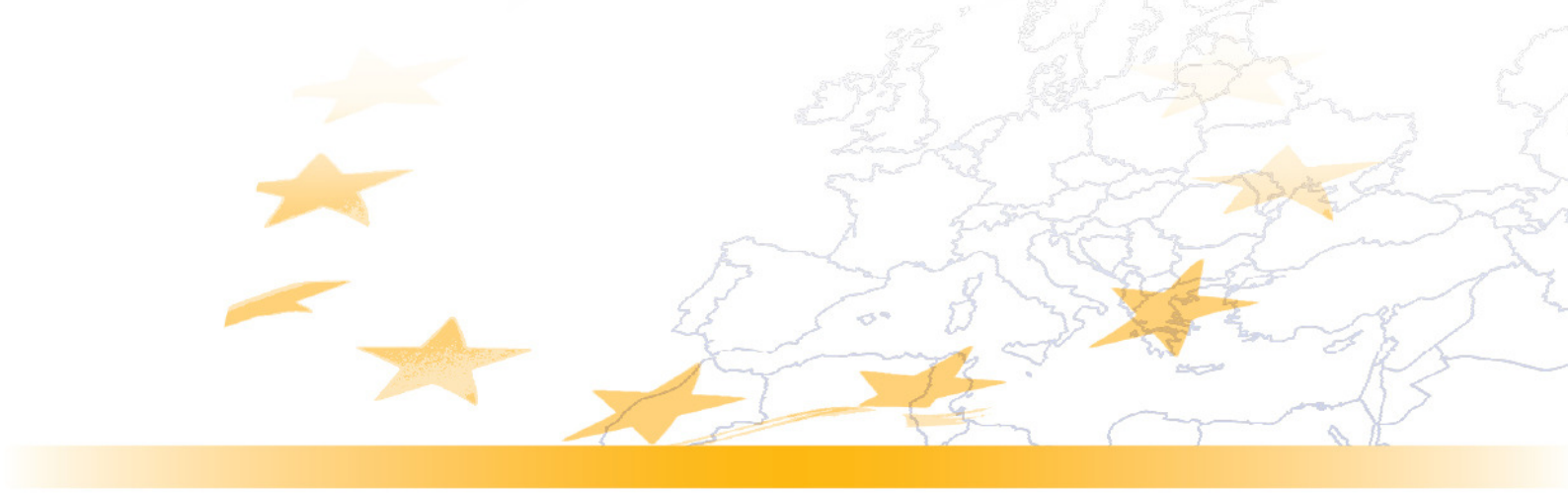




ENPI CBC Project Implementation Manual

A comprehensive guide to the successful
management and implementation of ENPI CBC projects

27 October 2011



This project is funded by the EU



and implemented by a consortium led by MWH

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Chapter 1. Introduction

PURPOSE AND USE OF THE MANUAL

One of the key elements of success for ENPI CBC projects is that they should be implemented according to the relevant rules. Although many ENPI CBC project Beneficiaries and Partners have experience in implementing projects with international partners, ENPI CBC has a new, partnership approach with organisations from outside the EU working on equal terms with organisations from Member States. As such, it has new challenges and its own specific set of rules.

This Project Implementation Manual (PIM) is designed to be a source of information on the management and implementation of ENPI CBC projects by project Beneficiaries and Partners. It is based on, and complements, training provided by programme staff, the Regional Capacity Building Initiative (RCBI)¹, INTERACT ENPI² and other online support for the implementation of projects.

The PIM is a 'generic' manual which can be made programme specific and 'branded' by each of the ENPI CBC programmes as their own as they wish.

★ Who is this manual for?

The PIM is directed to representatives from both Beneficiary and Partner organisations in awarded ENPI CBC projects. However it can also be useful to potential Beneficiaries and Partners wanting to know what is involved in implementing ENPI CBC projects.

If you are a Beneficiary or Partner – remember this is a generic guide only. For actual requirements, please refer to your grant contract and the specific rules for the programme which has financed your project

★ Objectives

The PIM is designed to give Beneficiaries and Partners:

- A better understanding of how to implement their project according to the ENPI CBC rules and procedures and the different roles and responsibilities for project partners, and
- A good grounding and improved capacity to be able to launch and jointly implement their ENPI CBC projects.

¹ RCBI is an EU project supporting participation in by Partner Countries and Russia in ENPI CBC programmes - see below and www.rcbi.info

² INTERACT ENPI is a 'sister' EU project designed to support the management of the ENPI CBC programmes – see www.interact-eu.net/interact_enpi/122



★ Approach

- The manual is concretely based on the tasks to be carried out when launching and implementing ENPI CBC projects.
- It is designed to be 'hands on' and includes a mix of legal requirements, useful information and practical tips and templates.

★ Acknowledgements

This manual is produced by the Regional Capacity Building Initiative (RCBI), an EU project designed to support participation by Partner Countries³ and Russia in the ENPI CBC Programmes.

Some of RCBI's activities are focused on the Partner Countries and Russia such as information activities and training workshops for the development of project proposals. Other activities such as Partner Search Forums and support for the management and implementation of projects also include Member States and Turkey as they are for the benefit of all partners. In this regard, the overall aim of the manual is to enhance the capacity of all partners to efficiently and effectively implement ENPI CBC projects according to the legal framework and facilitate an active role by Partner Country organisations in project implementation.

The RCBI experts are available to clarify issues and give input as needed for the adaptation of the PIM to the requirements of specific programmes.

We are very grateful to the JMA, JTS and Beneficiaries and Partners in the Hungary-Slovakia-Romania-Ukraine programme for the opportunity to 'test' in actual trainings, and adapt as needed, the topics and material in this manual.

The manual draws on the Financial Management Toolkit for Recipients of EU funds for External Actions published by the European Commission on 15 November 2010⁴. Although not specifically adapted for ENPI CBC, the manual has useful content and gave us some interesting ideas.

This manual was produced with the assistance of the European Union. The contents of the manual are the sole responsibility of MWH and its partners and can in no way be taken to reflect the views of the European Union

³ Armenia, Belarus, Georgia, Rep. of Moldova and Ukraine in ENPI East and Egypt, Israel, Jordan, Lebanon, Palestinian Territories, Syria and Tunisia in ENPI South.

⁴ The Financial Management Toolkit can be found at http://ec.europa.eu/europeaid/work/procedures/financial-management-toolkit_en.htm



WHY DID YOU RECEIVE A GRANT?

The obvious answer to this question is “because my project was selected”. But what is the in-depth reason for receiving a grant i.e. the purpose of your grant? Let us start with the definition of a grant, according to the EU's guide for implementing EU funded projects, the *Practical Guide to contract procedures for EC external actions* (PraG)⁵.

DEFINITION OF A GRANT

A grant is a direct financial contribution, by way of donation from the EU budget, in order to finance an action (project) intended to help achieve an objective forming part of a European Union policy⁶.

Therefore:

- A grant is a payment of a non-commercial nature to implement an action, in accordance with a Grant Agreement between the contracting authority and the beneficiary. A grant can only be made for an operation whose immediate objective is non-commercial. Under no circumstances may the grant give rise to profits
- A grant is made for an operation which is proposed by the Beneficiary and falls within the normal framework of the beneficiary's activities, while in a procurement contract, the terms of reference are drawn up by the contracting authority
- The beneficiary is responsible for implementing the operation and retains ownership of the results
- The grant beneficiary and partners generally contribute to the financing of the action

The first way of ensuring the contribution of grants to an EU policy is **programming⁷**. All contracting authorities for EU funds have to develop programmes for the grants to be awarded with clearly defined objectives and publish an **annual work programme for grants**.

In the case of ENPI-CBC:

- The “Contracting Authority” is the Joint Managing Authority (JMA) based in an EU Member State,
- the objectives are defined in the Joint Operational Programme (prepared by the regions and countries participating in the Programme), the Annual Work Programme for Grants and the Calls for Proposals, and
- the Programme objectives in turn reflect those of the relevant EU Policy framework namely the European Neighbourhood Policy (ENP), and the Partnership Agreement with Russia as outlined in the ENPI CBC Strategy Paper⁸.

⁵ http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/

The PraG is updated periodically. More information on PraG requirements are given throughout this manual.

⁶ PraG Section 6.1.1.

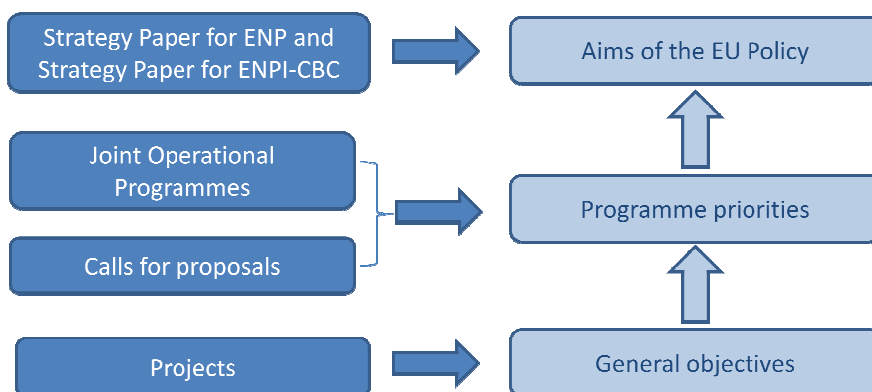
⁷ PraG Section 6.2.4.

⁸ European Neighbourhood Policy and Strategic Partnership with Russia are available at: http://ec.europa.eu/europeaid/where/neighbourhood/index_en.htm and the European Neighbourhood & Partnership Instrument Cross-Border Cooperation

So, why was your project awarded with a grant?

Because it contributes to the Programme priorities and these priorities contribute in turn to the aims and goals of the European Neighbourhood Policy (ENP) as illustrated in Figure 1 below.

Fig.1



As we will see below in section 4.1 *The Principles of Sound Financial Management*, the success of the projects and the programme will be measured through the achievement of the general objectives and priorities for each.

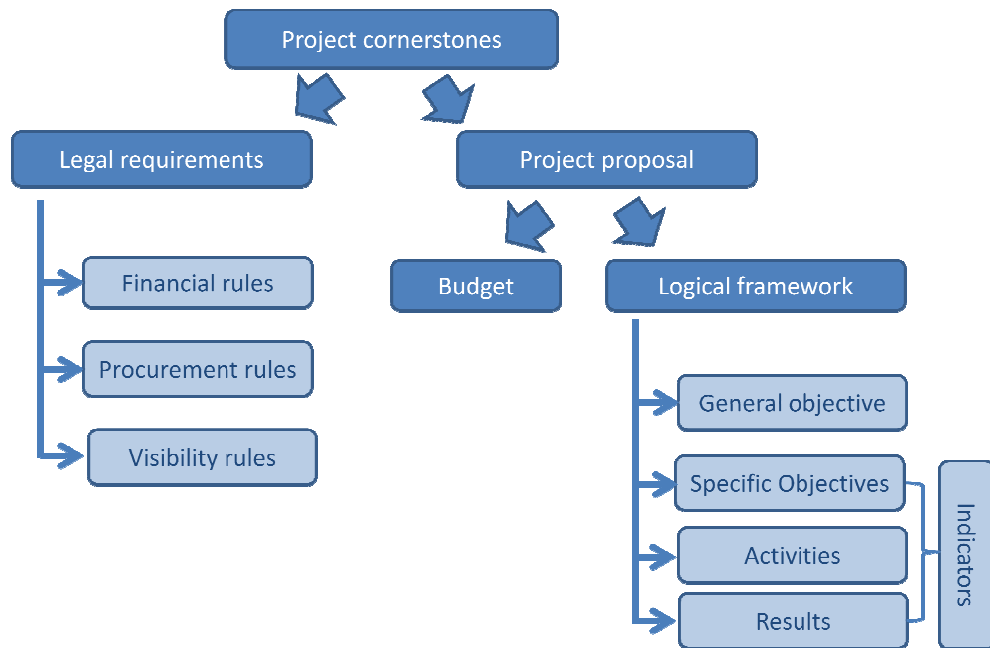
How can you ensure the achievement of the project objectives and therefore its success?

By complying with the commitments described in your approved project proposal, while at the same time respecting all the requirements, that is, taking care of the cornerstones of the project as illustrated in Figure 2 below.

Strategy Paper 2007-2013 at: http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-cross-border/key_documents/index_en.htm



Fig.2



Chapter 2. Getting Started

PLANNING THE START-UP OF ACTIVITIES

Before starting the implementation of your project, be sure that:

- All partners have a shared understanding of the project goals, activities and expected results and of the working plan
- All partners have at least one financial manager with a good understanding of the rules and contractual obligations
- Communication procedures, both internal and external, have been established.

During the negotiation phase for your grant contract, you will review your project proposal with the support of the JMA/JTS⁹. Use this process to:

- Re-read all contractual obligations and ensure that they are well understood
- Ensure that each partner understands the specific national rules applicable in their country to their organisation
- Review the work plan and make it more detailed if necessary (see section 2.6 below)
- Review the Partnership Agreement
- Plan a kick-off meeting with all partners in order to launch the project while ensuring a shared understanding among all involved
- Make a detailed plan of the launching phase including:
 - Recruiting staff, if needed
 - Training staff, paying special attention to ensure they understand the rules applicable to the project (in particular the procurement and visibility rules and reporting obligations)
 - The launching of the most urgent procurement procedures
 - Setting-up accounting and monitoring systems, adequate internal controls (see section 2.9 below) and a good document archiving system
 - Good financial planning to prevent cash flow problems.

A good start to the project is vital for success. Make sure you know who in JMA/JTS to ask when doubts arise...because they will arise!

⁹ Some programmes do not have a JTS only a JMA. Refer to the body relevant for your programme.



CONTRACTUAL OBLIGATIONS

★ Overall principles

The grant contract is signed only between the JMA (the 'Contracting Authority') and the Beneficiary (Lead Partner), who takes overall responsibility for the implementation of the project (the "Action")¹⁰. However, contract provisions apply to the whole project in particular, those regarding eligibility of costs, procurement procedures and visibility. It is therefore of utmost importance that both the Beneficiary AND all Partners be fully aware of the grant contract conditions.

As a Beneficiary, remember to copy the full grant contract (and any amendment/s) to your Partners and make sure that obligations and requirements are understood from the start of the project!

Partners should be fully aware of the contract conditions!	
General Conditions Art. 1.3	Partners take part in the implementation of the Action, and the costs they incur are eligible in the same way as those incurred by the Beneficiary.
General Conditions Art. 1.3	The Beneficiary (...) shall undertake that the conditions applicable to it under Articles 1, 3, 4, 5, 6, 7, 8, 10, 14, 16 and 17 shall also apply to its partners, and those applicable under Articles 1, 3, 4, 5, 6, 7, 8, 10 and 16 to all its contractors. It shall include provisions to that effect, as appropriate, in its contracts with them.
Special Conditions Art. 7.	Check further programme specific provisions regarding partner obligations!

ENPI CBC AND PRAG

The contractual procedures and templates under ENPI CBC are based on the Practical Guide to contract procedures for EC external actions (PraG) and relevant annexes¹¹. All programmes have adapted these templates to better reflect their particular requirements and the specific scope of ENPI CBC projects.

Therefore if you have a previous experience of using PraG as the Beneficiary of an EU grant, please pay particular attention to Article 7 of your grant contract Special Conditions, where these adaptations are reflected!

¹⁰ General conditions Art. 1

¹¹ As required under the ENPI CBC Implementing Rules (REGULATION (EC) No 951/2007 of 9 August 2007) Art. 23. See <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:210:0010:0025:EN:PDF>



★ Contract structure

Where can you find information about your contractual obligations?

Let's look into the details of the grant contract. Below you will find a model outline of your contract, with key 'read-me-first' elements underlined in bold. In the relevant chapters of this guide we will refer to, and further explain, these legal provisions.

CONTRACT OUTLINE	
SPECIAL CONDITIONS	Art. 1 - Purpose Art. 2 - Implementation period of the Action (project) Art. 3 - Financing the Action Art. 4 - Narrative and financial reporting and payment arrangements Art. 5 - Contact addresses Art. 6 - Annexes Art. 7 - Other specific conditions applying to the Action
ANNEX I: DESCRIPTION OF THE ACTION	<i>Extract from your project proposal, describes the project funded by the grant and the results you commit to achieve with your partners</i>
ANNEX II: GENERAL CONDITIONS	Art. 1 - General obligations Art. 2 - Obligation to provide information and financial and narrative reports Art. 3 - Liability Art. 4 - Conflict of interests Art. 5 - Confidentiality Art. 6 - Visibility Art. 7 - Ownership/use of results and assets Art. 8 - Evaluation/monitoring of the Action Art. 9 - Amendment of the Contract Art. 10 - Assignment Art. 11 - Implementation period of the Action, extension, suspension, force majeure and end date Art. 12 - Termination of the contract Art. 13 - Applicable law and dispute settlement Art. 14 - Eligible costs Art. 15 - Payment and interest on late payment Art. 16 - Accounts and technical and financial checks Art. 17 - Final amount of financing by the Contracting Authority Art. 18 - Recovery
ANNEX III: BUDGET FOR THE ACTION	<i>Your project budget, as agreed with the JMA at contract signature (please note that your project may be amended during project implementation - always check the last budget agreed)</i>

ANNEX IV: CONTRACT- AWARD PROCEDURES	Art. 1 - General principle Art. 2 - Eligibility for contracts Art. 3 - Rules common to all tender procedures Art. 4 - Rules applicable to service contracts Art. 5 - Rules applicable to supply contracts Art. 6 - Rules applicable to work contracts Art. 7 - Use of the negotiated procedure Art. 8 - Special cases
ANNEX V: REQUEST FOR PAYMENTS	<i>Compulsory template to be used by the Beneficiary to request pre-financing or payment of the balance</i>
ANNEX VI: MODEL REPORTS	<i>Compulsory templates to be used to prepare project narrative and financial reporting</i>
ANNEX VII: EXPENDITURE VERIFICATION	<i>Model Terms of Reference for the expenditure verification of the grant, list of procedures to be performed by the auditor and model report</i>
ANNEX VIII: MODEL FINANCIAL GUARANTEE	Financing Guarantee for the repayment of pre-financing (if required)
ANNEX IX: TRANSFER OF ASSETS	Template to transfer ownership of assets to partners or final beneficiaries

Also be aware of the hierarchy of your contract components (shown in Figure 3 to the right):

- Grant contract Special Conditions take precedence over all annexes. Article 7 of the Special Conditions recapitulates all modifications and derogations to the other annexes, read it carefully!
- Annex II, General Conditions takes precedence over the other annexes.

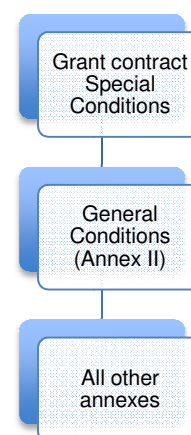


Fig.3

★ Timeline

Now your grant contract is signed, what is the timeline for its execution¹² and the implementation of your project?

Timing and contractual obligations are shown below in Figure 4 and further explained in the following text.

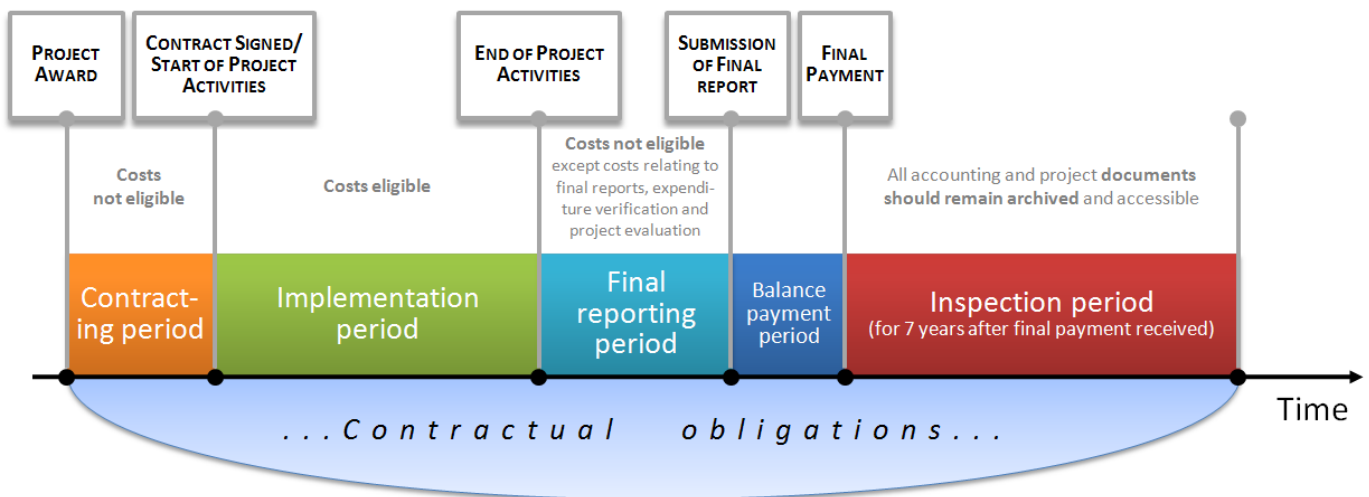


Fig.4

Make sure that the Beneficiary and all Partners understand the duration of contractual obligations and distinguish between:

- **When the grant contract takes effect** = The date of the last signature on the grant contract.
- **When the activities can be implemented and when costs are eligible** = Only during 'the implementation period' as described under Article 2 of your grant contract Special Conditions. Note that procedures to award sub-contracts for goods, services or works may be initiated before the implementation period (provided Annex IV of your grant contract is respected), but sub-contracts may NOT be concluded (that is signed) by the Beneficiary or Partners before the implementation start date! Costs are eligible only during the implementation period except for those costs relating to final reports, expenditure verification and evaluation of the project which can be incurred after the implementation period.
- **When the execution period of the Grant contract ends** = When final payment is made or at the latest, 18 months after the implementation period.¹³
- **When all contractual obligations end** = 7 years after final payment¹⁴. During this period the Beneficiary and Partners may be subject to verifications, including on-the-spot checks and a full audit, by EC relevant bodies or auditors authorized by the JMA (and in the case of programmes with the involvement of Russia,

¹² The execution period is defined in Special Conditions Art. 2.3 as the period starting with the contract signature and ending "at the moment when final payment is paid by the Contracting authority and in any case at the latest 18 months from the end of the implementation period". Project activities take place during the implementation period.

