to the visibility and publicity.

In case FLCs request additional information or ask for missing documentation at any time, LP/PPs have to provide information/documents within 7 working days of the request, in the Programme language (English). The FLC body will then either confirm or reject (in part or in full) expenditure submitted by the project partner (PP) and issue FLC Certificate (within 3 months) for the amount verified and confirmed.

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<sup>3</sup> Project Implementation Manual

#### 4.1.5 Project Progress Report from Lead Beneficiary to JS/MA

##### *Reporting schedule<sup>4</sup>*

Reporting period:	defined in the Application and the Subsidy Contract
Date of submission:	1 month from the submission of the last FLC certificate to a project partner(s) for the relevant reporting period
Submission from:	Lead Partner
Submission to:	Joint Secretariat (JS)/Managing Authority (MA) via eMS
Outcome:	Reimbursement of total eligible expenditure (on project level) claimed within 90 days from the date of submission of the Project Progress Report to the JS/MA

The Project Progress report should be prepared using the defined template in the eMS and in English language. The report should be compiled by Lead Partner (LP) based on inputs/information received from all project partners (PPs) involved in project implementation.

## **4. BASIC RULES RELATED TO THE ELIGIBILITY OF COSTS**

### **4.1 BASIC CONDITIONS OF THE ELIGIBILITY OF EXPENDITURE**

The rules on eligibility are defined at Programme level in the Programme rules on eligibility of expenditures<sup>5</sup>.

Eligible costs are costs actually incurred by the LB/PPs of a grant and/or paid by LB/PPs which meet all of the following criteria:

- they incurred during the implementation period of the Operation, with the exception of preparatory costs and closure costs;
- they are indicated in the estimated overall budget of the Operation;
- they are necessary for the implementation of the Operation which is the subject of the grant;

<sup>4</sup> Project Implementation Manual

<sup>5</sup> For detailed information on eligibility of expenditures please see the document *Programme rules on eligibility of expenditures*.

- they are identifiable, verifiable and documented (e.g. contract, invoice, order form<sup>2</sup>), in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is established and according to the usual cost accounting practices of the beneficiary;
- they comply with the requirements of applicable tax and social security legislation;
- they are reasonable, justified, and comply with the principle of sound financial management, in particular regarding economy and efficiency;
- they incurred in accordance with the relevant EU legislation, Programme rules (defined in this document and call for proposal specific documents, if applicable) and national legislation, and other relevant documents (e.g. Financing Agreement);
- they are not listed as an ineligible expenditure;
- they are not double funded (i.e. they are not financed from other sources under the Union Funds or other (national) Funds);
- one expenditure item cannot be covered under more than one expenditure category or under more than one budget line under a given expenditure category;
- amounts in the Statement of Expenditure do not exceed amounts in the approved operation budget (in line with the provisions of the Subsidy Contract/Addenda/minor reallocations);
- co-financing rate (as stipulated in the Subsidy Contract) is applied to each eligible cost under all expenditure categories

## 4.2 INELIGIBLE COSTS

Ineligible costs include (non-exhaustive list):<sup>6</sup>

- second hand equipment
- purchases of equipment not indicated in the Subsidy Contract or specifically approved during project implementation by the relevant programme body
- equipment purchased from another project partner
- consultant fees/services between project partners
- hiring employees of the beneficiary (LP and PP) institutions as external experts
- interest on debt (e.g. interest for late payments of electricity bill)
- cost for infrastructure and works outside the programme area
- shared costs (e.g. sharing costs among partners for service/works or equipment procured by one of the PPs)

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<sup>6</sup> For detailed information on non-eligible costs please consult the Programme Rules on Eligibility of Expenditures.



- costs of audits and evaluations at project level

#### 4.3 VALUE ADDED TAX (VAT)

According to the Framework Agreement between Bosnia and Herzegovina and the European Commission on the Arrangements for Implementation of the Union Financial Assistance to Bosnia and Herzegovina Under the Instrument for Pre-Accession Assistance (IPA II) (the Framework Agreement), and more in particular Article 28, taxes, customs and import duties and levies and/or charges having equivalent effect are not eligible costs under IPA II.

