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INTERREG IVA Programme

Guidance Note on Revenue-Generating Projects G15/INT IVA

1.0 Introduction

This guidance seeks to provide clarification regarding revenue-generating projects in line with Article 55 (Annex 1) of Council Regulation (EC) No: 1083/2006, as amended by Council Regulation (EC) No: 1341/2008 and (EC) No: 539/2010. Article 55 sets out how revenues from revenue-generating projects should be taken into account in calculating eligible expenditure, when to monitor revenues, and how to deal with differences in the forecast and actual revenues at the end of the project with a view to ensuring sound and efficient use of the EU budget and to avoid financing more than is necessary in respect of such projects.

This guidance has been based on information notes provided by the Committee for the Co-ordination of Funds (COCOF) listed under the reference material at Annex 1.

1.1 Initial Assessment of the Application of Article 55 to a Project

Part 1 – The Initial Assessment of the Project

Article 55 (paragraph 2) defines a revenue-generating project as:

- any operation involving an investment in infrastructure the use of which is subject to charges borne directly by users;
- any operation involving the sale or rent of land or buildings;
- any other provision of services against payment.

Article 55 applies to both capital and revenue projects. It is of fundamental importance to understand what is actually meant by “revenue” in the context of Article 55. Revenues are cash in-flows in a project directly paid by users for the good and/or services provided by the project. Revenues would not therefore include, for example, private sector leverage generated by a project.

Once revenue generation within the meaning of Article 55(1) has been identified in relation to a project, the next step is to assess whether or not Article 55 requires the revenue to be accounted for and hence whether a ‘funding-gap’ calculation (where revenue can be calculated in advance) or a ‘post contract evaluation’ (where it is not possible to objectively estimate the revenue in advance of the project being undertaken) is required.

Every effort must be made at appraisal stage to accurately identify all potential revenue in all INTERREG IVA projects.

Part 2 – Projects of less than €1,000,000 total value

Article 55 (5) provides the threshold for compliance with the provisions of Article 55(2) to 55(4). The Commission has amended the original Article 55(5) (which previously provided that the procedures for monitoring revenues generated by ‘small operations’ (total cost below €200,000) could be *‘proportionate to the amounts concerned’*) so that Article 55 now does not apply at all to any project where the total cost is less than €1,000,000 – i.e. either for the purposes of calculating maximum eligible expenditure or for monitoring.

Part 3 – Projects subject to the State Aid Regime

Article 55(6) excludes *‘projects subject to the rules on State Aid within the meaning of Article 87 of the Treaty’* where a revenue-generating project is not subject to State Aid rules; it is subject to Article 55(1) to (5).

2.0 Eligibility of Expenditure

The eligible expenditure of a revenue-generating project will not exceed the value of the investment cost minus the net revenue over a specific period for investments in infrastructure or projects where it is possible to forecast estimate revenues.

Only revenues defined as cash in-flow directly paid by users have to be taken into account in the determination of the funding-gap which is the part of the investment cost not expected to be recouped by future net-revenue.

Where not all the investment cost is eligible for co-financing, the net revenue will be allocated pro rata to the eligible and non-eligible parts of the investment costs.

3.0 Calculation

The JTS should calculate the funding gap, following the detailed guidance in COCOF Guidance Note 08/0012/00-EN on Article 55 of Council Regulation (EC) No 1083/2006 and amendments on EC No: 1341/2008 and EC No 539/2010.

The revised paragraph 3 of Article 55 (EC) 539/2010 states:

'Where it is objectively not possible to estimate the revenue in advance, the net revenue generated within five years of the completion of an operation shall be deducted from the expenditure declared to the Commission'. Managing Authority should be consulted during this process.

4.0 Monitoring

The JTS will monitor the income generated during the monitoring and claims processes.

Revenue generated in excess of the projected amounts used in the calculation in section 3.0 will be deducted from the claim.

This monitoring will continue for three years after Programme Closure.

6.0 Other Considerations

If it is established, up to three years after closure of the operational programme, that a project has generated income which was not previously taken into account (under paragraphs 2 & 3 of Article 55), the proportion of the income in relation to the contribution of the EU funds must be refunded to the Managing Authority who will liaise with the Commission on any repayment due to them.

Specific queries on the implementation of Article 55 and amendments should be brought to the attention of the Managing Authority. Failure to correctly consider the implications of Article 55 may result in ineligible expenditure.

Annex 2 summarises the steps which are to be followed in assessing the application of Article 55.

Issued by the Managing Authority

March 2011 (Version 1)

Annex 1 – Reference Material

Source	Available from
COCOF 08/0012/01-EN <i>“Information note on Article 55(6) of Regulation (EC) No 1083/2006</i>	http://www.rakennerahastot.fi/rakennerahastot/tiedostot/ohjeet_taydentavia_normeja/info_note_artikla_55.6.pdf
COCOF 07/007 4/03-EN <i>“Information note to the COCOF Guidance Note on Article 55 of Council Regulation (EC) No 1083/2006: Revenue Generating Projects”</i>	
EU Working Paper 4 – Guidance on the Methodology for Carrying Out Cost-Benefit Analysis (the New Programming Period 2007-2013)	http://ec.europa.eu/regional_policy/sources/docof/fiv/2007/working/wd4_cost_en.pdf
Commission’s Cost Benefit Analysis Guide 2008 – Guide to cost-benefit analysis of investment projects. Published by DG Regional Policy in 2008	http://ec.europa.eu/regional_policy/sources/docgener/guides/cost/guide2008_en.pdf

Annex 2 – Revenue-generating project assessment process – flow chart