¹³ Special Conditions Art. 2.

¹⁴ General conditions Art. 16.

Competent Authorities of the Russian Federation as described in the relevant Financing Agreements). Therefore all project documents have to be archived in a way that they are easily accessible. Originals of supporting documents have to be kept by each Partner organisation, but copies (either scanned or physical) should be easily available from the Beneficiary in order to facilitate financial controls by authorized bodies. A web-based document repository shared by all partners may be very useful for this purpose.



SPECIFIC NATIONAL REQUIREMENTS IN PARTNER COUNTRIES

Do not forget that there are specific requirements in Partner Countries that Beneficiaries and Partners in that country must follow. These can include e.g. the need to register a project to be able to obtain Value Added Tax (VAT) exemption, national accounting requirements, specific rules for expenditure verification or particular procurement rules.

Guidance on national requirements in particular countries can be obtained from the JMA/JTS. In addition, RCBI is producing guides to national requirements for implementing ENPI CBC projects in Partner Countries. Another EU project, INTERACT ENPI has produced a *Guide on Secondary Procurement in ENPI CBC Programmes*. Contact the JMA/JTS for access to these guides and more information.

To be further customised as needed by each Programme.



THE PARTNERSHIP AGREEMENT

As part of the application package you submitted for funding, you included formal **partnership statements** for all project partners. The partnership statement is only an official confirmation of the Partner's participation in the project. The **Partnership Agreement**, requested by most programmes is a tool for ensuring a shared understanding of the project especially in regard to the **exact role and responsibilities** of each Partner.

The Partnership Agreement is the starting point for the definition of the roles of you and your partners in the project.

KEY COMPONENTS OF A PARTNERSHIP AGREEMENT (INDICATIVE)

- Duration of the agreement
- Parties to the agreement
- Subject of the agreement – project title
- Sources of financing including the agreed amount of co-financing
- The roles of the Beneficiary and Partner/s
- The responsibilities of the Beneficiary and Partner/s
- List of activities to be undertaken by the Partner/s mentioned in the agreement
- Details of each task for each activity (e.g. for a seminar, the Lead Partner maybe responsible for the preparation and implementation of the seminar – but Partner 1 is responsible for selection of participants in a relevant country)
- Agreement on payments and transfers of funds and the documentation needed
- Decision making mechanisms within the partnership, including setting up a Steering Committee
- Communication and dissemination of project results and publicity rules
- Ownership of results and intellectual property (if you need additional details on contract conditions)
- Responsibilities for accounting, document archiving, reporting, monitoring and expenditure verification
- Responsibilities for control and recoveries
- Information on the resolution of conflicts (possible arbitration)
- Requirements for the period between the end of the project implementation phase and the end of the period open-to-control
- Conditions and procedures for modifications to the agreement
- Conditions for terminating the agreement – under what conditions can partnership be terminated



Important last remarks:

- The Partnership Agreement is a **key factor of success** as it can ensure the smooth implementation of your project
- Do not just sign a model proposed by programme bodies. **Discuss its content** within the partnership
- Take into account that it may be the **only legal link** between the Partners and the project
- As control can take place for up to **7 years** after the payment of the balance of the EC contribution to the project, this legal link needs to remain in effect for all the period when the project may be subject to such controls



ESTABLISHING A GOOD RELATIONSHIP WITH PARTNERS AND SETTING UP THE PROJECT TEAM

ENPI CBC is all about partnerships. Together with your partners you will have to implement a cross border cooperation project. Therefore forming and maintaining viable partnerships is crucial to the success of your project. **How do you form and maintain your partnership and how do you set up the project team?** These are some of the questions that will be answered in this section.

If your Partnership Agreement does not list all responsibilities, please revise it. For an example of the content of a Partnership Agreement, please see section 2.4 above.

In any ENPI CBC project, **communication is the key to a good partnership**. Therefore you will need to establish good and clear communication procedures. For projects where many partners work together, well organised and managed **internal communication** is very important and a **critical factor for success**. You can think of establishing an internal newsletter (or a regular email bulletin), regular meetings in person if possible, or otherwise via telecommunication tools or an intranet component on your website.

Good internal communication is also a prerequisite for efficient external communication. Both of them should be in line with each other. Without a successful internal communication you quickly run the risk of not communicating externally with one voice.

Communication procedures

Agree **when, how and what** you and your partners communicate. Make a format for internal reports and agree the internal communication tools that will be used (e.g. email, newsletters, teleconference or personal meetings or an intranet). Do not forget the website or even social networks. Agree who is responsible for the website and who will contribute updates.

Keep in touch regularly with team members. Organise regular meetings with all partners together, take minutes of these meetings and distribute them to all involved.

Roles of partners in reporting

Establish the role of every partner in reporting and make it clear to all partners. Agree deadlines and the type of input to be given for the reporting. Do this for the narrative report as well as for the financial report. Also establish procedures to jointly agree on reports before they are sent to JMA.

Project co-ownership

Your project will be more successful when all partners feel equally involved. Encouraging project co-ownership will help ensure the project objectives are met. Establishing clear roles and responsibilities for each partner right from the start of the project will help in this regard, as will involvement in decision making.

Setting up the project team

A good start is half the work! The start-up of your activities and the setting up of the project team are therefore very important. A kick off meeting with all partners can be used to set up and build the project team.

SETTING UP AND BUILDING THE PROJECT TEAM DURING THE KICK OFF MEETING:

- Review and confirm the exact roles and responsibilities of each partner as outlined in the Partnership Agreement
- Agree reporting obligations (narrative and financial reporting)
- Ensure a shared understanding of the budget, financial obligations and financial flows
- Review and agree the work plan and agree the next immediate steps
- Appoint an overall coordinator and the other team members
- Agree internal and external communication

Important Last Remarks

Your project is a partnership and a cross border project. Efficient internal communication is vital.

Invest in establishing good partnership relations and clear and regular communication, meeting and reporting procedures



- *Communication is the key to a good partnership*
- *Internal communication keeps all project partners working toward the same final goal*
- *Good internal communication is a prerequisite for effective external communication*
- *Establish clear responsibilities for all project partners from the start of the project*
- *Encourage project co-ownership by all partners*

REVIEWING PROJECT ACTIVITY PLANNING AND THE LOGICAL FRAMEWORK

Despite the fact that you will have designed a detailed activity plan and a logical framework for your project when preparing your application, it is worth spending some time on reviewing both of these tools before you and your partners start the implementation phase. This is important as:

- There might be quite a considerable gap between the time of planning your project and when the Beneficiary signs the grant contract.
- During this time, some of the relevant external factors, or certain aspects of your organisation or that of your partners, may have changed.
- Some unforeseen changes may necessitate certain adjustments in the timing and/or organisation of some of your project activities and results.

Instead of postponing these adjustments to the first (or later) progress report, it is best to address these issues, together with your partners, as soon as possible.

One way of doing this is to organise a (video) conference call, e.g. via Skype with representatives of each of the project partners, although, as indicated in 2.1 above, it might be more efficient to make these topics part of the agenda for your project kick-off meeting. Beforehand, you might ask each partner to indicate to what extent there have been changes in the situation in relation to the activities and/or results they are responsible for. During the meeting, at least the following two main topics should be discussed:

- The validity of the assumptions in the project logical framework
- The feasibility of the activities and results in the project logical framework.

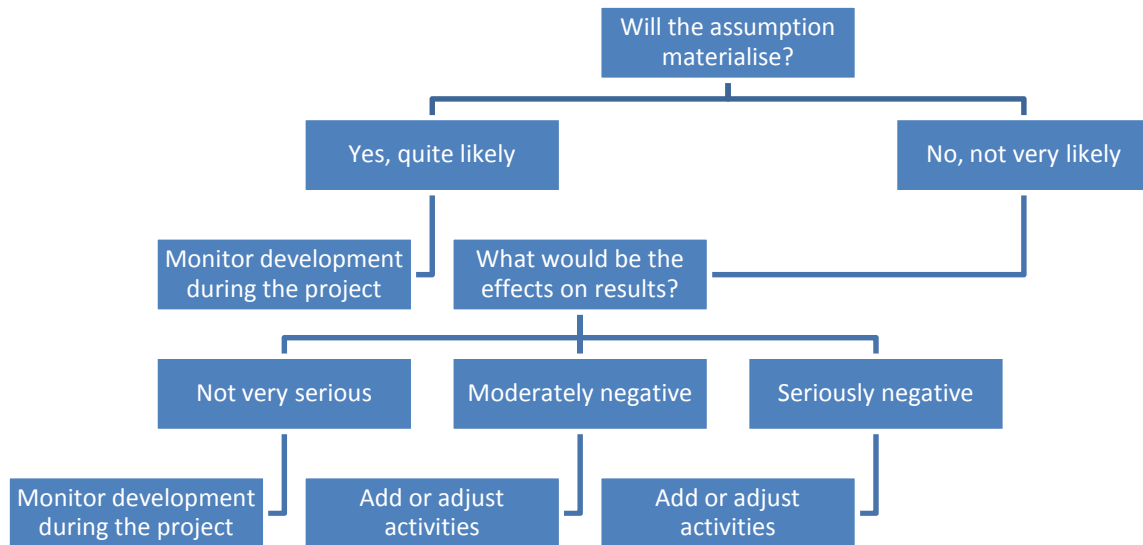
★ Assumptions

It makes sense to discuss risks and assumptions first as these might influence the feasibility of activities and results which should therefore be discussed later on. Starting from the highest level assumptions, the following questions would be relevant:

- What is the likelihood of the assumption materialising (i.e. 'happening')?
- In the case that it is unlikely, what would be the effect on the project objectives, activities or results?
- In the case that the effects are moderately or seriously negative, what can the partners do about it, for instance in terms of adjusting activities (i.e. their timing, scope, etc.) so that the effects are less negative or less likely to materialise?

Figure 5 below shows the process for assessing assumptions:

Fig.5



In addition, it is possible that when discussing these assumptions a number of other risks or assumptions are identified. The same questions should be also addressed in relation to the new assumptions.

★ Activities and results

Based partly on the conclusions made during the discussions described above under Assumptions, you should discuss whether you think it is (still) possible to do all the activities the same way they were planned, and whether the results can still be achieved. Together with your project partners, you could brainstorm the changes and discuss their possible consequences. This discussion could lead to decisions to adjust the project planning, for instance to reallocate resources (budget, but perhaps also people), or to change the division of tasks among the project partners. It goes without saying that the JM/JTS need to be informed of these developments and have no objection to them.

The example below illustrates how this could be done:

Changes in project context	Effect on timing of activities	Effect on budget of activities	Effect on achieving results	Action required (e.g. adjust activities)
Higher market prices for services to be purchased				
Later date for contract signature than anticipated				
Changes in rules or regulations in the field of the project topic				
Other changes				

But even if there are no major changes in the project context, there are still things to talk about with your partners. It could be that the situation of one of the partners has changed, for instance people have left the organisation or its financial position has become weaker, etc. It is a good idea to ask each partner to indicate whether they are still able to carry out or coordinate all activities they are responsible for and what could be done if this is not the case. Together you should keep in mind that if one activity changes, this may also lead to changes in other activities.



SETTING UP THE MONITORING SYSTEM

★ What is 'monitoring' and why is it needed?

ACCORDING TO THE HAND BOOK ON EU RESULTS ORIENTED MONITORING, MONITORING IS:¹⁵

- A regular review to **keep track of how a project is progressing** in terms of resource use, implementation, delivery of results and the management of risks
- The **systematic** and continual collection, analysis and use of management information to **support effective decision making**.

The EC Project Cycle Management guidelines¹⁶ state that regular reviews provide an opportunity to reflect on progress, agree on the content of progress reports and follow-up action required. Implementation should thus be seen as a continuous learning process whereby experience gained is reviewed and fed-back into on-going planning.

One of the important reasons for monitoring a project is to see if it is contributing to the objectives of one of the programme priorities. To confirm this, the project outputs are compared to the programme priority target results to confirm the links between them.

This section provides tips and advice for setting up a monitoring system for your ENPI CBC project.

★ The monitoring system

Good monitoring depends on having **reliable, relevant and timely information** about the activities, outputs and outcomes of your project. The information needed for monitoring should be identified when the project is first designed (and/or when reviewed) i.e. when the objectives, expected results and activities are specified. The indicators to be used to reflect satisfactory project performance in terms of activities, outcomes and specific project objectives should be agreed among all project partners. The information system for collecting, analysing and reporting information about activities, outputs and outcomes is at the core of the monitoring system.

¹⁵ Result Oriented Monitoring ROM Handbook, EuropeAid (now Devco) E5 July 2009, page 18.
http://ec.europa.eu/europeaid/how/ensure-aid-effectiveness/documents/rom_handbook2009_en.pdf

¹⁶ Aid Delivery Methods Volume 1: Project Cycle Management, EC, March 2004
http://ec.europa.eu/europeaid/multimedia/publications/publications/manuals-tools/t101_en.htm



Project monitoring is also relevant for:

- **Financial issues** such as how much has been spent so far on project implementation, and how does expenditure compare with the project budget. The information for financial monitoring should be easily available from the project accounts
- **Providing a factual representation** of what is happening in the project

Monitoring activities should be performed on a regular basis and in a systematic way. This may be achieved by:

- Setting up a shared, internet-based, information tool including the control of deadlines, activities, deliverables and indicators using available project management software
- Requiring the project manager for each partner to submit a regular, short monitoring report to the Beneficiary providing information about the progress being made in implementing the project.

These reports are an important source of information for the overall project managers and can be also used to regularly provide the JMA/JTS with the up-to-date status of the project.

★ Monitoring, financial control, auditing and evaluation

MONITORING IS NOT:

- Financial control and audit, or evaluation, even though these are also based on the collection and analysis of project information – both financial and operational.

The differences between these activities are often summarised in the following way:

	Monitoring	Financial control and audit	Evaluation
Purpose	Performance review	Financial accountability	Performance assessment
Type of information	Structured - financial and operational	Structured – mainly financial	Semi-structured - mainly operational and strategic
Source of information	Mainly internal	Mainly internal	Mix of internal and external
Frequency of occurrence	Regular intervals	Regular intervals	Once-off, periodic intervals
Degree of judgment	Objective	Objective	Subjective

The review of regular project financial reports is an important part of the financial control system. **Financial control** reports are one way to enable the Beneficiary and Partners to see that the financial system appears to be working properly and that the financial records are being kept up to date. Both internal and external auditors may also visit the project and review information about the progress being made in project

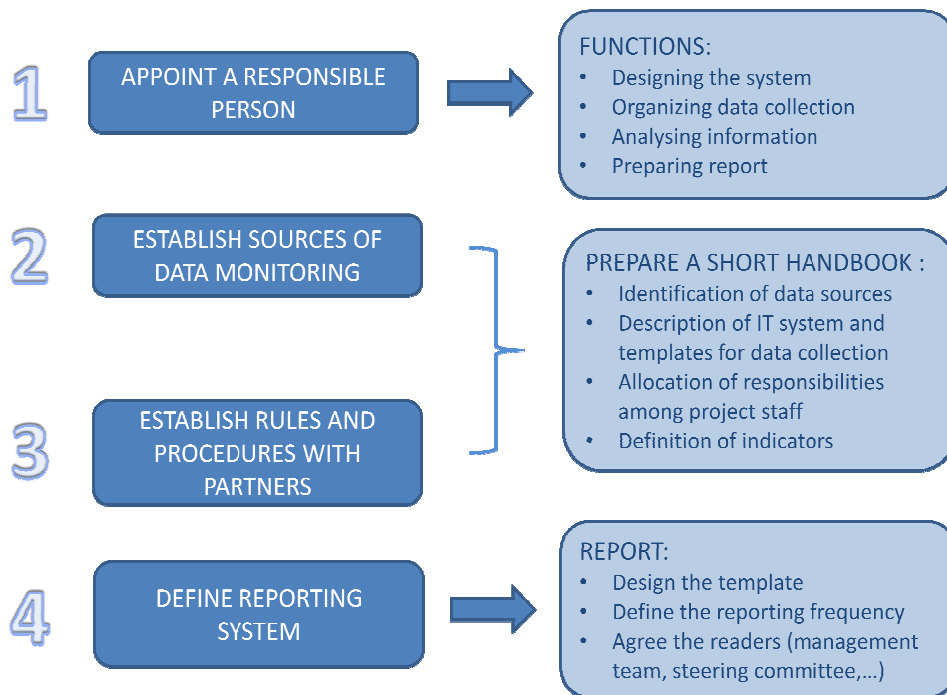
implementation and the extent to which the outcomes may be achieved. Financial control reports and audit reports are part of the accountability of the Beneficiary (and Partners) for the funds given to them. This function is separate from monitoring.

Project evaluators also use the information which is kept and used for monitoring. **The main differences between monitoring and evaluation** are that:

- Monitoring is systematic and regular, whereas evaluation is less frequent and is linked to specific evaluation objectives
- Monitoring is primarily concerned with the factual situation, whereas evaluation goes further and seeks to interpret the monitoring information to reach a conclusion on the project outcomes

★ How to set-up a monitoring system

Fig.6



One of the key factors for success is the good definition of the **sources of information**:

Most of the information that is needed to monitor your project will be produced by the project itself. Some of the information is planned for when the grant contract is approved and the contract is signed. At this stage, the performance indicators are defined and targets are set for the main outputs and expected outcomes of the project. This information is summarised in the logical framework for your project. The indicators are an important part of the monitoring system and the project logical framework shows the sources of the information that will be needed to track the indicators.

Monitoring information may also be defined in other documents that are produced when the project is being set up. These include the specification of work to be performed by the partners in the project or through sub-contracts. The financial information for monitoring purposes will be found in the project accounts.

It is possible that some monitoring information, especially for outcomes, may need to be gathered from outside the project, for example, from the persons or groups in the region/s that benefit from project activities. This may involve specific information gathering activities such as a survey or conducting interviews with representatives. The need for this activity should be identified from the start so that the resources and the money needed to collect the information are available at the right time.

SOURCES OF INFORMATION FOR MONITORING:

- The grant contract (especially your logical framework!)
- The Partnership Agreement
- Contracting information (sub-contracts)
- The record of project indicators at the levels of Activities, Outputs and Outcomes, Specific objective, and Overall objective
- The financial records – the bookkeeping system
- Special reports such as quantitative surveys and questionnaires (e.g. evaluation forms filled by participants during project events, etc.)

★ Monitoring reports

A good monitoring report will be short, informative and clearly presented. A standard template for the report could be used for all projects in the programme. Most of the information in the report should be presented in tables of numerical data. Some space is needed for narrative, for example to note any good practices or examples of results and impacts that have already occurred or are likely to occur. Narrative text will also record any changes to the assumptions and risks that were made in the logical framework at the outset of the project.

MONITORING REPORTS SHOULD BE:

- Based on a standard template
- Prepared on a regular basis (monthly, quarterly);
- Based on tables, with very little narrative, but with the possibility of highlighting unusual good or bad events.

A good monitoring report is quick and easy to read!