There is a procedure within Bosnia and Herzegovina (BiH) whereby Beneficiaries can obtain from the taxation authorities a VAT exemption certificate according to the *Instruction on the procedure for obtaining customs and tax exemptions*<sup>7</sup> - Instrukcija o postupku ostvarivanja carinskih i poreskih oslobođanja u skladu sa Okvirnim sporazumom između BiH i Evropske Komisije o aranžmanima za provođenje finansijske pomoći Unije Bosni i Hercegovini u okviru instrumenta predpristupne pomoći (IPA II) (Sl.Glasnik BiH 91/15) (the Instruction).

One of the annexes of above-mentioned instruction is the “Certificate on exemption from payment of import duties and value added taxes (VAT) on purchase of goods and services in Bosnia and Herzegovina under projects financed from the Instrument for Pre-accession Assistance II and implemented under shared management” (“Potvrda IPA II MFT”).

This Certificate, one per contract, is issued by the Ministry of Finance and Treasury (MoFT).

According to Article 5 of the instruction, the exemption from customs or import duties shall be effected at the customs office in the territory of Bosnia and Herzegovina (BiH) to which the goods which are exempt from payment have been presented. For details on procedure and necessary documentation please consult the Instruction.

In line with Article 6 and Article 7 of the instruction, the supplier of the goods or services concerned issues the invoice exclusive of VAT indicating the following clause: “Exempt from VAT in accordance with Article 29 paragraph 2 of the Law on Value Added Tax (VAT)”.

The beneficiary shall submit to the supplier of the goods or services a copy of the “Certificate “Potvrda IPA MFT” in order to receive the invoice without VAT.

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<sup>7</sup> Non official translation

#### **4.4 RULES ON EXCHANGE RATES**

For reporting purposes all expenditures incurred (during project implementation) in currency other than Euro (EUR) shall be converted to Euro by the eMS system using the monthly accounting exchange rate of the EC (in the month during which that expenditure was submitted for verification to the FLC).

#### **4.5 ACCOUNTING FOR THE PROJECT**

In order to clearly and easily allow identification of costs within the Operation, as well as properly manage and monitor the project related expenditure and revenues (if any), Project Partner should, in accordance with the Partnership Agreement (Article 6.2)), without prejudice to national accounting rules, install a separate accounting system for the Operation.

It is obligatory to state the project title and project acronym on each single invoice, receipt or accounting document of equivalent probative value and all other supporting documents.

### **5. TYPES OF DOCUMENTS REQUIRED FOR EXPENSES TO BE ELIGIBLE**

In accordance with the Programme rules, eligible expenditure has to relate to any of the following expenditure categories:

1. staff costs,
2. office and administrative expenditure,
3. travel and accommodation costs,
4. external expertise and services costs,
5. equipment expenditure
6. infrastructure and works expenditure,
7. preparation and closure costs.

Detailed information on the kind of costs that can be included in the various expenditure categories, the accompanying minimum supporting documentation, explanations on calculation methods and the nature and the kinds of checks and verifications performed by the First Level Controllers are contained in the “Programme Rules on Eligibility of Expenditures” and “Project Implementation Manual”.

## **6. RETENTION OF DOCUMENTS**

According to Article 140 of CPR, each LB/PP shall preserve all supporting documents relating to specific expenditure for a two year period from 31 December following the submission of the accounts in which the final expenditure of the completed operation is included. These documents shall be made available for any audit, control or verification after operation closure.

## **7. PUBLIC PROCUREMENT**

The detailed rules on public procurement procedures to be applied by the beneficiaries are described in Project Implementation Manual, available at Programme website ([www.interreg-hr-ba-me2014-2020.eu](http://www.interreg-hr-ba-me2014-2020.eu)).

## **8. NON-COMPLIANCE WITH THE RULES**

In case of non-compliance with the public procurement rules, BIH Control Body may apply financial corrections in line with COCOF Guidelines<sup>8</sup>.

The rate of financial correction will be applied to all payments related to the contract found to be in breach of the public procurement rules.

## **9. PROCEDURE OF MODIFICATION OF CONTROL GUIDELINES**

For Interreg IPA CBC Programme Croatia - Bosnia and Herzegovina - Montenegro 2014-2020 the appointed coordinator continually follows the changes of rules which can have effect on these control guidelines. When the programme coordinator identifies the need for modification, he/she gives the proposal for modification which have to be approved by the Head of BIH Control Body and published.

This document will be available on the Control Body web site:

<http://cfcu.gov.ba/hrv/>

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<sup>8</sup> Guidelines for determining financial corrections to be made to expenditure financed by the Union under shared management, for non-compliance with the rules on public procurement.