Recommended Content of a good project monitoring report

Financial monitoring (see section 2.8 below for further explanations on financial issues)

- The value of the grant, the co-financing and the revenue
- The expenditure and revenue budget and the actual financial position for the reporting period, namely:
 - Expenditure and revenue
 - Cash flows
 - The cash flow profile and forecast
 - Bank balances
 - Expected payment requests for next period

Specific financial items that should be highlighted in the report include:

- Actual expenditure is significantly more than budget
- Actual expenditure is significantly less than budget (e.g. savings thanks to procurement procedures)
- Delays in submitting payment requests
- Unexpected ineligible costs
- Significant change in exchange rates (and the effect on the budget)
- Any other unexpected financial issues

Operational monitoring (see the table below for more detail)

- Synopsis of the Grant contract
- Contracting (secondary procurement)
- Input / activity/ output monitoring (efficiency)
- Results monitoring (effectiveness) and impact
- Risk monitoring
- Sustainability
- Horizontal and cross-cutting issues
- Good practices
- Prognosis for future

Operational Monitoring

Operational Monitoring – key issues	
Synopsis of the grant contract	Usually a summary on one page of the: • Project intervention logic: Overall objective/s, Specific objectives, Expected results • Target countries/regions • Final beneficiaries and/or target groups (if different) • Allocated amount including co-financing • Time scale This page should only change when there is an addendum to the contract.
Contracting (secondary procurement)	A summary of the results of contracts (for services, supplies or works) awarded by the Beneficiary and/or Partner/s: • Key dates for launching and signing contracts • Title of contract • Contractor / Supplier • Contracted amount • Duration of contract The information accumulates over the lifetime of the project
Input / activity/ output monitoring (efficiency)	Look at the efficiency of project implementation. How well are inputs converted into outputs? • Inputs = The resources consumed by the project (staff, supplies, etc.) – Are inputs available on time to implement the activities? At the planned costs? • Activities = The actions that convert inputs into outputs – Is the activity schedule (work plan) available/used by all partners? – Are activities implemented as scheduled? Are there any corrective measures, adaptations? • Outputs = What is produced by the activities (study, publication, etc.) – Are planned outputs delivered? On time? In a logical sequence? – Quantity of outputs? Quality? • The emphasis of the monitoring is on measurement, not a long description, e.g.: – Compare % budget/input use and % time elapsed – Compare % budget/input use and % outputs produced
Results monitoring (effectiveness and impact)	Look at the effectiveness of project implementation. How well are results achieved and how well do they contribute to project specific objectives? • Results = The immediate effects of the outputs on the target group – Are planned results achieved? What is the quality of results/services available? – Do the target groups have access to/are they using the results available so far? If not, what factors prevent this? • Information for results must be collected from outside the project (survey questionnaire, evaluation forms, etc). Check your logical framework for the source of info for indicators! • Impact = Project contribution to the overall objective – What impacts are already apparent? What impacts appear likely? Are logical framework targets and indicators likely to be met? – To what extent does/will the project have an indirect positive or negative impact (i.e. environment, social, cultural, economic)? – Is there coordination/complementarity with other projects/initiatives?

Operational Monitoring – key issues	
Risk monitoring	- The risk profile of the project has 4 elements: - The identification of potential risks - The chance that the risks will materialise - The likely effect of the risks - The strategy to avoid, counteract, or minimise the damage of the risks - Monitoring of adaptation of the project to external conditions: - Has project adapted/is able to adapt to ensure benefits for the target groups? - If there are unplanned negative effects on the target groups, did/does the project take appropriate measures? - Are unplanned positive effects contributing to the results/services? - The monitoring report should update the risk analysis and add new risks if relevant – check your logical framework assumptions
Sustainability	Sustainability is built during project implementation so its potential should be monitored regularly - Financial/economic viability. Will the services/results be affordable for the target groups at the end of the project? Are the Beneficiaries/Partners able to afford maintenance/replacement of the technologies/services introduced? Is there a financial/economic phase out strategy developed/implemented? - Ownership of project by target groups. Are target groups involved in planning/implementation? Will target groups continue to make use of the results or deliver a stream of benefits? - Policy support. What is the interaction between the project and relevant policies? - Institutional and management capacity. Is the project embedded in institutional structures that will survive after project completion? Will qualified human resources be available to continue to deliver benefits?
Horizontal and cross-cutting issues	Horizontal issues: The respect of EU and programme visibility by all partners (in events, material produced, etc.) Cross-cutting issues: How does the project mainstream cross-cutting issues such as: - Gender equality - Environmental sustainability. Is good environmental practice followed in project implementation? Are environmental constraints/opportunities considered? - Democracy, good governance. Regular, transparent information and reporting? Organisational adequacy of Beneficiary/Partners (role vs. capacity/mandate)? Participation and ownership by stakeholders? - Promotion of human rights (including people with disabilities), children's rights and indigenous peoples - Combating HIV/AIDS
Good practices	- Usually an empty page to record examples of good practice - Completion is optional
Prognosis for future	- Is the project on track? - Expectations for next period? - Will the planned results be achieved? - Are there deviations from the budget or from the payment schedule?

PREPARING PROJECT FINANCIAL PLANNING

★ Why should I review the project financial planning?

Is it not enough to have project budget approved?

Even though you prepared a budget including expenditure and sources of funding when preparing the application form, you have to take into consideration that:

- The budget includes a forecast of expenditure for the first 12 months, but not an **accurate monthly estimate** for the whole project duration,
- the approved budget does not have any **forecast** of the timetable for **receipt of the sources of funding**, and
- **not all expenditure imply an additional cash-flow for the Beneficiary and Partners** for example, for staff already working in your organisation;

★ How do you prepare adequate project financial planning during project start up? A case study

STEPS FOR PROJECT FINANCIAL PLANNING:

1. Review your budget in detail to identify the need for minor adjustments to the initially estimated amounts
2. Confirm your sources of funding and, in particular, the dates of expected receipt of contributions from external donors (national authorities, etc.)
3. Prepare a monthly (or quarterly) forecast of all project expenditures
4. Estimate when you will be able to request and receive further pre-financing
5. Prepare a project cash flow forecast

Let's see an example (see the Excel file in Annex A).

Our simplified case study will be a project with:

- A Beneficiary and one Partner
- A duration of 24 months
- 90% co-financing from ENPI
- No additional donors and no direct revenue
- A limited number of budget items



The budget for expenditure in our case study is (see Figure 7):

Annex III. Submitted budget for the Action					All Years (24 months)				Year 1 (first 12 months)			
Costs	Unit	# of units	Unit rate (in EUR)	Costs (in EUR) ³	Unit	# of units	Unit rate (in EUR)	Costs (in EUR)	Unit	# of units	Unit rate (in EUR)	Costs (in EUR)
1. Human Resources												
1.1 Salaries (gross salaries including social security charges and other related costs, local staff)												
1.1.1 Technical	Per month	60.00	2,500.00	150,000.00	Per month	30	2,500.00	75,000.00				
1.1.2 Administrative/ support staff	Per month	18.00	1,800.00	32,400.00	Per month	9	1,500.00	13,500.00				
1.3 Per diems for missions/travel												
1.3.1 Abroad (staff assigned to the Action)	Per diem	28.00	200.00	5,600.00	Per diem	24	180.00	4,320.00				
1.3.3 Seminar/conference participants	Per diem	6.00	200.00	1,200.00	Per diem	0	180.00	0.00				
Subtotal Human Resources				188,000.00				92,820.00				
2. Travel												
2.1. International travel	Per travel	25.00	340.00	8,500.00	Per travel	12	300.00	3,600.00				
Subtotal Travel				8,500.00				3,600.00				
3. Equipment and supplies												
3.2 Computer equipment	Computers	2.00	750.00	1,500.00	Computers	2	750.00	1,500.00				
Subtotal Equipment and supplies				1,500.00				1,500.00				
5. Other costs, services												
5.1 Publications	Documents	1.00	300.00	300.00				0.00				
5.2 Studies, research	Studies	1.00	20,000.00	20,000.00	Studies	1	20,000.00	20,000.00				
5.3 Expenditure verification	Reports	3.00	3,000.00	9,000.00	Reports	1	3,000.00	3,000.00				
5.4 Evaluation costs	Reports	1.00	5,000.00	5,000.00				0.00				
5.5 Translation, interpreters	Documents/ studies	2.00	2,000.00	4,000.00	Documents/ studies	1	2,000.00	2,000.00				
5.7 Costs of conferences/seminars	Conferences	1.00	5,000.00	5,000.00				0.00				
5.8. Visibility actions	Web site	1.00	10,000.00	10,000.00	Web site	1	7,500.00	7,500.00				
Subtotal Other costs, services				53,300.00				32,500.00				
7. Subtotal direct eligible costs of the Action (1-5)				251,300.00				130,420.00				
8. Provision for contingency reserve (maximum 5% of 7, subtotal of direct eligible costs of the Action)				7,539.00								
9. Total direct eligible costs of the Action (7+ 8)				258,839.00				130,420.00				
10. Administrative costs (maximum 7% of 9, total direct eligible costs of the Action)				15,530.34				7,825.20				
11. Total eligible costs (9+10)				274,369.34				138,245.20				

Fig.7

The budget for the sources of funding in our case study is (see Figure 8):

Fig.8

Sources of funding for the action		Amount EUR	Percentage of total %
Applicant's financial contribution		13,718.47	5%
Partner 1's financial contribution		13,718.47	5%
ENPI contribution sought in this application		246,932.41	90%
Contribution(s) from other European Institutions or EU Member States			
Name	Conditions		
Contributions from other organisations:			
Name	Conditions		
TOTAL CONTRIBUTIONS		274,369.35	100%
Direct revenue from the Action		0.00	0%
OVERALL TOTAL		274,369.35	100%

★ Planning and adjusting expenditure

For each category of expenditure you need to **revise the initially planned figures** included in the budget and at the same time make a forecast of the months when it will be incurred and paid. You will have to use new assumptions for these more detailed time forecasts, which will be **linked to the revision of the work plan** and the start – end date of each activity and its related costs. Keep a record of the assumptions.

Let's work on our example. Some snapshots are shown in this section, but the full calculation is available in the Excel file in Annex A.

Remember:

- Involve your partners in this exercise
- Keep a record of the assumptions
- Any change must be communicated to the JMA/JTS!

For staff costs (see Figure 9):

- Confirm which persons will be working for the project and see if they are already contracted or they have to be recruited
- Confirm the estimated monthly cost if 'month' is the unit of time in budget. In any case, always use the time unit of the approved budget
- Find out in which month the persons will start working and, if not full time, on what basis
- Calculate the monthly cost for each person

Fig.9

Costs	Detailed description	Unit	# of units	Unit rate	Assumption	Initial date	End date
1. Human Resources							
1.1 Salaries (gross salaries including social security charges and other related costs, local staff)							
1.1.1 Technical	Technician 1 Beneficiary	Month	12.00	3,000.00	Already in institution. 50% dedication	Month 1	Month 24
	Technician 2 Beneficiary	Month	20.00	2,850.00	Recruited for the project. 100% dedication	Month 4	Month 23
	Technician 3 Beneficiary	Month	2.00	2,600.00	Recruited for the project. Half dedication 4 months for final event	Month 19	Month 22
	Technician 1 partner 1	Month	5.50	2,000.00	Already in institution. 25% dedication	Month 2	Month 23
	Technician 2 partner 1	Month	20.00	1,900.00	Recruited for the project. 100% dedication	Month 4	Month 23
Total technical staff			59.50	2,473.95			
1.1.2 Administrative/ support staff	Assistant Beneficiary	Month	12.00	2,000.00	Already in institution. 50% dedication	Month 1	Month 24
	Assistant partner	Month	5.50	1,600.00	Already in institution. 25% dedication	Month 2	Month 23
	Total administrative/support staff		17.50	1,874.29			

Costs	Detailed description	Month 1	Month 2
1. Human Resources			
1.1 Salaries (gross salaries including social security charges and other related costs, local staff)			
1.1.1 Technical	Technician 1 Beneficiary	1,500.00	1,500.00
	Technician 2 Beneficiary		
	Technician 3 Beneficiary		
	Technician 1 partner 1		500.00
	Technician 2 partner 1		
Total technical staff		1,500.00	2,000.00
1.1.2 Administrative/ support staff	Assistant Beneficiary	1,000.00	1,000.00
	Assistant partner		400.00
	Total administrative/support s	1,000.00	1,400.00



Month 22	Month 23	Month 24	TOTAL
1,500.00	1,500.00	1,500.00	36,000.00
2,850.00	2,850.00		57,000.00
1,300.00			5,200.00
500.00	500.00		11,000.00
1,900.00	1,900.00		38,000.00
8,050.00	6,750.00	1,500.00	147,200.00
1,000.00	1,000.00	1,000.00	24,000.00
400.00	400.00		8,800.00
1,400.00	1,400.00	1,000.00	32,800.00

For other categories (see Figure 10):

- Revise the estimated amounts and other necessary assumptions
- Identify when invoices for services, supplies and works will be paid, according to the delivery dates and credit terms. This calculation is usually done as a certain number of days after delivery
- Make a monthly estimate of paid expenditure for each category

Exclude 'contingency reserve' and 'administrative costs' from these estimations:

- **Contingency reserve** can only be used for unexpected events and after prior authorisation from JMA/JTS, which makes it impossible to include it in any estimation
- **Administrative costs** are calculated as a flat rate of direct costs and no assumptions can be changed.

Fig.10

Costs	Detailed description	Unit	# of units	Unit rate	Assumption	Initial date	End date
2. Travel							
2.1. International travel	Kick-off meeting:						
	3 persons from partner 1	Per diem	6.00	250.00	Beneficiary's place	Month 2	
	Meeting # 2						
	3 persons from Beneficiary	Per diem	6.00	250.00	Partner 1 place	Month 9	
	Meeting # 3						
	3 persons from partner 1	Per diem	6.00	250.00	Beneficiary's place	Month 15	
	Final conference						
	5 persons from Beneficiary	Per diem	10.00	400.00	Partner 1 place	Month 22	
	Total international travel		28.00	0.00			
3. Equipment and supplies							
3.2 Computer equipment	Computer Beneficiary	Computer	1.00	750.00	Paid 30 days after acquisition	Month 1	
	Computer partner	Computer	1.00	750.00	Paid 60 days after acquisition	Month 2	
	Total equipment		2.00	0.00			
5. Other costs, services							
5.1 Publications		Documents	1.00	300.00	Cost of printing the study	Month 15	
5.2 Studies, research		Studies	1.00	20,000.00	Paid 50% in 3 months; 50% 60 days after delivery	Month 6	Month 12
5.3 Expenditure verification		Reports	3.00	3,000.00	Paid 30 days after delivery		
5.4 Evaluation costs		Reports	1.00	5,000.00	Paid 60 days after delivery	Month 19	Month 21
5.5 Translation, interpreters		Documents/ studies	2.00	2,000.00	Paid 60 days after delivery	Month 13	Month 14
5.7 Costs of conferences/seminars		Conferences	1.00	5,000.00	Paid 30 days after delivery	Month 22	
5.8. Visibility actions	Web site	Web site	1.00	10,000.00	Development (8.000 €) paid 60 days after delivery; maintenance paid 12 months later	Month 3	Month 4
	Total other costs, services						

Costs	Detailed description	Month 2	Month 3	Month 23	Month 24	TOTAL
2. Travel						
2.1. International travel	Kick-off meeting:					
	3 persons from partner 1		1,500.00			1,500.00
	Meeting # 2					
	3 persons from Beneficiary					1,500.00
	Meeting # 3					
	3 persons from partner 1					1,500.00
	Final conference					
	5 persons from Beneficiary			4,000.00		4,000.00
	Total international travel	0.00	1,500.00	4,000.00	0.00	8,500.00
5. Other costs, services						
5.1 Publications						300.00
5.2 Studies, research		10,000.00				20,000.00
5.3 Expenditure verification			3,000.00		3,000.00	9,000.00
5.4 Evaluation costs				5,000.00		5,000.00
5.5 Translation, interpreters						4,000.00
5.7 Costs of conferences/seminars				5,000.00		5,000.00
5.8. Visibility actions	Web site					10,000.00
	Total other costs, services	10,000.00	3,000.00	10,000.00	3,000.00	53,300.00

★ Planning payment requests

In order to be able to forecast the global cash flow and the cash surplus or deficit in each moment of project implementation, it is necessary to link this expenditure forecast with the payment requests for the ENPI CBC grant contribution. To do so you need to:

- **Take the amounts of the first pre-financing and estimate when it will arrive.** The first pre-financing is normally transferred to the Beneficiary within 45 days of the JMA receiving the signed grant contract¹⁷
- **Calculate the thresholds of minimum expenditure in order to be allowed to submit a payment request for further pre-financings** (see the calculation and example below)
- **Estimate the date for the receipt of further pre-financing.** Further pre-financing is paid to the Beneficiary within 45 days of the approval of the interim report (both narrative/financial) by the JMA¹⁸. The JMA also has 45 days maximum to review and approve the report (if there is no reply within this time the report is considered approved). So, you could estimate about 3 months for receiving your payment after you send the report. However:
 - Be conservative in your estimation. The JMA may suspend the time-limit for approval of a report by notifying the Beneficiary that it finds it necessary to carry out additional checks (i.e. clarification or additional information) before approving the report
 - Remain ready to react quickly to JMA's requests after you send your report so that your further pre-financing may be processed efficiently.

How to calculate the threshold to request further pre-financing?

The Beneficiary can request further pre-financing when the **part of the expenditure financed by ENPI actually incurred (by applying the percentage set out in Article 3.2 of your grant contract Special Conditions)** stands at 70% at least of the previous payment (and at 100% of any other previous payments)¹⁹.

Pay attention that it is not when 'the expenditures actually incurred' stand at 70% of the previous payment, but when 'the PART FINANCED' by the programme does.

To request a second pre-financing, the Beneficiary must therefore report eligible expenditures equal to or above: $70\% \times (\text{advance payment} / \% \text{ENPI co-financing})$.

Let's see in our example (see Figure 11):

- The first pre-financing paid after contract signature represents 80% of the grant for the project first year budget
 $0.8 \times 0.9 \times 138,245.2 = \text{€}99,537$
- The second pre-financing can be requested when the project expenditures are above
 $0.7 \times (99,537 / 0.9) = \text{€}77,418$

¹⁷ See grant contract Special Conditions Art. 4

¹⁸ See grant contract General Conditions Art. 15 and check your grant contract special provisions Arts. 4 and 7

¹⁹ See grant contract General Conditions Art. 15.1

Claim	Comments	Amount
1st advance payment	80% grant 1st year; 45 days after contract signature	99,536.54
Maximum additional advance payments	When grant corresponding to expenditure is at least 70% of 1st advance payment	222,239.17

Fig.11

		Monthly direct expenditure	Cumulative direct expenditure	Cumulative admin. Costs (6,18%)	Cumulative total costs	Corresponding grant
	Month 1	2,500.00	2,500.00	154.50	2,654.50	2,389.05
	Month 2	4,150.00	6,650.00	410.97	7,060.97	6,354.87
	Month 3	5,980.00	12,630.00	780.53	13,410.53	12,069.48
	Month 4	8,900.00	21,530.00	1,330.55	22,860.55	20,574.50
	Month 5	8,150.00	29,680.00	1,834.22	31,514.22	28,362.80
	Month 6	16,150.00	45,830.00	2,832.29	48,662.29	43,796.06
	Month 7	8,150.00	53,980.00	3,335.96	57,315.96	51,584.37
	Month 8	8,150.00	62,130.00	3,839.63	65,969.63	59,372.67
Threshold for 2nd advance payment	Month 9	18,150.00	80,280.00	4,961.30	85,241.30	76,717.17
	Month 10	13,850.00	94,130.00	5,817.23	99,947.23	89,952.51
	Month 11	8,150.00	102,280.00	6,320.90	108,600.90	97,740.81
	Month 12	8,150.00	110,430.00	6,824.57	117,254.57	105,529.12
	Month 13	8,150.00	118,580.00	7,328.24	125,908.24	113,317.42
	Month 14	18,150.00	136,730.00	8,449.91	145,179.91	130,661.92
	Month 15	8,450.00	145,180.00	8,972.12	154,152.12	138,736.91
	Month 16	17,730.00	162,910.00	10,067.84	172,977.84	155,680.05
	Month 17	8,150.00	171,060.00	10,571.51	181,631.51	163,468.36
	Month 18	10,150.00	181,210.00	11,198.78	192,408.78	173,167.90
	Month 19	9,450.00	190,660.00	11,782.79	202,442.79	182,198.51
	Month 20	9,450.00	200,110.00	12,366.80	212,476.80	191,229.12
	Month 21	9,450.00	209,560.00	12,950.81	222,510.81	200,259.73
	Month 22	9,450.00	219,010.00	13,534.82	232,544.82	209,290.34
	Month 23	25,350.00	244,360.00	15,101.45	259,461.45	233,515.30
	Month 24	5,500.00	249,860.00	15,441.35	265,301.35	238,771.21
	Total	249,860.00			272,801.35	245,521.21

Do not forget to take into account the administrative costs to estimate when you will reach the threshold

★ Planning cash-flows

Prepare a final table with:

- The revenues and the month of receipt
- 'Additional' foreseen expenditure paid for the project
- Monthly and cumulative cash flow and surplus/deficit taking into account the 'additional' expenditure
- Other payments already budgeted in your organisation, such as permanent staff or administrative costs
- Monthly and cumulative cash flow and surplus/deficit taking into account all expenditures.

EXPENSES NOT GENERATING THE NEED FOR 'ADDITIONAL' CASH:

Even if most of the expenditure is new for your organisation and would not be made without the project, other expenses may already be foreseen in your organisation's general budget. The clearest example is the cost of the staff already working for your organisation and dedicating part of their time to it. These staff costs are already foreseen in the annual budget and are not relevant for estimating the project cash flow.

Final Remarks:

- *Financial forecasts are only useful if reviewed and updated on a regular basis*
- *Discuss the planning with your project partners, get information from them and reach a consensus on commitment for expenditure and payments*
- *Cash forecasts tend to be optimistic; revenues arrive later and expenditure always on time or earlier*
- *Be prudent and ensure that no partner is prevented from contributing to project implementation by a lack of liquidity of funds.*

Do not forget that the tables and assumptions shown in this manual are just an example

ENSURING ADEQUATE INTERNAL CONTROLS

The lack of internal control is one of the key risks to EU funds being spent efficiently and in conformity with contract requirements. Setting up adequate control systems is an essential task in the start-up phase of the project.

INTERNAL CONTROL

Internal control means accounting procedures or a system designed to promote efficiency or assure the implementation of a policy or safeguard assets or avoid fraud and error etc. It is defined as a process affected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives.

Therefore, in the framework of an ENPI-CBC project contract, **internal control** has to be designed to provide **reasonable assurance** that:

- The projects are effective and efficient
- Financial information is reliable
- Contractual conditions are met

The most widely accepted internal control framework has been devised by the Committee on Sponsoring Organisations (COSO) of the Treadway Commission.²⁰

What are the general principles applicable to internal control?

- Adequate segregation of duties within organisations
- Avoidance of conflicts of interest and confidential payments
- Regular checks
- Prevention of irregularities, fraud and corruption

To ensure an adequate internal control framework and to avoid misunderstandings, it is important to have a written definition of all the responsibilities, tasks and controls within an organisation, including:

- Written job descriptions
- A clear organisation chart
- Descriptions (or flow-charts) of the intended flows of transactions, indicating control points.

²⁰ For more information see <http://www.coso.org/>

SOME EXAMPLES:

- Segregate management tasks from expenditure authorisation tasks
- Separate accounting tasks from payment tasks
- Have project staff timesheets checked by the project manager
- The Beneficiary obtains organisation manuals from Partners to ensure that general principles are respected
- The Beneficiary obtains copies of all supporting documents from the Partners

Important Last Remarks

*Even if the Beneficiary or the Partners are small organisations, internal control systems have to be in place. Check the adequacy of your system with the **check-list** in Annex B. The check-list is comprehensive; see which sections are really applicable to your organisation and project. Parts of it may be used by the Beneficiary to ensure that all Partners are sharing the same internal control principles.*



SETTING UP THE ACCOUNTING SYSTEM

★ Definition and legal requirements

A **general definition** of accounting might be: “*The systematic recording, reporting and analysis of the financial transactions of an entity*”. Taking into account that ENPI-CBC projects are funded by the European Union, it is useful to look at the common provisions on accounting included in the EC Financial Regulation.²¹

Source	Text
Article 132	- The institution’s accounting system is the system serving to organise the budgetary and financial information in such a way that figures can be input, filed and registered - The accounts shall consist of general accounts and budgetary accounts
Article 134	The general accounts shall record, in chronological order using double-entry method, all events and operations which affect the economic and financial situation and the assets and liabilities of the institutions
Article 135	- All accounting entries shall be based on supporting documents, to which they shall refer - The accounting system must be such as to leave a trail for all accounting entries

*A simple list of expenditure and revenue in an Excel file is **not** an accounting system!*

The **accounting requirements** for ENPI-CBC projects are described in Article 16 of your grant contract General Conditions. The terms used in this article have to be understood in relation to the common provisions of the Financial Regulation mentioned in the table above.

According to Article 16.1 of your grant contract General Conditions:

“The Beneficiary and Partners shall keep accurate and regular accounts of the implementation of the project, using an appropriate accounting and double-entry bookkeeping system. The system:

- May be either part of the Beneficiary and Partner regular system or separate from that system
- Shall be run in accordance with the accounting and bookkeeping policies and rules that apply in the country concerned
- Accounts, expenditure and revenue relating to the project must be identifiable and verifiable
- Details on interest accruing on funds paid by EC have to be provided

The financial report has to be properly and easily reconciled to the accounting and bookkeeping system and to the underlying accounting and other relevant records.

For this purpose, the beneficiary shall prepare and keep appropriate reconciliations, supporting schedules, analyses and breakdowns for inspection and verification.”

²¹ COUNCIL REGULATION (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities.

Some remarks on these legal requirements	
A choice for the project, ideally to be defined in the Partnership Agreement or an addendum to it	• Either An accounting system which is part of the Beneficiary and Partners regular accounting systems (budgetary accounting) • Or A separate project accounting system which has to be linked to the regular accounting systems
Double entry	The method is defined in more detail below (in this section). It is a standard PraG requirement and an important requirement to fulfil although it is not usually requested in other EU funded programmes such as European Territorial Cooperation.
National rules are to be followed	The project accounts have to be in national currency. If they are part of the organisation's regular system, they have to follow the national bookkeeping rules, but also those of the Beneficiary and Partner organisations.
Identifiable and verifiable	This is a key eligibility criterion. All expenditure and revenue has to be identifiable in the accounts of Beneficiary and Partners and has to be verifiable through adequate supporting documents.
Interest accrued	Interest obtained thanks to the received pre-financing has a specific treatment (see section 2.14). Therefore, it has to be easily identifiable in the project accounts.

★ How to organise the project accounting?

The project accounting has to follow the above-mentioned requirements included in your grant contract, but it is also important for the Beneficiary and Partners because:

THE PROJECT ACCOUNTS ARE THE MAIN SOURCE OF INFORMATION FOR:

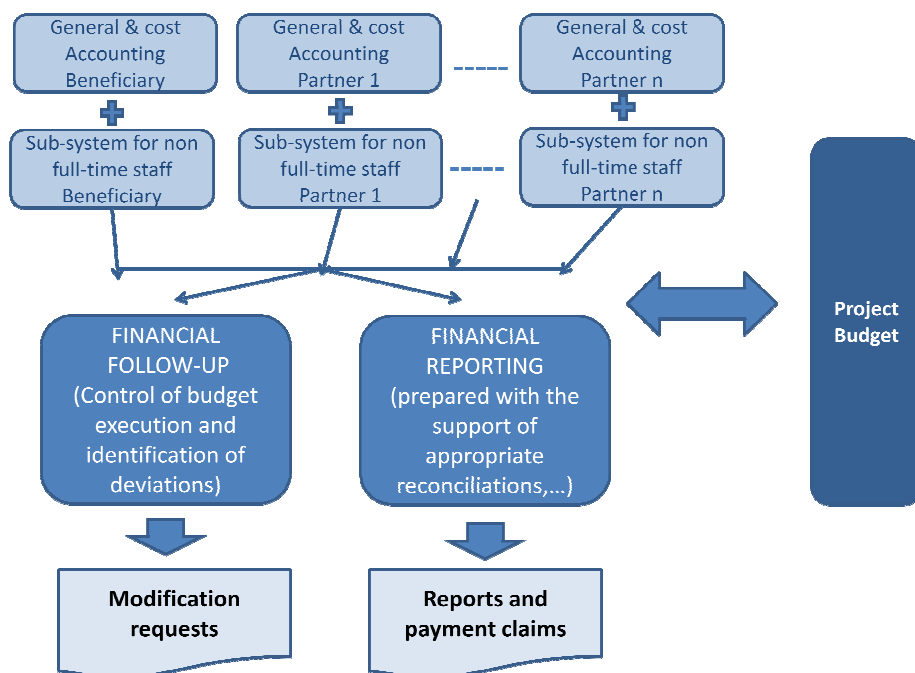
- Following up the project budget
- The preparation of the financial reporting
- The expenditure verification accompanying the payment requests
- Any financial control by JMA/JTS, EC or other authorised bodies

As we have seen in the definitions in Article 16 of your grant contract General Conditions, there are two ways of organising the project accounting:

- As part of the regular, general and budgetary (or cost) accounting by the Beneficiary and each Partner (see Figure 12)
- Or as a separate and adjunct system shared by all in the partnership (see Figure 13)

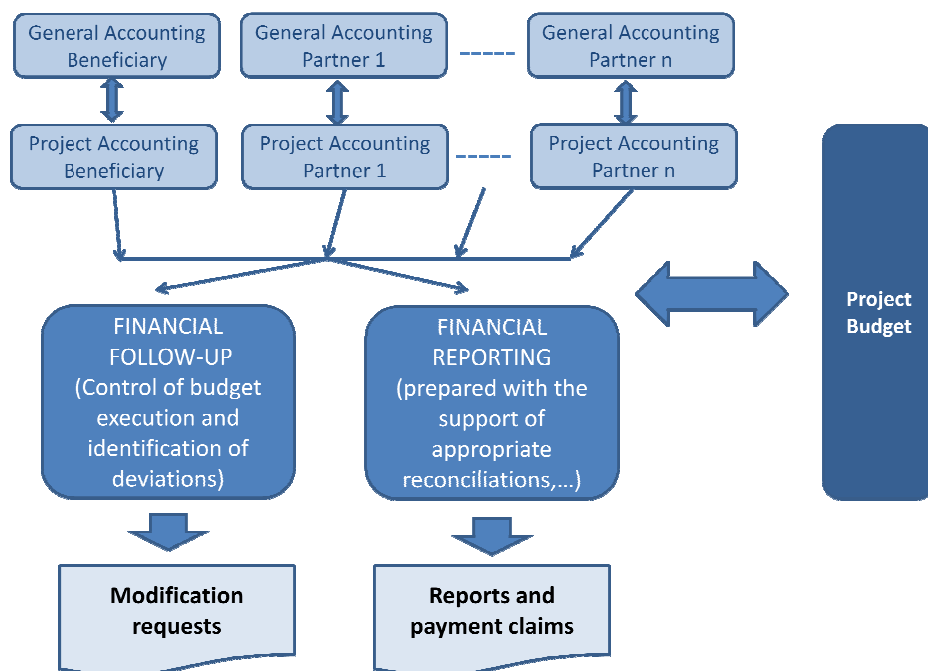
*As part of the regular
accounting system:*

Fig.12



*As part of a separate
project accounting
system:*

Fig.13



★ What is double-entry book-keeping?

One of the basic requirements of Article 16 of your grant contract General Conditions is the obligation to use double-entry book-keeping, which may not be your usual practice if you are more familiar with other EU funded projects, such as European Territorial Cooperation than your are with PraG requirements. So, what does the term mean?

Double-entry book-keeping is an accounting technique which records each transaction in at least two different accounts, as a **credit** and as a **debit**. Credit entries represent the sources of financing, while debit entries represent the use of this financing.

Let's see an example of expenditure in a separate project accounting system:

- The **debit** will indicate to which category of expenditure the invoice has to be input in accordance with the approved budget lines
- The **credit** will indicate if the invoice was paid by the Beneficiary or a Partner. In case of non-dedicated bank accounts, the entry should also indicate which account was used.

In a traditional accounting system, the single entry in each account (debit or credit) is reflected in an 'accounting journal' where two accounts are used for each transaction. The differences between the two systems are shown in Figure 14 below:

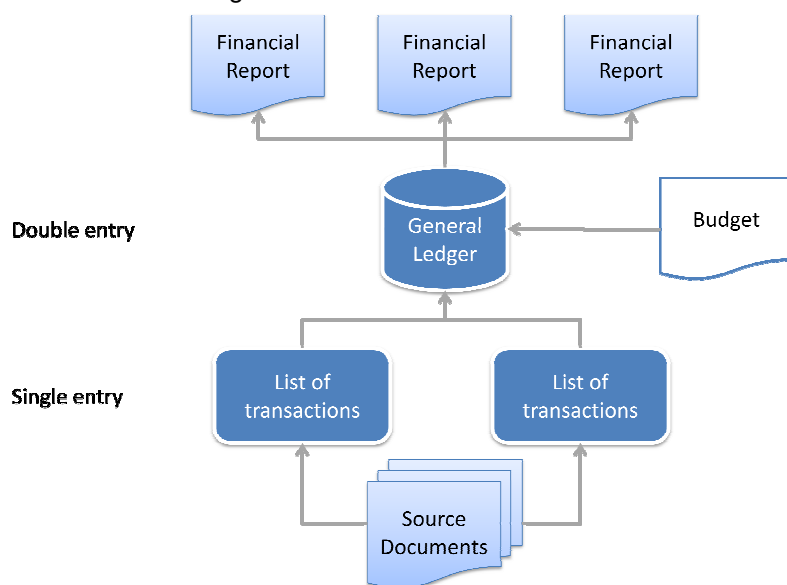


Fig.14

Most computerised accounting systems have both the single entry lists and the double entry accounts in the same system, usually in separate modules. This is an 'integrated' accounting system. When the system is not integrated, the account balances need to be checked to the supporting lists on a regular basis.

On a regular basis...

- A list of debit and credit balances should be extracted. This is called a "trial balance".
- The bank balance in the accounts should be reconciled to the bank statement balance.

★ Basic tips for effective accounting

The choice of the accounting system is a key factor for the success of financial control and reporting, as well as ensuring future access to supporting documents. **What can be done to ensure that your accounting system is effective?**

Possible problems?	Key control measures
The accounting system is inadequate	• Practice double entry accounting • Consider using specialised accounting software
The accounting records do not comply with generally accepted accounting standards	Ensure the project bookkeeping staff are qualified and experienced
For grants, the usual accounting practices are not respected e.g. accrual accounting is used for normal operations but cash accounting is used for EU-funded projects	For grants, be sure to use the same accounting policies and practices as for normal operations
The accounting system does not handle foreign currencies	Keep your accounting in your national currency, but consider multi-currency accounting software if part of the expenditure is paid in Euro (when the Euro is not national currency)
Incorrect accounting entries are made, such as items being wrongly classified or ineligible expenditure being recorded as eligible	Ensure that the journal is properly checked and reviewed by qualified, authorised persons
The accounts are not kept up-to-date or reconciled in good time	• Reconcile the accounts regularly and keep the supporting documents of this reconciliation • Ensure all transactions are recorded without delay

In summary, some final advice

- **Use proper bookkeeping techniques!**
 - The accounting records must be double-entry
 - The accounting records must be based on a properly defined chart of accounts shared by all partners
 - Once an accounting entry is recorded, it should not be altered
 - The persons appointed to keep the accounts must have the required qualifications/skills and be able to communicate with the Beneficiary's financial manager
 - Specialised accounting may allow more effective control than a manual system
 - Use analytical (cost) accounting codes if the project accounts are kept as part of your organisation's regular accounting system
- **Use Excel spreadsheets only for what they can do!** They are not designed for double-entry bookkeeping records), but they are useful for a number of purposes:
 - Preparing account reconciliations
 - Preparing budgetary follow-up
 - Preparing financial reports.
- **The accounts must record any interest on pre-financing!**
 - Open a specific account in the project ledger for this purpose.
- **The accounting records must include all transactions!**
 - The accounting records and the financial report must cover not only the project activities financed by EU funds, but also any activities financed by other donors and your own co-financing, as the EU contribution is calculated as a share of the total eligible expenditure of the project.
- **Use a proper chart of accounts and coding system!**
 - Use the same classifications as the project budget
 - Design the chart of accounts so to allow eligible and ineligible costs to be segregated.

ORGANISING THE ARCHIVING OF DOCUMENTS

★ Legal requirements

Keeping clear and relevant documentation is vital for the Beneficiary and Partners. Without them it is impossible to show that the costs claimed meet the conditions of your grant contract.

RELEVANT GRANT CONTRACT GENERAL CONDITIONS

- **Article 14:** To be eligible, the costs must be identifiable and **verifiable**
- **Article 16 (2):** The Beneficiary and Partners must allow JMA and any other authorised body to carry out checks and audits and to examine supporting documents, accounting documents and any other documents relevant to the financing of the project
- **Article 16 (2):** The supporting documents and records must be kept available for inspection for up to seven years after the final balance of the grant is paid
- **Article 16 (2):** The supporting documents and records must be easily accessible and filed in a way that facilitates examination
- **Article 16 (3):** Includes an indicative list of the type of supporting documents to be kept. See also section 2.13 below on *Eligible Costs and Supporting Documents* for an indication of the type of supporting documents needed for each budget item.

Here are some **basic tips**:

- Ensure that **all** transactions in the accounts are referenced to the necessary supporting document, that is, not only the invoice and proof of payment (see section 2.13 below on *Eligible costs and supporting documentation*)
- As the original documents have to be kept by each partner organisation, include a provision in your Partnership Agreement for Partners to send copies (either scanned or physical) to the Beneficiary. This measure would facilitate the work of the auditors during financial controls
- Archive the documents in an organised way so they are easily accessible after project closure.

★ What could go wrong in document archiving? Key control measures

Risk	Control measure
<i>Certain documents are not drafted (e.g. timesheets) or kept</i>	Ensure that project staff know and understand the contractual conditions
<i>The documents kept do not provide sufficient evidence that contractual conditions have been met</i>	Have clear instructions for staff on which kind of documents provide strong relevant proof, in accordance with the type of expenditure and the type of activity financed
<i>Document may have been kept during the project, but are not retrievable later</i>	For originals, arrange for a numbering, filing and archiving system that can be easily followed. For copies, a web-based document repository for scanned documents, accessible by all partners, could provide a means for organising files
<i>Documents may be prematurely discarded</i>	State clearly in the Partnership Agreement which is the end date for keeping archives. Ensure that a contact person in each partner organisation knows this deadline during all of the open-to-control period and write the date on the boxes containing the project documents
<i>Document may deteriorate over time</i>	Arrange for documents to be archived in safe and secure conditions and make copies for the more risky ones such as credit card receipts

As the project may be audited up to seven years after final payment, project staff may no longer be available. This is often the case when staff are hired specially for the project. In this case, **project documentation will be the only reliable source of supporting evidence.**

Some **basic principles** to ensure eligibility are:

- An original document is more reliable than a copy
- An official document is more reliable than an unofficial one
- A document issued by an outside source is better evidence than a document drawn-up in-house
- The relation of the expense to the project has to be proved, so documents in addition to invoices may be needed (such as photographs, lists of participants, mission/event reports, etc)
- The proof of payment is as important as the invoice. Ensure that you have documents to back up the payment such as bank documents and receipts
- Prepare a check-list for your staff, which is adapted to your particular needs. An example can be found in Annex C.

Last Important Remark

Document archiving is a key factor for ensuring you have evidence of the eligibility of your expenditures and therefore avoiding grant money being recovered, especially after project closure. The success of the systems relies on it being organised from the start of the project and proper instructions to project and organisational staff.

BANK AND CASH MANAGEMENT

★ Contractual requirements

Bank and cash management is a key area of financial management although only a few contractual requirements are specified. These requirements are found in your grant contract Special and General Conditions as outlined below.

Source	Text
<i>Designation of a bank account</i>	The contract requires the designation of a bank account for the Beneficiary into which the payments will be made by the JMA.
<i>Dedicated project bank accounts</i>	Some programmes require a dedicated bank account for the Beneficiary. Even if this is not required, dedicated bank accounts for Beneficiaries and Partners, preferably in Euro, is good practice.

★ What could go wrong in banking and cash management? Key control measures

Taking into account that this is a very sensitive point and potential source of misunderstanding within the project partnership and it could create difficulties in implementation, it is important to think about what could go wrong and how it can be prevented.

What could go wrong?	Key control measures
<i>The funds paid by JMA may not reach the Beneficiary implementing unit and Partners on time</i>	• Ensure that the financial services of the Beneficiary are aware of the expected funds and that they inform the implementing unit as soon as they arrive • Ensure that the funds are channelled as directly and quickly as possible to the Partners, or as otherwise agreed in the Partnership Agreement.
<i>The funds paid by JMA may be used to finance activities other than project activities</i>	• When possible, use project-dedicated specific bank accounts both for Beneficiary and Partners, even when it is not required under the contract • Reconcile cash-flows regularly.
<i>Cash may be misappropriated</i>	• Perform frequent bank reconciliations and count petty cash often • Make payments preferably by bank transfer (when possible) • Ensure that bank/cash reconciliations are performed by persons who do not have custody of the bank/cash funds.

You will find two useful templates to support this work in Annexes D and E:

- **Bank reconciliation**, supporting the reconciliation between the bank balances in accounting and in bank statements (see Annex D)
- **Cash-flow reconciliation**, supporting the reconciliation between revenue/expenditure according to project accounting and the bank and cash balances (see Annex E).

ELIGIBLE COSTS AND SUPPORTING DOCUMENTS

★ Definitions and general principles

In the sections above, we have seen how to prepare the financial planning for the project and how to set up an accounting system, both for expenditure and revenue. However, not all of the expenditure incurred for project implementation is necessarily acceptable for the calculation of the total grant amount. The total grant amount will be calculated as a percentage only of **eligible costs**. So what does the word 'eligibility' mean?

ELIGIBILITY IS:

The conditions under which a cost, a partner, a tender bid, etc., can be accepted in a selection procedure or in a financial report for the calculation of a grant.

- A project proposal has to fulfil a number of eligibility criteria to be selected for a grant. For example, Applicants and Partners have to be based in a certain geographical area
- A tender bid has to fulfil certain eligibility criteria to be accepted during a call for tenders. For example, the nationality and origin rules²²
- The costs incurred during the implementation of a project have to fulfil certain conditions in order to be acceptable for financing

The relevant legal framework covering eligibility criteria for costs in ENPI-CBC projects is outlined below:

Source	Text
ENPI CBC Implementing Rules	Article 36. Eligible costs at project level: • Expenditures shall be incurred during the execution period of each relevant contract • Eligible costs, non-eligible costs and the possibility of contributions in kind at project level shall be described in the contracts concluded with the Beneficiaries or contractors (i.e. between the Beneficiary and the JMA).
PraG section 6.1.1	The grant is expressed by ways of a percentage and a maximum amount of the eligible costs of the action actually incurred by the Beneficiary.
PraG section 6.4.10.3	The Community finances a specific percentage of the total eligible costs rather than a particular part of the action. If at the end of the action, the actual eligible cost is lower than anticipated, the grant will be reduced proportionately.
General Conditions of the grant contract between Beneficiary and JMA (Annex II)	Article 14 (as described in this section below).

²² See sections 3.4 and 3.5 below.

The general principles for eligible costs and the description of eligible costs are given below, but we strongly recommend you to read carefully Article 14 of your grant contract General Conditions, as this gives the actual legal requirements and this article prevails over the information given in this manual. Please check whether this article is modified by provisions in Article 7 of your grant contract Special Conditions or other programme documents.

According to Article 14.1 of your grant contract General Conditions, eligible costs are costs actually incurred by the Beneficiary or Partners when they meet **all** the following criteria. For costs to be eligible, they:

- Have been incurred during the implementation period
- Are indicated in the estimated overall budget of the action
- Are necessary for the implementation of the action
- Are identifiable and verifiable, recorded in the accounting of Beneficiary and Partners and backed-up by originals of supporting documents, and
- Are reasonable, justified and comply with the requirements of sound financial management, in particular regarding economy and efficiency.

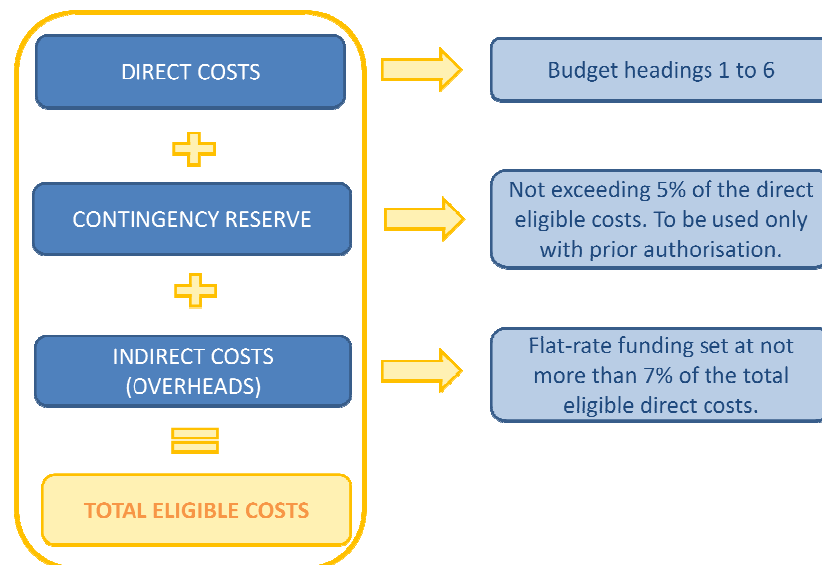
Some remarks on these legal requirements for costs

Have been incurred during the implementation period	• Except for the costs related to expenditure verification, the evaluation of the project (if relevant) and the preparation of the final report • “Regardless of the time of actual disbursement”, but always before the submission of the relevant financial report, that is, all expenditure included in any financial report has to have been already paid. • Procedures for awarding contracts by the Beneficiary or Partners may be initiated but not concluded before the start of the implementation period of the project; that is, any cost deriving from contracts signed before the start date of the project will be ineligible.
Are indicated in the estimated overall budget for the project	Only the costs explicitly indicated in the budget can be considered as eligible. If you need to spend money on anything not yet included in the budget, you must inform the JMA/JTS immediately and check whether you can adjust the budget and forward straight away an amended version (when the financial impact is limited), or whether a formal addendum is required. Do not wait for the reporting time to inform the JMA about budget changes! (For more details on budget amendment thresholds and procedures see section 4.2 below)
Are necessary for the implementation of the project	This is a quite subjective criterion. You need to ensure that all costs correspond to activities as described in the ‘Description of the action’ component of your project or are necessary for achieving the expected project results.
Are identifiable and verifiable	The identification and verification work may be carried out by any authorised body carrying out a financial control on behalf of the programme management bodies, the European Commission or the European Court of Auditors (and in the case of programmes with the involvement of Russia, Competent Authorities of the Russian Federation as described in the relevant Financing Agreement) .
Are reasonable, justified and comply with the requirements of sound financial management	Check section 4.1 <i>The Principles of Sound Financial Management</i>

The three different types of eligible costs are shown in Figure 15 below and described in the following sub-sections.

Three types
of eligible costs:

Fig.15



★ Eligible direct costs

Direct costs are described in Article 14.2 of your grant contract General Conditions. Naturally, they are subject to the above-mentioned conditions and, with the exception of staff and subsistence costs, they are also subject to the relevant provisions of Annex IV of your grant contract which describes the applicable procurement rules.²³ The following types of direct costs are indicated in the above-mentioned article:

- Staff costs
- Travel and subsistence costs
- Purchase or rental costs for equipment and supplies
- Consumables
- Subcontracting expenditure
- Other costs

All types of direct eligible costs, mainly following the prescribed budget headings, are described below together with an indicative list of supporting documents needed for each. This list does not derive directly from any legal source, but is based on experience. In case of doubt, check with your auditor and/or JMA/JTS.

²³ See section 3.1.

Staff Costs

Definition:

Staff costs are the cost of the actual time worked for the implementation of the project by the employees of the Beneficiary and Partners.

These costs are included under **Budget Heading 1: Human resources**. Subsistence costs are usually also included under the same budget heading, but will be described later.

1. Human Resources	
1.1 Salaries (gross salaries including social security charges and other related costs, local staff) ⁴	
1.1.1 Technical	Per month
1.1.2 Administrative/ support staff	Per month
1.2. Salaries (gross salaries including social security charges and other related costs, expat/int. staff)	Per month

Fig.16

How can I distinguish between employees and external experts or other consultants?

Employees (to be included under Budget Heading 1: Human resources)	Experts (to be included under Budget Heading 5: Other costs, Services)
Have a working (labour) contract with the Beneficiary or Partners and are usually subject to specific national or organisational rules regarding salary, timetable, holidays, etc.	Have a service contract which is subject to the relevant procurement rules. The specific conditions for the delivery of the service are described in the contract.
Receive a monthly salary supported by salary slips.	Receive fees after the submission of invoices, in accordance with the payment conditions in their contract.
Their social charges are paid by the employer .	Their social charges are paid by themselves .
Usually work in the premises of the employer and use its facilities (telephone, computers, etc.)	Usually work in their own premises , or on-site where the services are to be delivered, and use their own resources (such as computers) which are included in their fee rate and cannot be included as incidental costs in their contracts.
Travel and subsistence costs for project missions can be included under the respective budget lines 1.3 and 2.1 and 2.2.	Travel and subsistence costs for project missions are included in their contract as incidental costs and included in Budget Heading 5.

According to Article 14.2 of your grant contract General Conditions, the cost of staff (employees) assigned to the action (project) should not exceed those **normally borne** by the organisation in question, unless justified when a higher salary is essential for the implementation of the action. Be careful with exceptional cases, as “being essential” does not mean “the usual practice when getting European funds”. Any additional cost that is not duly justified may be considered ineligible during a financial control by the auditor, the programme management bodies or other competent bodies. For such exceptional cases, we strongly recommend a prior consultation with JMA/JTS.



The calculation of the cost of an employee includes the following:

- Gross salaries
- Social security costs
- Other remuneration-related costs.

How do I calculate staff costs?

This is described below, but take into account:

- The specific subcategories used in your approved budget
- The unit of time (months, days or hours) explicitly mentioned in your approved budget.

First steps in calculating staff costs:

- Have a **list of the employees** who are working for the project and assign them to one of the subcategories in your budget
- Get a **copy of their working contract** and any applicable rules in your organisation affecting their work (working hours per day, timetable, payment of extra time if applicable, etc.)
- Get the **number of time units per year** according to their contract or your organisation rules, that is:
 - Number of working months (10.5 is a usual calculation)
 - Number of working days (220 days is a usual calculation)
 - Number of working hours per year (1.760 hours is a usual calculation)
 - The calculations take into account annual and public holidays and may vary according to each country and type of organisation.
- Develop a **timesheet** template to be filled in by each person and identify who is the relevant responsible person in the organisation who will sign it (normally the employee's manager or boss) in addition to the relevant project manager
- Calculate the **costs per unit rate** (monthly, daily, or hourly costs). You will need to do this at least once per year and every time that there is a change in the costs (increases in salary, etc.).
- **Be prepared to report** the same information that is shown in your budget, i.e. the actual time devoted to the project expressed as number of units

Let's see an example in
Figure 17 to the right:

Calculation of monthly cost	
John Smith. Year 2010	
Annual Cost	25,713.00
Gross salary	19,500.00
Social charges	5,460.00
Other remuneration related costs	753.00
# of working months in a year	10.50
Monthly Cost	2,448.86

Fig. 17

We can only calculate the cost of the **actual time** devoted to the project when there is a detailed record of the time and tasks performed by each employee during the implementation of the project. Please do not forget that general calculations are not acceptable, e.g. a flat-rate of 20% of the employee's time.

The key document for supporting staff costs is the **timesheet**. All other documents can be obtained from the Human Resources Department or the Financial Services of the organisation. In many organisations, the timesheet is not used and has to be introduced when EU funding is received.

You will find a template of timesheet in Annex F, but it is only indicative, as no official template is required by your grant contract. Let's see an example in Figure 18 to the right:

Identification Data

MONTHLY TIMESHEET		
PROJECT NUMBER:	2010/001	
PROJECT ACRONYM:	CASE 1 HSRU	
Name of employee:	John Smith	
Category	1.1. Technical Staff	
Name of partner institution:	Beneficiary	
Month & year		
Day	Worked hours on the project	Description of tasks
	3	Coordination meeting with other technical staff
6	4	Planning on preparing material for the kick-off meeting
7	4	Preparing material for kick-off meeting
8		
9		
10		
11	4	Travel to kick-off meeting
12	8	Kick-off meeting
13	4	Travel from kick-off meeting
14	2	preparation of minutes
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
in the month	29	
Unit rate in budget	Months	
Total working hours in the month	168	
Time in unit rate	0.17	
Monthly rate:	EUR 2,448.86	
Total EUR:	EUR 422.72	

Signatures

Signature of Employee: John Smith

Signature of Employer: [Signature]

Date: 31st October 2010

Date: 15th November 2010

Important Last Remarks:

- *In the time sheet, a short description of tasks for each day is recommended. Please avoid general descriptions, such as "project coordination" instead of more specific ones like "meeting with stakeholders" or "preparation for the partners meeting (date)".*
- *Only paid hours can be included in time sheets. If 'extra hours' are not paid, their cost is zero and the corresponding grant amount also.*
- *Timesheets have to be signed by the employee and the relevant responsible person in the organisation. They should also be stamped.*
- *Employees not working full time for the project, may also be requested to account for the time not spent on the project (regardless whether this time is devoted to other EU-funded projects or to other tasks) so to check the correctness of the timesheet and prove there is no double-funding or artificially inflated co-financing.*
- *It is not possible to report staff costs from non-partner organisations. Only the cost of the staff directly employed by the Beneficiary and Partners is eligible. Not even organisations fully-owned by any Partner can charge their staff costs to the project.*
- *The recruitment of staff (employees) is not subject to procurement rules, as described in Annex IV of the grant contract between the JMA and Beneficiary and Chapter 3 below.*

Indicative list of supporting documents for Staff costs

- ☑ *Contracts with employees*
- ☑ *Timesheets*
- ☑ *Monthly pay-slips*
- ☑ *Social charges and other remuneration-related documents*
- ☑ *Proofs of payment*
- ☑ *Evidence of the calculation of the monthly costs for each year or relevant reporting period*
- ☑ *Relevant applicable rules at national or organisation level*

Travel and Subsistence Costs

Travel and Subsistence costs are those incurred by staff or any other person taking part in the project (e.g. participants at events, etc.) and may not exceed those normally borne by the Beneficiary or Partners.

In addition, any flat-rate for subsistence costs must not exceed the rates (per diems) published by the European Commission at the time of signing the grant contract.²⁴

Subsistence costs for staff or people participating in project activities are usually included under **Budget Heading 1: Human resources**,²⁵ while travel costs are included under Budget Heading 2: Travel (see Figure 19).

Fig.19

2. Travel⁶	
2.1. International travel	Per travel
2.2. Local transportation	Per month
Subtotal Travel	
1.3 Per diems for missions/travel⁵	
1.3.1 Abroad (staff assigned to the Action)	Per diem
1.3.2. Local (staff assigned to the Action)	Per diem
1.3.3 Seminar/conference participants	Per diem
Subtotal Human Resources	

As a general rule, for international travel, the most economic form of transport must be used, i.e. economy class air fares or first class in the case of international train travel. In projects implemented on land borders, the means might not be flights. **Note, 'economic' does not mean the 'cheapest'** (see the definition of the principle of economy in section 4.1 below *The Principles of Sound Financial Management*). Use your usual national and organisational rules for the use of private cars by persons participating in the project. In the absence of specific rules, we recommend you reimburse the cost of an equivalent journey by train in first class. In case of doubt, contact your JMA/JTS.

Subsistence costs for staff or participants in seminars and conferences should be included under budget line 1.3 of Human Resources. Any subsistence costs for external experts should be described in their contract and included under Budget Heading 5: Other costs, services.

Subsistence costs should be paid according to the usual rules of the organisation, which may be:

- Reimbursement of actual costs
- Payment of a flat-rate for each night on mission
- A mixed system (for example, hotel paid through travel agency and a flat-rate allowance for meals and taxis etc).

Any flat-rate reimbursement must not exceed the rates published by EC at the time of signing your grant contract. These rates can be found at: http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm (see the screen snapshot below).

²⁴ These can be found at: http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm

²⁵ The budget line for subsistence can vary from programme to programme depending on eventual derogations from PraG.



Important Last Remarks:

- Do not forget to keep sufficient information in your accounting system in order to be able to report the travel and subsistence cost per unit rate defined in your budget, in particular the:
 - Number of travellers
 - Number of nights
 - Total subsistence costs for each trip
- The documentation proving the link between the trip and the project activities is as important as other supporting documents (invoices, payments, etc.). Keep information and documentation for all who travelled and why (e.g. for employees, a short mission report for each mission including the objective of the mission, places/persons visited and outcomes). Remember that for up to seven years after final payment is received, an auditor may come and check, and that the relevant project staff may no longer be available to justify the mission!
- There are several ways to calculate and pay subsistence costs according to national legislation and/or your organisation rules and you should report them as they were foreseen in your project budget. When checking that these rates do not exceed the rates published by the EC for reimbursement of mission costs (referred to as 'per diem'), you need to understand that the EC maximum per diem rates:
 - Include costs related to accommodation (hotel), meals (or daily allowances) and local transportation (bus, taxi) in the mission location
 - Are calculated **per overnight stay** on mission
 - For example, for a mission from Tuesday to Thursday under your organisation's rules you may pay as subsistence costs 3 'daily allowances' + 2 nights in a hotel + taxis during the mission (e.g. to/from the airport). However, the total of these costs should still be below the amount of two 'per diem' according to the published EC rate.

Indicative list of supporting documents for Travel and Subsistence costs

- ✓ *Invoice from travel agency (or hotel, etc.) including proof of payment*
- ✓ *Original transportation tickets (plane, train, boat)*
- ✓ *Boarding passes*
- ✓ *Meeting or event related documents such as reports, agendas, lists of participants, materials, photographs, etc.*
- ✓ *Reimbursement sheets in case of payment directly to the relevant persons for the use of a private car or other means of transportation, including proof of payment*
- ✓ *Reimbursement sheet or salary slip for subsistence costs, including proof of payment to the relevant person*



Equipment and Supplies

Purchase or rental costs for equipment and supplies (new or used) specifically for the purpose of the project, as well as the costs of services linked to the transportation and installation, provided they correspond to market rates, as included under Budget Heading 3: Equipment and Supplies (shown in Figure 20 below).

Fig.20

3. Equipment and supplies⁷	
3.1. Purchase or rent of vehicle	per vehicle
3.2. Furniture, computer equipment	Per month
3.3. Machines, tools	
3.4. Spare parts / equipment for machines, tools	
3.5. Other (please specify)	
Subtotal Equipment and supplies	

There are two main eligibility requirements in addition to respecting appropriate procurement procedures:²⁶

- That the equipment and supplies included under this heading are **specifically used for the project** e.g. equipment located in the dedicated local office. Remember to include in your narrative report to the JMA a description of the need and use of the equipment and supplies for the implementation of the project.
- That the **prices** paid **correspond to market rates**. When the equipment and supplies are not purchased through an open tender, it is essential to keep documentation proving what the markets rates are at the time of purchase. Please take into account that the prices indicated on web sites have to be printed as they may not be available, or may have changed, when the expenditure is being verified by the auditor or programme bodies.
- Remember that to be eligible, the equipment purchased also has to respect the rule of origin requirements (see section 3.5 below *Rule of origin*) and the visibility rules (see section 4.4 below *Visibility Requirements*).

Indicative list of supporting documents for equipment and supplies

- ☒ Invoice from the supplier, including proof of payment
- ☒ Proof of delivery
- ☒ Proof of origin for equipment and supplies with a unit cost of more than €5,000 (according to section 2.2 of Annex IV of your grant contract)²⁷
- ☒ Documents related to the award procedure, including the Terms of Reference, proof of publication, all the bids, evaluation documents, contract, etc.
- ☒ Photographs

²⁶ See Chapter 3 below *Procuring Services, Supplies and Work*.

²⁷ For equipment bought in currencies other than euro, the threshold has to be checked using the Infoeuro published exchange rate for the month of the launch of the contracting procedure. More information on this is given below.

Local Office

Expenditure linked to costs of any office specifically devoted to the work of the project is included under Budget Heading 4: Local Office (see Figure 21 below).

Fig.21

4. Local office	
4.1. Vehicle costs	Per month
4.2. Office rent	Per month
4.3. Consumables - office supplies	Per month
4.4. Other services (tel/fax, electricity/heating, maintenance)	Per month
Subtotal Local office	

This kind of expenditure is exceptional in cross-border cooperation projects. Beneficiaries and Partners using it have to ensure that there is **no duplication with the administrative costs** included under Budget Heading 10: Administrative Costs. In any case, all office costs for offices located in the headquarters of the Beneficiary or Partners, or other offices not exclusively for the work of the project, cannot be included under the budget heading for local office.

Activity reports from the Beneficiary to the JMA will have to indicate which staff are working in the local office. The costs linked to the work of this staff have to be reasonable and according to the principle of efficiency.

Indicative list of supporting documents for a local office

- ✓ *Invoices from suppliers, including proofs of payment*
- ✓ *Documents related to the award procedures, including the Terms of Reference, proof of publication, all the bids, evaluation documents, contract, etc.*
- ✓ *Photographs*

Other Costs, Services

Other Costs and Services refer to expenditure linked to costs entailed in service contracts awarded by the Beneficiary and Partners for the purpose of the project as included under Budget Heading 5: Other costs, services (see Figure 22). It also includes costs deriving directly from requirements in the grant contract (such as dissemination, evaluation, expenditure verification, translation, etc.) including the financial service costs (i.e. the cost of fund transfers and financial guarantees).

Fig.22

5. Other costs, services⁸	
5.1. Publications ⁹	
5.2. Studies, research ⁹	
5.3. Expenditure verification	
5.4. Evaluation costs	
5.5. Translation, interpreters	
5.6. Financial services (bank guarantee costs, etc.)	
5.7. Costs of conferences, seminars ⁹	
5.8. Visibility actions ¹⁰	
Subtotal Other costs, services	

The costs included in this category have to be clearly identified in the project budget. The costs which may be, by nature, assimilated into one of the eight sub-categories indicated in the standard budget template are only eligible if explicitly included.

Indicative list of supporting documents for Other costs, Services

- ☒ Invoice from the service provider, including proof of payment
- ☒ Documents related to the award procedures, including the Terms of Reference, proof of publication, all the bids, evaluation documents, contract, etc.
- ☒ Proof of delivery of the services
- ☒ Any material published (on paper or by electronic means)
- ☒ Proof that the EU visibility rules have been respected²⁸.
- ☒ In case of events, all related documents and pictures, as in the case of travel costs

Important last remarks:

Do not forget to ensure that all documentation in electronic format has to be kept for seven years after project closure. For example, in case of web-sites, other Internet-based tools or databases which are sustained after the EU financing, they will not be available unless you keep adequate back-ups.

²⁸ See section 4.4, Visibility Requirements

Other Costs

Expenditure linked to costs which by their nature cannot be included in any of the previous categories such as re-granting (if applicable) is listed under Budget Heading 6: Other.

The documents and rules applicable to the expenditure under this category will depend on the nature of the expenditure. Any re-granting expenses (if allowed under your programme) would be included here.

Indicative list of supporting documents for re-granting

- ✓ *Sub-grant application forms*
- ✓ *Documents related to the award of sub-grants*
- ✓ *Contracts with the sub-grant Beneficiaries*
- ✓ *Proof of payment to the sub-grantee*
- ✓ *Financial and activity reports submitted by the sub-grantee and any other documents required under the grant contract between the JMA and the Beneficiary.*

★ Taxes

For projects financed under calls for proposals launched after November 2010 (which are subject to PraG 2010) the budget may include a separate line for taxes, Budget Heading 12: Taxes.

This budget line includes taxes linked to project expenditure, including VAT. These taxes can be included and considered as eligible costs only when the Beneficiary or Partner is not able to claim them back.

Organisations in Partner Countries have to take into account the Financing Agreement/s between their national government and the EC which usually include/s conditions by which Beneficiaries and Partners can reclaim VAT and other taxes. As a consequence, for Beneficiaries and Partners from these countries, usually there should not be any expenses listed under this Budget line as taxes will normally be considered as ineligible expenditure.

★ Contingency reserve

The contingency reserve is described in Article 14.3 of General Conditions. This reserve cannot exceed 5% of direct eligible costs and it is included under Budget Heading 8: Provisions for Contingency Reserve. For projects subject to PraG 2010 (i.e. those financed under calls for proposals launched after November 2010), taxes have to be excluded from the calculation of 5%.



The contingency reserve can be used only when there is an unforeseeable circumstance and when there is prior approval by the JMA/JTS. The request for the use of the contingency reserve has to indicate which categories of expenditure (from Budget Headings 1 to 6) need the extra resources. The reallocation will be shown in the financial report and no **accounting entries should be shown under this budget heading**.

Projects subject to PraG 2008 will need to show the reallocation in the financial report, as shown in Figure 23 below.

Fig.23

Interim financial report: period (dd/mm/yyyy-dd/mm/yyyy)	Budget as per contract/rider				Reallocation and use of contingencies	
	Expenditures				allowed reallocation	Use of contingencies
	Unit	# Units (a)	Unit cost (in EUR) (b)	Costs (in EUR) (a)*(b)		
1. Human Resources						
1.1 Salaries (gross amounts, local staff)						
1.1.1 Technical	Per month					

Projects subject to PraG 2010 have a specific template for the use of contingencies in the budget (see Figure 24 below).

Fig.24

Separate template on use of contingencies

Expenditures	Contract n° Implementation period of the contract (dd/mm/yyyy-dd/mm/yyyy)							
	Budget as per contract/rider				Use of contingencies	Budget as per new rider signed		
	Unit	# Units (a)	Unit cost (in EUR) (b)	Costs (in EUR) (a)*(b)	Use of contingencies	Unit	# Units (a)	Unit cost (in EUR) (b)
								Costs (in EUR) (a)*(b)
1. Human Resources								
1.1 Salaries (gross amounts, local staff)								
1.1.1 Technical	Per month					Per month		
1.1.2 Administrative/ support staff	Per month					Per month		
1.2 Salaries (gross amounts, expat/int. staff)	Per month					Per month		
1.3 Per diems for missions/travel								
1.3.1 Abroad (staff assigned to the Action)	Per diem					Per diem		
1.3.2 Local (staff assigned to the Action)	Per diem					Per diem		
1.3.3 Seminar/conference participants	Per diem					Per diem		
Subtotal Human Resources								
2. Travel								
2.1. International travel	Per flight					Per flight		
2.2 Local transportation	Per month					Per month		
Subtotal Travel								
3. Equipment and supplies								
3.1 Purchase or rent of vehicles	Per vehicle					Per vehicle		
3.2 Furniture, computer equipment								
3.3 Machines, tools...								
3.4 Spare parts/equipment for machines, tools								
3.5 Other (please specify)								
Subtotal Equipment and supplies								
4. Local office								
4.1 Vehicle costs	Per month					Per month		
4.2 Office rent	Per month					Per month		
4.3 Consumables - office supplies	Per month					Per month		
4.4 Other services (tel/fax, electricity/heating, maintenance)	Per month					Per month		
Subtotal Local office								
5. Other costs, services								
5.1 Publications								
5.2 Studies, research								
5.3 Auditing costs								
5.4 Evaluation costs								
5.5 Translation, interpreters								

★ Administrative costs

Administrative Costs are described in Article 14.4 of your grant contract General Conditions and are intended to cover the administrative overheads incurred by the Beneficiary and Partners.

These costs, included under **Budget Heading 10**, are claimed as **indirect costs**.

- They are calculated as a fixed, maximum rate of 7% of the total amount of direct eligible costs (categories 1 to 6). For projects subject to PraG 2010, take into account that any eligible taxes are in **Heading 12** and cannot be included in the calculation.
- This flat-rate funding **does not need to be supported** by accounting documents.
- These indirect costs are incompatible with the receipt of an **operating grant** financed by the EC. When the Beneficiary or a Partner receives this type of grant, intended to finance its 'regular operating costs', no additional administrative costs can be accepted as eligible costs as this would be considered **double funding**.

★ Ineligible costs

Finally, Article 14.6 of your grant contract General Conditions indicates the type of costs which are not eligible. These are:

- Debts and debt service charges
- Provisions for losses or potential future liabilities
- Interest owed
- Costs declared by the Beneficiary or the Partners but covered by other EU funds
- Purchases of land or buildings, except where necessary for the direct implementation of the project, provided that Special Conditions do not explicitly exclude this possibility
- Currency exchange losses
- Taxes, including VAT, unless the Beneficiary or Partners can show they cannot reclaim them and the applicable regulations do not exclude coverage of taxes. Financing Agreements between the EC and Partner Countries National Governments include the provisions by which the Beneficiaries and Partners are exempted from certain taxes and the procedures to reclaim them. Please consult your national authorities for further information.
- Credits to third parties unless otherwise specified in the Special Conditions.

CO-FINANCING, INTEREST AND DIRECT REVENUE

★ Co-financing

A definition of co-financing can be found in both PraG and in the ENPI CBC Implementing Rules as described below:

Source	Text
ENPI CBC Implementing Rules	Article 19. Co-financing sources Co-financing shall come from the own resources of the countries or bodies participating in each joint operational programme Article 20. Co-financing rate Co-financing shall amount to at least 10% of the community contribution to the joint operational programme
PraG section 6.2.9	The grant is expressed by way of a percentage and a maximum amount of the eligible costs of the action actually incurred by the Beneficiary

At project level, co-financing may come from three sources:

- The own resources of the Beneficiary and Partners
- National authorities as some countries automatically complement the EU contribution with a national contribution
- Other donors such as public administrations or international donors

Co-financing has to be indicated in the *Sources of Funding* budget table in Annex II of the grant contract (see Figure 25 to the right)

Fig. 25

Sources of funding for the action		Amount EUR	Percentage of total %
Applicant's financial contribution	Co-financing	1,823.75	2.5%
Partner 1's financial contribution		2,147.50	4.7%
ENPI contribution sought in this application		470,000.00	90%
Contribution(s) from other European Institutions or EU Member States			
Name	Conditions		
Contributions from other organisations:			
Name	Conditions		
Contribution from Regional Authority	Co-financing	1,823.75	2.5%
TOTAL CONTRIBUTIONS		471,450.00	100%
Direct revenue from the Action	Other revenues	1,500.00	
Registration fees for final conference		1,500.00	0.3%
OVERALL TOTAL		472,950.00	100%

★ Interest earned on pre-financing

ENPI-CBC projects may receive a significant amount of ENPI pre-financing. These pre-financing amounts may generate bank interest, regardless of the initial forecast or not in the *Sources of Funding* budget table.

INTEREST received from pre-financing has to be clearly identified in the project accounts. It has to be indicated separately in the financial reporting. The interest may be generated by the Beneficiary or by the Partners.

How should such revenue be treated?

Let's see the legal basis as listed below:

Source	Text
Financial Regulation²⁹	Article 5a - Interest generated by pre-financing payments shall be assigned to the programme or the action concerned and deducted from the payment of the balance of the amounts due to the beneficiary - Interest shall not be due to the Communities in the following cases: (a) pre-financing which does not represent a significant amount
ENPI Regulation³⁰	Article 22: Pre-financing Interest generated by pre-financing payments to beneficiaries shall be deducted from the final payment
Grant contract General Conditions (Annex II)	Article 15.9 Any interest or equivalent benefits accruing from pre-financing paid by JMA to the Beneficiary shall be mentioned in the interim and final reports. Subject to the conditions laid down in the basic act, any interest accruing from pre-financing equal or below €250,000 paid by the JMA shall not be due to the JMA and may be used by the Beneficiary for the action (project). Any interest accruing from pre financing of more than €250,000 paid by the JMA shall be assigned to the action and deducted from the payment of the balance of the amounts due to the Beneficiary
Grant contract General Conditions (Annex II)	Article 15.12 The interest is not taken into account when calculating the total sum of pre-financing and is not considered as revenue of the action for the purposes of final amount as referred to in Article 17

²⁹ COUNCIL REGULATION (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities

³⁰ REGULATION (EC) No 1638/2006 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument

How will calculations be done at the end of the project?

This is illustrated in Figure 26 below (for pre-financing of more than €250,000).

Fig.26

			Initial Budget	Actual situation at the end of the project
			Budget	Actual
Sources of funding for the action			Amount EUR	Percentage of total %
Applicant's financial contribution			11,823.75	2.50%
Partner 1's financial contribution			22,147.50	4.68%
ENPI contribution sought in this application			425,655.00	90.00%
Contribution(s) from other European Institutions or EU Member States				
Name	Conditions			
Contributions from other organisations:				
Name	Conditions			
Contribution from Regional Authority			11,823.75	2.50%
TOTAL CONTRIBUTIONS			471,450.00	99.68%
Direct revenue from the Action			1,500.00	
Registration fees for final conference			1,500.00	0.32%
OVERALL TOTAL			472,950.00	100.00%
Overall total expenditure			472,950.00	468,513.66
Surplus / Deficit				
Interest from Pre-financing				1,356.79

Total requested (arrow pointing to ENPI contribution)

Unforeseen interest. Not a revenue (arrow pointing to Interest from Pre-financing)

The amount of interest, not included with other revenue, will be deducted from the calculation of the final grant, as we can see in the following example (Figure 27):

Fig.27

A	Total eligible expenditure in budget	472,950.00	= A * 90% * 90% (90% of maximum EC contribution at a rate of 90%)
B	Total actual eligible expenditure	468,513.66	
C	Total amount of pre-financings	383,089.50	= B * 90% (EC contribution at a rate of 90% applied to total actual eligible expenditure)
D	ENPI contribution sought	421,662.22	
E	Interest from pre-financing	1,356.79	= D - C - E
F	Grant balance payment	37,216.00	

★ Direct revenue from the project

On top of the contributions identified in the Sources of Funding budget table (from Beneficiary, Partners, EU and other donors), the project may have direct revenue such as:

- Registration fees for a conference
- Renting of office space in an incubator to entrepreneurs
- Sale of software licenses for an application jointly developed by the project
- Sale of publications.

In general, these revenues are added to the sources of funding, provided there is **no profit**. The rule of non-profit is essential in the calculation of the final amount of grant. Let's see what is the legal basis (in the table below).

Source	Text
PraG section 6.2.9	• Grants may not have the purpose or effect of producing a profit for the beneficiary or its partners. • Profit is defined as a surplus of receipts over the costs incurred by the beneficiary and its partners when the request is made for the final payment
Grant contract General Conditions (Annex II) Article 17.3	The beneficiary accepts that the grant can under no circumstances result in profit for itself and it must be limited to the amount required to balance income and expenditure for the project

The JMA/JTS will check compliance with the non-profit rule when calculating the final balance of the grant after receipt of the last payment request from the Beneficiary. This verification:

- Relates to the actual project costs and actual receipts
- Takes into account all the project costs
- Includes revenue established (collected and entered into the accounts), generated or confirmed on the date when the request for payment of the balance is established

On the basis of this verification:

- Where there is a **deficit** of receipts on expenses and the project has not generated a profit, the **EC contribution is maintained**
- Where there is a **surplus** of receipts on expenses, the **EC grant has to be revised downwards** in order to reach a balance.

Let's see below an example of surplus (Figure 28).

Fig.28

		Initial Calculation		Corrected Calculation	
		Actual		Actual	
Sources of funding for the action		Amount EUR	Percentage of total %	Amount EUR	Percentage of total %
Applicant's financial contribution		12,000.00	4.51%	12,000.00	4.52%
Partner 1's financial contribution		3,500.00	1.31%	3,500.00	1.32%
ENPI contribution sought in this application		238,873.50	89.74%	238,115.00	89.71%
Contribution(s) from other European Institutions or EU Member States					
Name	Conditions				
Contributions from other organisations:					
Name	Conditions				
Contribution from Regional Authority		10,000.00	3.76%	10,000.00	3.77%
TOTAL CONTRIBUTIONS		264,373.50	99.32%	263,615.00	99.32%
Direct revenue from the Action		1,800.00		1,800.00	
Registration fees for final conference		1,800.00	0.68%	1,800.00	0.68%
OVERALL TOTAL		266,173.50	100.00%	265,415.00	100.00%
Overall total expenditure		265,415.00		265,415.00	
Surplus / Deficit		758.50		0.00	

Chapter 3. Procuring Services, Supplies and Works

So you have won a grant and are ready to start implementing your project but to do so you may need the services of experts, to produce information materials (services), to buy computer or other equipment (supplies) or in some cases, to commission construction work (works). That, is you may need to procure services, supplies and/or works.

There are specific rules and procedures that must be followed for procurement and some of the procedures include specified time periods. When developing your work plan of activities, ensure it includes a procurement plan with a timeline to avoid delays to the implementation of required activities.

WHICH RULES APPLY?

So which rules should you follow for procurement?

Article 23 of the ENPI CBC Implementing Rules states:

"The procedures and related standard documents and contract templates to be used shall be those included in the Practical Guide to contract procedures for EC external actions (PraG)³¹ with annexes in force at the time of the launching of procurement procedures or calls for proposals"

Although PraG provides a full set of procedures and templates, grant Beneficiaries and Partners can find the procurement rules applicable to them in **Annex IV of their grant contract**: *"Procurement by grant Beneficiaries in the context of European Community external actions"*.

Annex IV of the grant contract is applicable to the Beneficiary and all Partners, regardless of their legal status (public or private) or nationality (EU Member State or Partner Country).

What is in Annex IV of your grant contract? See the list below.

- | | |
|--|---|
| 1. General principles | 5. Rules applicable to supply contracts |
| 2. Eligibility for contracts (rules of nationality & origin) | 6. Rules applicable to work contracts |
| 3. Rules common to all tender procedures | 7. Use of negotiated procedure |
| 4. Rules applicable to service contracts | 8. Special cases |

Annex IV includes terminology which is defined in the main chapters of PraG, as we will see in the section below.

³¹ *Practical Guide to contract procedures for EC external actions*, http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

Are all sections of Annex IV applicable to everybody?

- Sections 1 and 2 are applicable to all Beneficiaries and Partners
- Sections 3 to 7 are **not** applicable to public bodies (contracting authorities) in EU Member States or to public entities in Russia (as outlined in Section 8: Special cases and in the Financing Agreement between the Russian Federation and the EU). These bodies should apply their own national rules, except when they contradict Article 2 (rule of nationality and origin) which has to be respected in all cases.

How should you understand Section 8: Special cases and what organisations are considered as a public body in an EU Member State?³²

Under Section 8: Special Cases, Contracting Authorities refers to State, regional or local authorities, bodies governed by public law, associations formed by one or several of such authorities or one or several of such bodies governed by public law.

A body governed by public law is a body:

- Established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character,
- having a legal personality, and
- is financed, for the most part, by the State, Regional or Local authorities, or other bodies governed by public law; or subject to management supervision by those bodies; or having an administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities, or other bodies governed by public law.

This does not mean that the Beneficiaries and Partners, other than public bodies in EU Member States, will have to use procedures described in chapter 3, 4 and 5 of PraG and its templates. Annex IV indicates that tender documents have to follow best international practice. Annex IV indicates that the Beneficiary or Partner **may** use PraG models when they do not have their own models.

In the case of public bodies in Partner Countries, they can use their own national procedures, provided they are not in contradiction with the principles and thresholds indicated in Annex IV.

³² According to Art. 1.9 of the public contracts directive: DIRECTIVE 2004/18/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts

What are the key factors to take into account in procurement?

See the list of 'Dos' and Don'ts' in the table below.

What to do	What NOT to do
Do identify the applicable rules to your organisation	Do not acquire services, supplies and works 'as usual'
Do plan all procurement at the beginning of the project	Do not assume that procurement can be done quickly
Do be aware of the thresholds for all subcontracting	Do not artificially split contracts to avoid the requirements e.g. by year or by category or by partner. Artificial splitting is not allowed and will make the total amount of all contracts ineligible (more information on artificial splitting is in section 3.6 below)
Do consult the JTS/JMA and/or your auditor in case of doubt or just to double check	Do not trust only your past experience even if you had similar grants in the past – rules change
Do revise your usual procedures to verify that they are compliant with Annex IV of your grant contract	Again do not do it 'as usual'
Do provide all information required, make sure the Terms of Reference are clear and include check-lists for tenderers	Do not assume that tenderers have enough experience to submit eligible bids



PROCUREMENT PROCEDURES

Which procurement procedures to apply and under which conditions are mentioned in Annex IV and more details may be found in section 2.4 of the main body of PraG. These procedures are:

- Open procedure
- Restricted procedure
- Negotiated procedure no publication (three offers)
- Negotiated procedure on the basis of a single tender.

These are described in the boxes below.

OPEN PROCEDURE

Calls for tenders (publicised internationally or locally) are open when all interested economic operators may submit a tender. Therefore:

- The call should be given maximum publicity
- Any natural or legal person wishing to tender receives the tender dossier upon request
- When the received tenders are examined, the contract is awarded by conducting:
 - A selection procedure (i.e. verification of the eligibility and of the financial, economic, technical and professional capacity of tenderers), and
 - a procurement procedure (comparison of tenders).
- No negotiation is allowed

RESTRICTED PROCEDURE

Calls for tenders are restricted when all interested economic operators may ask to take part (in response to a procurement notice) but only candidates satisfying the selection criteria may submit a tender. Therefore the contracting body:

- Uses a selection procedure to examines all responses to the procurement notice
- Draws up a short list of candidates based on their qualifications according to the selection criteria
- The contracting body invites the shortlisted candidates to submit a tender
- No change in the identity or the composition of the tenderer is permitted (there are some exceptions)
- The successful tenderer is chosen by a procurement procedure
- No negotiation is allowed



NEGOTIATED PROCEDURE WITHOUT PUBLICATION (THREE OFFERS)

The contracting body chooses at least three candidates with competence in the relevant field, invites them to submit tenders and negotiates the terms of the contract with one or more of them.

NEGOTIATED PROCEDURE ON THE BASIS OF A SINGLE TENDER

The contracting body may **exceptionally** use a negotiated procedure on the basis of a single tender when:

- There is extreme urgency which is in no way attributable to the Beneficiary or Partner
- The contract extends activities already under way because of unforeseen circumstances
- The tender procedure has been unsuccessful
- For technical reasons, the contract can be awarded only to a particular provider

(see full list in section 7 of Annex IV of your grant contract)

As procurement is a crucial element in any project, it is important to ensure it is conducted correctly so the expenditure is eligible and also to avoid giving grounds for complaint by tenderers and therefore delays associated with the possible cancellation and re-launch of the procedure. Anticipation is the key. What could go wrong and key preventative measures are given in the table below.

What could go wrong	Key preventative measures
The procurement process is not transparent	• Ensure that the tender documents are clear • Establish clear selection and award criteria beforehand and ensure that they are known by the relevant stakeholders • Ensure that the entire procurement process is clearly documented and keep minutes of all evaluation sessions
The procurement process does not obey the principles of non-discrimination and equal treatment	• Ensure that the bidding process is as open as possible and is accessible to all potential suppliers and that tender specifications are not restrictive to avoid competition • Dispatch invitations or publish notices early enough to give sufficient time to respond • Ensure the same information is given to all participants at the same time • Ensure that all offers are open at the same time in a 'controlled environment'
The evaluation process is not objective or impartial	• Make sure that none of the evaluators has a conflict of interest • Ensure that the selection and award criteria are correctly applied • Ensure that the offers are evaluated only after the date set for their submission
The wrong procedure is used	Check that the procedure is correct according to the applicable rules before it is launched. In case of doubt, consult with your programme JTS/JMA.

GENERAL PRINCIPLES AND COMMON RULES IN ANNEX IV

The **general principles** applicable to all Beneficiaries and Partners are described in section 1 of Annex IV to your grant contract. They are linked to the principles of sound financial management described in 4.1 below.

Contracts must be awarded:

- To the **most economically advantageous** tender i.e. to the tender offering the best price-quality ratio, and
- in accordance with the principles of **transparency and fair competition** for potential contractors, taking care to avoid any conflicts of interest even below the thresholds for direct award³³.

To this end, the Beneficiary and Partners must comply with the rules set out in sections 2-7 of Annex IV with the exceptions explained above.

In the event of a **failure** to comply with the rules referred to above, **the expenditure is not eligible**. The compliance with the rules will be verified by the auditor carrying out the expenditure verification needed for the payment requests. It may also be verified by JMA, EC and other authorized bodies, as explained below in section 5.3 *Expenditure Verification*.

The **common rules applicable to all tender procedures** are described in section 3 of Annex IV (and therefore not applicable to public bodies in EU Member States):

- The tender documents must be drafted in accordance with **best international practice**. The Beneficiary and Partners **may** use the models relating to external actions published on the EC website, namely PraG Chapters 3 (Services), 4 (Supplies) and 5 (Works) and related annexes (note, this is not compulsory). In case of doubt, you could compare your procedures to the EC best practice as described in these chapters and annexes and adapt as needed.
- The **time-frames** for receipt of tenders and requests to participate must be long enough to allow interested parties a reasonable and appropriate period to prepare and submit their tenders (e.g. in PraG: 60 days for Supplies and 90 days for Works for international tenders, 30 for Supplies and 60 for Works for local tenders).
- All requests to participate, and tenders which are declared as satisfying requirements, must be **evaluated and ranked by an evaluation committee** on the basis of exclusion, selection and award criteria announced in advance.
- This **committee** must have an **odd number of members**, and at least three members, with all the technical and administrative capacity necessary to give an informed opinion on the tenders.

³³ That is ≤ €10,000 as described below in *Thresholds and procedures for procuring services, supplies and works*.

RULE OF NATIONALITY

Both the ENPI Regulation (Article 21) and Annex IV (section 2) of the grant contract oblige all Beneficiaries and Partners to respect the rule of nationality (described below).

ENPI REGULATION ARTICLE 21

Participation in the award of procurement contracts financed under this Regulation shall be open to all natural persons who are national of, and legal persons established in, a Member State, a country that is a beneficiary of this Regulation, a country that is beneficiary of an Instrument for Pre-Accession (IPA) or a member State of European Economic Area (EEA). It will also be open to International Organisations.

The rule is applicable for Beneficiaries and Partners in EU Member States even if it is in contradiction with national procurement rules, as these rules derive from the EC Public Contracts Directive which is lower in the legal hierarchy than the ENPI Regulation.

Regardless of the eligible area of the programme, all natural persons (such as experts, interpreters, etc.) and legal persons (service providers and suppliers, etc.) from the countries listed in the ENPI Regulation can participate in a tender and sign a contract with a Beneficiary or Partner.

The countries listed in the ENPI Regulation are given in the table below.

'Rule of nationality' countries listed in the ENPI Regulation	
EU Member States	Portugal, Spain, France, Italy, Malta, Greece, Cyprus, Bulgaria, Romania, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Austria, Germany, Lithuania, Latvia, Estonia, Finland, Sweden, Denmark, The Netherlands, Belgium, Luxemburg, United Kingdom and Ireland
ENPI Partner Countries	Russia, Belarus, Ukraine, Moldova, Georgia, Armenia, Azerbaijan, Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Occupied Palestinian Territories, Syria and Tunisia
IPA Countries	Croatia, Turkey, Albania, Bosnia, Montenegro, Serbia, Kosovo and FYROM
EEA	Norway, Iceland and Liechtenstein

The fact that some of these countries do not participate in the ENPI CBC Programmes does not affect their eligibility for procurement procedures.

Those submitting tenders must state in the tender which country they are nationals of and present the usual proof of nationality under their national legislation.

The same rule however, does not apply to experts proposed by service providers taking part in tender procedures or service contracts financed under the grant. For example, a Beneficiary or Partner can sign a service contract with a Dutch company which includes a Japanese expert in the team of experts providing the services.

EXCEPTIONS TO THE RULE

In duly substantiated exceptional cases, the JMA may allow the participation of nationals from countries other than those previously referred to (e.g. when the expert is the only one available with the required expertise). In this case, ensure you have written confirmation of the derogation to the rule before launching the procurement procedure.



RULE OF ORIGIN

Both the ENPI Regulation (Article 21) and Annex IV (Section 2.2) of the grant contract oblige all Beneficiaries and Partners to respect the rule of origin when procuring supplies, regardless of the amount of equipment purchased.

ENPI REGULATION ARTICLE 21

All supplies and materials purchased under contracts financed under this Regulation shall originate in the community or a country eligible under this article.

The rule is also applicable to Beneficiaries and Partners in EU Member States even if it is in contradiction with national procurement rules, also because as they derive from the EC Public Contracts Directive which, as described above, is lower in the legal hierarchy than the ENPI Regulation.

Regardless of the eligible area of the programme, all supplies purchased (such as equipment, furniture and material etc.) shall originate in the same list of countries as for the nationality rule (listed again below).

'Rule of origin' countries listed in the ENPI Regulation	
EU Member States	Portugal, Spain, France, Italy, Malta, Greece, Cyprus, Bulgaria, Romania, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Austria, Germany, Lithuania, Latvia, Estonia, Finland, Sweden, Denmark, The Netherlands, Belgium, Luxemburg, United Kingdom and Ireland
ENPI Partner Countries	Russia, Belarus, Ukraine, Moldova, Georgia, Armenia, Azerbaijan, Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Occupied Palestinian Territories, Syria and Tunisia
IPA Countries	Croatia, Turkey, Albania, Bosnia, Montenegro, Serbia, Kosovo and FYROM
EEA	Norway, Iceland and Liechtenstein

SO, WHAT IS MEANT BY THE TERM 'ORIGIN'

For the purpose of Annex IV, the term 'origin' is defined by Council Regulation³⁴ as the economic nationality of goods in international trade:

- Goods originating in a country shall be those wholly obtained or produced in that country (Article 23)
- Goods whose production involved more than one country shall be deemed to originate in the country where they underwent their last, substantial, economically justified processing or working in an undertaking equipped for that purpose and resulting in the manufacture of a new product or representing an important stage of manufacture (Article 24)

Supplies and materials affected by the rule of origin:

- Include the materials to be used in construction
- Do not include the Contractor's own equipment (machines, tools, etc.) to be used during construction.

³⁴ COUNCIL REGULATION (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code and other Community legislation governing non-preferential origin

For equipment and vehicles with a unit cost on purchase of more than €5,000, the contractors providing the supplies must present **proof of origin** no later than when they present their first invoice. The certificate of origin must be made out by the competent authorities in the country of origin for the supplies (e.g. Chamber of Commerce, Government Ministry etc.). Remember to request this certificate from your supplier and clearly insert it as a requirement in the tender dossier.

For supplies with a unit cost on purchase of less than €5,000, a statement from your supplier specifying the **origin** of the equipment is enough. Still, remember that the rule of origin applies to all supplies so in the absence of this statement, the cost of the supplies may be considered ineligible. Note, the origin is also often inscribed on the equipment itself (e.g. 'made in' or 'assembled in').

Both the ENPI Regulation (Article 21.7) and Annex IV (section 2.3) allow for derogations in duly substantiated exceptional cases as described in the box below.

EXCEPTIONS TO THE RULE OF ORIGIN

Exceptions may be justified in certain circumstances:

- **Unavailability** of the products in the markets of the countries concerned
- For reasons of extreme urgency
- If the rule were to make the realisation of a project, a programme or an action impossible or exceedingly difficult.

The exception is **not** applicable just because a product that does not meet the rule of origin is cheaper than one that does.

The exception is only applicable when the derogation has the **prior approval** of the JMA.

Important last remarks:

- All Beneficiaries and Partners, whatever their status (public, private) or nationality (EU or Partner Country) must respect the rule of origin of supplies or the cost will be ineligible. **This applies even if the equipment is bought with your own resources as part of co-financing!**
- You only need to produce an official certificate of origin for supplies above €5,000 per unit so for instance, if you buy five computers of €1050 each, your supplier does not need to provide an official certificate. In this case you should ask the supplier to state in writing the origin of supplies as this is a formal requirement under Annex IV Article 2.2 to make the cost eligible. The same statement should be requested from construction companies regarding the materials used for works paid by the project.
- Do not take the risk of purchasing equipment not respecting the rule. Usually the origin is written on the equipment itself ('made in') and you would face recovery of the cost in case of on-the-spot checks or audits! If you cannot find the equipment or supplies you need originating in the eligible countries, ask your JMA what you need to do to request derogation to the rule (as described in the box above). For example, for derogation, it may be considered sufficient that you asked at least three main suppliers for equipment originating in the eligible countries and received three (written) negative answers. However, whatever the justification for the derogation, do not purchase the equipment before the derogation is approved by the JMA!

SPECIFICS FOR PROCURING SERVICES, SUPPLIES AND WORKS: MIXED CONTRACTS

★ Types of contracts

Three types of contracts are mentioned in Annex IV of your grant contract, each with specific procurement procedures to be carried out by the Beneficiary or Partner (as relevant). These are described in PraG as follows:

- **Service contracts concluded with a service provider** could include:³⁵
 - *Study contracts* such as feasibility studies, economic and market studies, technical studies, evaluations and audits.
Study contracts generally specify an outcome, i.e. the contractor must provide a given product. The technical and operational means by which it achieves the specified outcome are irrelevant. These are therefore lump-sum (global-price) contracts and the contractor will be paid only if the specified outcome is achieved.
 - *Technical assistance contracts* for example, when an expert is needed in an advisory role or to provide the experts specified in the grant contract.
Technical assistance contracts are fee-based. Technical assistance contracts often only specify the means i.e. the contractor is responsible for performing the tasks entrusted to it in the Terms of Reference and ensuring the quality of the services provided. The budget consist of fees (daily fee rate for the days experts work under the contract) and incidental expenditure which covers all actual expenses incurred by the expert which are not included in the fees (travel costs, etc.).
- **Supply contracts concluded with a supplier**³⁶ cover the purchase, leasing, rental or hire purchase, with or without the option to buy, of products (equipment, material, etc.). Supply contracts include incidentally, the transport to site and installation of the supplies bought.
- **Works contract concluded with a construction or engineering company.**³⁷ Works contracts cover either the execution, or both the execution and the design, of works or the realization by whatever means of a work. A 'work' is the outcome of building or civil engineering works taken as a whole that is sufficient of itself to fulfil an economic or technical function e.g. infrastructure for a border crossing point.

Can the contract be a hybrid (mix) of the types of contracts?³⁸

Usually contracts are split according to the types defined above. When necessary, some contracts may cover two or more components, works, supplies and services.

³⁵ See PraG 3.1

³⁶ See PraG 4.1

³⁷ See PraG 5.1

³⁸ See PraG 2.4.9

In this case the Beneficiary or partner must determine **the procurement procedure to be used depending on which of the components prevails**. This assessment is to be made on the basis of:

- the value, and
- the strategic importance of each component relative to the contract as a whole.

Make sure that the procurement cannot be considered as artificially mixed to circumvent procurement thresholds as described in the table below! For example, if you apply the procedures for works when there are also large amounts of equipment or services. If you have any doubts, check with your JMA/JTS and get written confirmation that your choice of procedure is OK.

★ Thresholds and procedures for procuring services, supplies and works

Annex IV of your grant contract provides different thresholds for procurement procedures, depending on the type of contract. The thresholds for Services are found in Section 4, Supplies in Section 5 and Works in Section 6. Check 3.2 above to clarify the different kinds of procurement procedures.

The thresholds are given in the table below.

SERVICES	≥ €200,000 International restricted tender procedure	< €200,000 but > €10,000 Negotiated procedure without publication (three offers)		≤ €10,000 Single tender (direct award)
SUPPLIES	≥ €150,000 International open tender procedure	< €150,000 but ≥ €60,000 Local open tender procedure	< €60,000 but > €10,000 Negotiated procedure without publication (three offers)	
WORKS	≥ €5,000,000 International open tender procedure	< €5,000,000 but ≥ €300,000 Local open tender procedure	< €300,000 but > €10,000 Negotiated procedure without publication (three offers)	

Annex IV sets the compulsory scope for sub-contracting but it does not provide detailed procedures or templates for tender documents. Therefore for what is **not** described in Annex IV, **Beneficiary and Partners may use**:

- **Either their own procedures**, as long as these are compliant with the rules in Annex IV in particular, 'best international practice' (see section 3.3 for general principles)
- **Either PraG Chapters 3 (Services), 4 (Supplies) or 5 (Works)**, and related annexes, which describe detailed procedures for the whole procurement process and may also provide useful templates.

What do you include in the tender and how do you calculate the contract value?

The thresholds given in the table above are based on the maximum budget for the contract in question (including any co-financing). Where contracts are subdivided in lots, the value of each lot shall be taken into account when calculating the overall threshold.

From the project start you need to consider the value of **services, supplies and works needed for the duration of the whole project** and how many procurement procedures you will need to conduct.

A budget line is not in itself a sufficient ground for splitting contracts! For instance, in your budget under the title 'equipment' you may have listed under separate lines 'computers' and 'printers' as they had different unit prices, but when you organise the tender they should be in the same contract - all office equipment should normally be supplied under one contract.

Contracts can only be split when fully justified by the different categories of service/supply/work requested, or when their delivery must occur at different time in the project. For instance in an environmental project you may organise separate procurements under supplies for e.g. office equipment and waste water treatment equipment.

If necessary you may also split procurements between partners although it should be agreed with the JMA and justified by the fact that carrying out a single procurement would be excessively complex for project implementation.

Remember

- **Never artificially split the procurements**, as **the whole amount of the split contracts will become ineligible!** Check with the JMA before launching a procurement procedure if you have any doubt about what should be included in each procurement and get written confirmation. Inappropriate splitting of contracts is a common reason for the need to recover funds!
- **National thresholds** also have to be applied when national procurement rules are compulsory for the Beneficiary or Partner. In case of a contradiction between Annex IV of your grant contract and national thresholds, use the lower one! Remember that the thresholds described in sections 3 to 7 of Annex IV, are not applicable to public bodies in EU Member States or to public entities in the Russian Federation.

Chapter 4. Managing Activities and Achieving Results

THE PRINCIPLES OF SOUND FINANCIAL MANAGEMENT

★ Definition and legal requirements

Article 14 of your grant contract General Conditions indicates that eligible costs “must be reasonable, justified and comply with the requirements of **sound financial management**, in particular economy and efficiency”. So, what does this mean? For this, we need to look to the EC Financial Regulation.

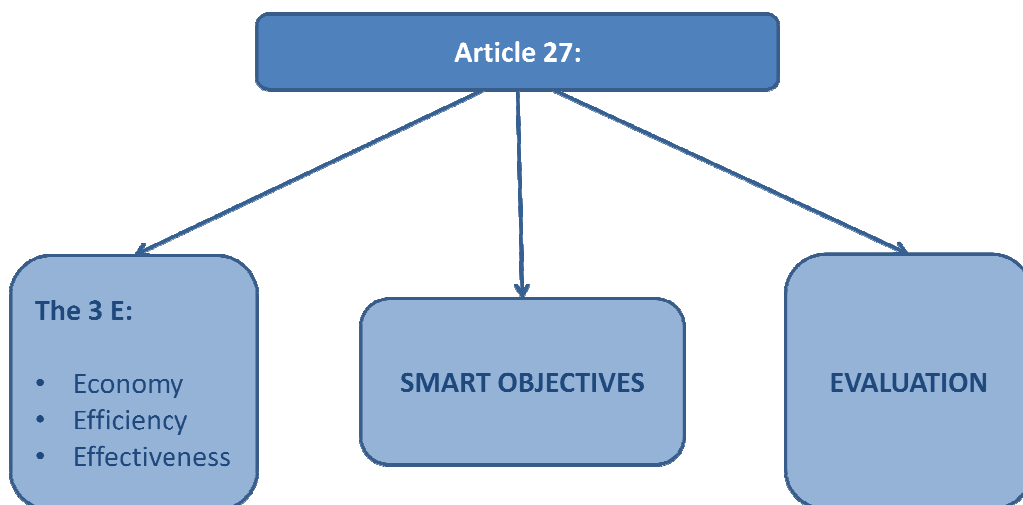
LEGAL REQUIREMENTS

Article 27 of the **Financial Regulation** is devoted to the **principle of sound financial management** and states:

“Budget appropriations shall be used in accordance with the principle of sound financial management, namely in accordance with the principles of economy, efficiency and effectiveness.”

The content of the article has three aspects which affect the project implementation. These are illustrated in Figure 29 to the right and described below.

Fig.29



The 3 E: Definition of the principles

The **legal definitions**³⁹ of the three principles are:

- The principle of **economy** requires that the resources used by the institution for the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price.

³⁹ Financial Regulation Article 27.2

- The principle of **efficiency** is concerned with the best relationship between resources employed and results achieved.
- The principle of **effectiveness** is concerned with attaining the specific objectives set and achieving the intended results.

Tips to ensure compliance with the principles

- **Economy:** Plan the procurement of works, supplies and services, as well as the recruitment of staff. Use adequate procurement procedures, regardless of the amount, and take into account not only the legality, but also the definition, of award criteria in accordance with this principle.
- **Efficiency:** Link your accounting to the activities and results. Be able to specify the amount of resources devoted to each activity and output.
- **Effectiveness:** Use your logical framework as a follow-up tool for the achievement of the results and their contribution to the objectives. Monitor and evaluate the project on an on-going basis, either internally or externally.

★ SMART Objectives

The Financial Regulation also specifies that “Specific, Measurable, Achievable, Relevant and Timed (SMART) objectives shall be set. The achievement of those objectives shall be monitored by performance indicators”.⁴⁰

In section 2 above, we **recommended** that you review your logical framework once the project is approved. This review should include the verification of the ‘SMART character’ of the objectives and the adequacy of the verification indicators. The monitoring of the indicators and the evaluation of the achievement of the objectives are essential parts of project implementation, as explained above (see in particular 2.7 on the monitoring system).

★ Evaluation

Finally, Article 27 of the Financial Regulation also indicates that institutions shall conduct evaluations, in line with guidance provided by EC, in order to improve decision-making.⁴¹ All ENPI-CBC projects above €1m are subject to monitoring by the EU Results Oriented Monitoring (ROM) project. The JMA also may carry out their own evaluation.

Therefore, take into account that the sound financial management of the project, i.e. the good use of the public money from the grant, is not going to be checked through controls and audits, but through the monitoring and evaluation of the achievement of the project objectives following the 3E principles.

⁴⁰ Financial Regulation Article 27.3

⁴¹ Financial Regulation Article 27.4

REVIEW OF PROJECT ACTIVITIES AND THE BUDGET: MODIFICATIONS AND WHEN THE CONTRACT SHOULD BE AMENDED

Article 9 of your grant contract General Conditions describes the conditions for the revision of the project activities and budget and defines when an **amendment to your contract** is needed.

AMENDMENTS TO THE GRANT CONTRACT

Article 9.1 of your grant contract General Conditions indicates that “**Any amendment** to the Contract, including the annexes thereto, **must be set out** in writing in an **addendum**. This Contract can be modified only during its execution period.

If an amendment is requested by the Beneficiary, it must submit that request to the JMA thirty days before the date on which the amendment should enter into force, unless there are special circumstances duly substantiated by the Beneficiary and accepted by the JMA.”

However, Article 9.2 gives the option of **minor amendments without an addendum**. Let's find out more.

Minor modifications in activities are changes in the description of the action which do not affect the basic purpose of the project and which have a limited financial impact.

Minor modifications in the budget are the:

- **Transfer of funds between items within the same main budget heading** including the cancellation or introduction of an item (e.g. transfer of funds from ‘conferences’ to ‘publications’ under Budget Heading 5. Other costs, Services);
- **Transfer between main budget headings** (e.g. between ‘2. Travel’ and ‘3. Equipment and supplies’) **involving a variation of 15% or less** of the amount originally entered (or as modified in an addendum) in relation to the relevant budget headings for eligible costs.

In case of minor amendments, the Beneficiary may amend the activities and the budget and **inform** the JMA/JTS **in writing without delay**. This method may **not** be used to amend the amounts under the headings for administrative costs or contingency reserve. Thus, there is **no need for prior authorisation** by JMA/JTS, but it is safer to inform the JMA/JTS before initiating the expenditure, as they **may require further clarifications and/or object to the amendment**. **The JMA/JTS may object to an amendment if:**

- There is an error in the calculation. For example, the 15% variation has not been calculated on the approved budget, but on a previous minor amendment.
- The change may affect the purpose of the project.

Let's see an example involving the following two Budget Headings 1: Human Resources and 2: Travel. Let's say a project has an approved budget as shown in Figure 30 below.

Fig.30

Annex III. Approved budget		All Years (24 months)		
Costs	Unit	# of units	Unit rate (in EUR)	Costs (in EUR) ³
1. Human Resources				
1.1 Salaries (gross salaries including social security charges and other related costs, local staff)				
1.1.1 Technical	Per month	60.00	2,500.00	150,000.00
1.1.2 Administrative/ support staff	Per month	18.00	1,800.00	32,400.00
1.3 Per diems for missions/travel				
1.3.1 Abroad (staff assigned to the Action)	Per diem	28.00	200.00	5,600.00
1.3.3 Seminar/conference participants	Per diem	6.00	200.00	1,200.00
Subtotal Human Resources				188,000.00
2. Travel				
2.1. International travel	Per travel	24.00	300.00	7,200.00
Subtotal Travel				7,200.00

Changes between lines, new lines and removal

5% up to €28,140

5% up to €1,080

The JMA organises an unforeseen training seminar for Beneficiaries in a location close to its headquarters and funds are needed to cover travel and accommodation. The Beneficiary makes the changes outlined below and informs JMA in writing (see Figure 31).

Fig.31

Annex III. Amended budget		All Years (24 months)		
Costs	Unit	# of units	Unit rate (in EUR)	Costs (in EUR) ³
1. Human Resources				
1.1 Salaries (gross salaries including social security charges and other related costs, local staff)				
1.1.1 Technical	Per month	60.00	2,500.00	150,000.00
1.1.2 Administrative/ support staff	Per month	18.00	1,800.00	32,400.00
1.3 Per diems for missions/travel				
1.3.1 Abroad (staff assigned to the Action)	Per diem	20.00	200.00	4,000.00
1.3.2. Local (staff assigned to the Action)	per diem	2.00	100.00	200.00
1.3.3 Seminar/conference participants	Per diem	6.00	200.00	1,200.00
Subtotal Human Resources				186,400.00
2. Travel				
2.1. International travel	Per travel	24.00	282.75	6,930.00
2.2. Local transportation	Per travel	1.00		70.00
Subtotal Travel				7,000.00

New lines within headings

Changes in estimated unit rate

The Beneficiary included one line under 'Travel' to cover the cost of train tickets to the seminar for two people, together with the corresponding per diems under 'Human Resources'. As the total project budget cannot be increased, the estimated unit cost for international travel was reduced from €300.00 to €288.75. The variation of €200 between budget lines was obviously below the threshold of 15%.

Important remark on the 15% threshold

Please note that the 15% variation threshold is the **maximum in relation to each relevant heading**, so that the smaller amount of the two budget headings should always be taken into account (not the average!). For the example above, the maximum amount that could be transferred from both 'Travel' to 'Human resources' or from 'Human resources' to 'Travel' would be €1,080. When you need to transfer money from one budget heading to another, carefully consider what is the maximum variation allowed for each budget line so that it can still be treated as a minor change.

The following changes to the grant contract are **not** considered **an amendment**:

- Changes to your organisation's address
- Changed bank account details
- Nomination, or changes in the nomination, of the auditor

These changes simply need to be notified to the JMA, although this does not stop the JMA from opposing the Beneficiary's choice of bank account or auditor. Moreover, JMA reserves the right to require that the auditor be replaced if considerations which were unknown when the grant contract was signed cast doubt on the auditor's independence or professional standards.

Final Considerations

- Any changes that are not minor require an amendment to the grant contract (an addendum) but **an addendum cannot have the purpose or the effect of making changes in the grant contract that would call into question the grant award decision or be contrary to the equal treatment of all applicants in the relevant call**
- Read Article 9 of your grant contract General Conditions to see which changes are considered minor and check if any modified provisions have been inserted in Article 7 of your grant contract Special Conditions
- Inform the JMA/JTS immediately of any minor change. Remember that the JMA/JTS may request clarifications and even oppose the changes if they consider that they are not minor so be cautious before generating unforeseen expenditures

COMMUNICATING ACTIVITIES AND RESULTS

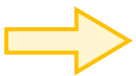
Communicating your project's achievements and results should be a priority for your project. Not only you, and your partners and their direct target groups need to know about your project, its objectives and its achievements, the wider public also needs to be informed. Therefore **communicating your activities and results is important**. Show everybody what are the **benefits** of your project in regard to **regional, social and economic development**.

Communication is also important to ensure **transparency** in how EU money is being spent. It furthermore gives **visibility to the EU support** in the ENPI CBC regions. Please note that the EU has strict rules and requirements on visibility and communication.

WHAT TO KEEP IN MIND WHEN COMMUNICATING:

- Make sure you reach all the different stakeholders
- Develop tailor made messages i.e. at the political level, for the media, and for different stakeholders
- Do not only inform but communicate (two way communication)
- Involve your partners in all communication activities

If you have not already developed a communication plan for your project, make sure you develop a detailed communication plan together with your partners. Remember that this is a legal obligation. When your project has a communication plan, appoint a communication coordinator who is responsible for the implementation of the communication plan and who makes sure that all communication activities adhere to the EU communication and visibility requirements as outlined in their manual for external actions⁴². Also check your programme specific visibility requirements and guidelines for communication (if available).



A step by step guide on how to develop a communication plan can be found on page 7 of the EU Communication and Visibility Manual.

⁴² Communication and Visibility Manual for European Union External Actions 2010
http://ec.europa.eu/europeaid/work/visibility/index_en.htm

★ How to communicate? Which media is best?

Innovative media and social media tools such as Facebook and Twitter are becoming more and more important. When you communicate use a good mix of **traditional and innovative media**. Include media such as local and regional media (newspapers, radio and television), internet, open days and public events, leaflets and brochures and also social media. Be creative but keep your budget limitations in mind. Therefore select the most effective channels. Do not forget you can create **free publicity** through traditional and the social media. Keep journalists regularly informed, provide them with tailored information and media releases and invite them to your activities.

Consider the cultures and values of your target groups when you select your means of communication. Youth for example are very familiar with web based channels whereas local and regional officials may be best reached via specific internal publications.

★ Who to Target?

Decide at the beginning of your project **which are the most important target groups**.

Remember that each target group is more receptive to some media and messages than others. Target groups should be addressed specifically and using information and promotional tools specific for them. Consider what information each group needs most and how you can deliver this information so it is effective?

TARGET GROUPS SHOULD ALWAYS INCLUDE:

- EC related actors
- Final beneficiaries
- Decision makers
- National, regional and local authorities
- The general public
- The media

Suggested information and promotional tools are given in the table below.

Information tools for external communication:	Promotional tools:
• Project web-site: The information source for all stakeholders • Project publications, manuals, booklets • Seminars, workshops, conferences, open days and public events • Social media	• Posters, leaflets, stickers, pens, USB sticks etc. • Project sheets • Press releases /press conferences • Newsletters

VISIBILITY REQUIREMENTS

Raising the awareness of general audiences on actions financed by the EU in ENPI CBC countries is important to the EU. In order to ensure that all projects incorporate information and communication activities to **raise awareness on the reason for the projects** as well as on the **results and the impact of the support in the region**, a special manual has been designed (see 4.3 above). The manual also serves to ensure that projects know the legal requirements they should respect. These are outlined in the table below.

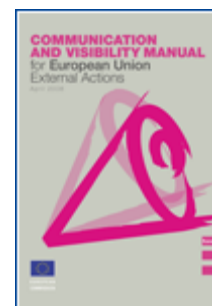
LEGAL REQUIREMENTS

The visibility requirements are indicated in **Article 6 of your grant contract General Conditions (and possibly adapted in Article 7 of your grant contract Special Conditions)**. These are:

- Take all necessary steps to **publicise EU funding**
- **Comply** with the requirements of the Communication and **visibility manual** for EU external actions. In particular, any **supplies or equipment** delivered should be clearly identified, they should prominently feature the EU flag and mention "Provided with the support of the EU" in the operational language of the EU programme and in the local language⁴³.
- Prepare a **communication plan** and submit it for approval
- **Mention** the project name and **EU funding** in any information to stakeholders or media, as well as in any internal or external reports
- **Display the EU logo** where appropriate
- Any notice or publication, including conferences, seminars and websites, must include the following **statement**: *"This document has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of < Beneficiary or partner name> and can under no circumstances be regarded as reflecting the position of the European Union"*
- **The Joint Managing Authority and the European Commission are authorised to publish** the name of the Beneficiary and Partners, their address, nationality, the purpose of the grant, duration and location as well as the maximum amount of the grant and co-financing rate

The **communication and visibility manual for European Union external actions** covers the written and **visual identity of the EU**. It sets out **requirements** and **guidelines** for briefings, written material, press conferences, presentations, invitations, signs, commemorative plaques and all other tools used to **highlight the EU contribution**.

This manual also offers advice and tools designed to enable the development of a dynamic communication strategy that will highlight the achievements of the EU support.



⁴³ See Communication and visibility manual for European Union external actions Section 4.2.9

The manual can be downloaded from the EU website as indicated above and at the address given below⁴⁴. On the same website you can also download the EU flag which should always be used in coordination with your project logo and acknowledgement of other funders as required.



*The standard wording for the funding credit to be included with the EU Flag is:
"This project is funded by the European Union".
Check also your specific programme visibility requirements*

⁴⁴ http://ec.europa.eu/europeaid/work/visibility/index_en.htm



ENSURING PROJECT SUSTAINABILITY

One of the key issues related to sustainability in many projects is the timing of the discussion on ensuring sustainability. Often project partners start to discuss sustainability late in the project implementation phase. On the other hand, sustainability should not be just an issue discussed during the application process and then forgotten. It is important to keep these ideas in mind in the implementation phase, even if they do not constitute specific activities in your project plan. Experience shows us that demonstrating the capacity to safeguard the sustainability of previous projects might be considered a good argument in future applications.

Usually, completing the Application Form for funding already required some thinking about sustainability e.g. in relation to follow-up activities and ownership of results by target groups, and points allocated in evaluation grids. Application forms (and evaluation grids) often distinguish between different types of sustainability:

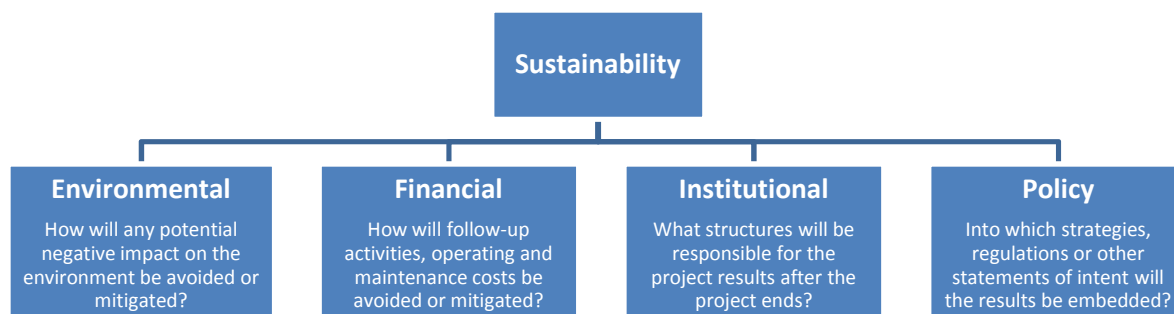


Fig.32

The key question is how to ensure sustainability

The best way of ensuring these various aspects of sustainability is to discuss the following questions among the project partners and come to an agreement, before the project starts, on tasks and responsibilities in relation to them particularly for the period after the end of the project implementation.

The questions to ask for different kinds of projects are given in the boxes below.

For institutional projects (e.g. building or strengthening cooperation structures)

- What will be the legal status of the structures to be established?
- When these structures are not independent entities, into which existing organisation/s will they be incorporated? How will this be done and when?
- How will the new structure/s be resourced after the end of the project? What will its annual budget be? Where will the budget come from? How will the structure be staffed (how many people)?

For training projects

- Who will own the intellectual property developed under training programme?
- How will the continued availability of trainers be guaranteed (e.g. the organisation of regular training-of-trainers sessions)?
- What are the possibilities of incorporating the training programme into existing curricula? If this is possible, who will take responsibility for this and how will these existing curricula be selected?
- Who will keep the training materials up to date?
- How will feedback from using the new knowledge and/or skills acquired be used to update, correct and adjust the training materials?

For investment projects (equipment, works)

- What is the technical and economic lifetime of the equipment and/or works? Are there any legal conditions for the period during which equipment and/or works funded with public money need to be kept operational? Are there any fixed rules for depreciation?
- What kind of waste will be generated by constructing or installing and operating project outputs and how can the negative effects of those activities on the environment be minimised?
- Who will acquire ownership?
- What will be the physical location for equipment to be installed? Who will be responsible for keeping this physical location suitable for the equipment to function properly?
- Who will be responsible for maintenance (ordering, carrying out)? What will be the annual maintenance costs after the project ends? What is the worst case scenario in terms of damage to the equipment and/or works, who will be responsible for repairs and where will the budget to pay for them come from?
- What will be the annual running costs related to using the equipment?
- Who will be responsible for replacement at the end of the legal, technical or economic lifetime? Where will the funding come from?

In addition to the points listed above, it is worth thinking about and discussing ways of disseminating the results of your project as much as possible. Transferring lessons learned and raising awareness about the achievements of your project is a way of creating sustainability beyond the partnership. In this context, the term 'capitalisation' is sometimes used. The following box explains what this term means.

Capitalisation

Capitalisation is defined as the process of collecting, analysing and transferring good practices in a certain policy area with the objective of optimising the objectives achieved, e.g. in the specific policy domain of cross-border cooperation on the EU's external borders. In particular, one of the expected results of these activities is the transfer of the good practices identified to other cross-border cooperation projects or programmes.

Such capitalisation activities might lead to a strong demonstration effect which might multiply the results achieved which is an important aspect of sustainability.

Chapter 5. Reporting and Payment Requests

NARRATIVE REPORTING

The timetable, format and requirements for reporting by projects to the JMA are based on PraG but have been adapted by most ENPI CBC programmes. Details of narrative reporting obligations are described in [Article 4 of your grant contract Special Conditions](#) complemented by [Articles 2 and 15 of your grant contract General Conditions](#) (which may be modified by [Article 7 of your grant contract Special Conditions](#)). The template for reporting is provided in [Annex VI](#) of your grant contract.

Notwithstanding specific programme adaptations, reporting is always:

- **A contractual obligation designed to:**
 - Inform the JMA on progress in project implementation, and/or
 - request further pre-financing or the payment of the balance. Well-prepared and timely reporting will facilitate receiving the expected payments on time.
- **A monitoring tool**
 - Good monitoring depends on having reliable, relevant and timely information about the activities, outputs and outcomes of your project. Do not consider regular reporting from all partners only as an administrative obligation, it is also a real opportunity to check and measure overall project progress.
- **A communication tool**
 - A jointly agreed report allows all partners to be fully aware of each others activities and of the joint project results, and to communicate externally with one voice.

Remember

- **Reporting should cover the whole of the project, not only the part financed by the grant!**
- *The Beneficiary is responsible for the submission of reports, but all partners must give input to project reporting.*

★ Good practice in narrative reporting

From the start of the project the Beneficiary and Partners should clearly agree reporting guidelines including the following:

- **Reporting obligations and the role of each partner in reporting**
- **Frequency and deadlines for reporting** (for each event, each procurement, each month, etc.). Remember that the narrative reporting is a compulsory requirement to support your payment requests. Build it up progressively and update it regularly so that it can be produced rapidly when the threshold for further pre-financing is reached (see Section 5.2 below on financial reporting for further details on the calculation



of the threshold). Do not wait until you need further pre-financing to start preparing the report, or it is likely you will experience delays!

- **The reporting form to be used by partners** so that their reporting can be easily consolidated into the overall project report (e.g. when contributing to logical framework indicators, etc.). Agree also on the language in which to submit reporting, and who will provide translation if needed. The Beneficiary is solely responsible for the report content and should therefore make sure the information provided by the partners is clear and unambiguous (request clarifications if this is not the case, rather than inserting incorrect information).
- **Retention and collection of documents.** The originals of documents should normally be kept by each Partner, with copies of relevant documents given to the Beneficiary. Some documents may nonetheless need to be sent as originals to the Beneficiary to attach to the report as requested (e.g. transfer of ownership forms, a copy of publications, etc.). Consider also setting up a web-based document repository shared by all partners to allow easy access by the Beneficiary if further clarifications are requested by the JMA.
- **Use of the joint project report.** The Beneficiary should forward to all partners a copy of the report sent to the JMA, to ensure project ownership by all partners, transparency within the project and to communicate externally with one voice. The Beneficiary or some of the Partners may have objections to the joint report being published on the JMA or EC websites (as is usually provided under Annex VI to allow the project results to be publicised). Make sure therefore that all project partners agree on the content of the joint report and about conditions/restrictions on its publication.

Make reporting part of your administrative routine!

- For every event/meeting prepare an agenda (respecting visibility guidelines!) and write minutes or a short report with key points/agreed outcomes of the meeting/event and a signed list of participants. Take photographs if possible (showing visibility requirements have been respected).
- Make sure all people working on the project prepare and sign their timesheet every month (and not just at the time of reporting, when they're likely not to remember any more!). Information included in the timesheet should be specific enough to understand on which project task the staff member has been working.
- In the few days following their mission, project staff should write a short mission report justifying their mission, including the purpose of the mission, organisations/places visited, people met and the outcomes of the mission.
- Keep JMA/JTS regularly informed of upcoming project events.

And...

- **Regularly monitor project implementation** against your project work plan and logical framework indicators so you can check if it is progressing as planned and take early corrective measures if necessary. In your reporting, refer to the description of your action (project) in Annex I of your grant contract, and compare actual implementation to your work plan and logical framework, explaining and justifying the adaptations or delays if any.



- **Remember partnership is a core component** of your project. In your report, explain how partners have been involved and project implementation coordinated, and how activities implemented by different partners are building upon one another to produce joint results.
- **Make sure your report is easy to read** and to understand. Check that the information included is well organised and consistent with the financial report so it can be verified quickly by the JMA without further requests for clarification. **The narrative report must support and demonstrate the eligibility of costs included in the financial report!**

Remember that costs are only eligible if they are necessary for implementing the project⁴⁵. Therefore the narrative report should clearly reflect the use of the equipment purchased, the tendering carried out, other tasks carried out by people working on the project, justification for changes in, or the addition of, experts (if relevant), purposes and outcomes of missions and events, publications etc. The information provided in the narrative report must correspond to the financial information that appears in the financial report and support its eligibility. Check that all direct costs included in the financial report are also described in the narrative report!

- **Submit the reports on time!** Not only does this ensure you get your further pre-financing on time (or the payment of the balance), it also shows you have good management capacity and reflects well on your overall project activities.

★ Narrative report content

Project report prepared by the Beneficiary

The content of the narrative report sent by the Beneficiary to the JMA must respect the compulsory form attached to the grant contract (Annex VI) with the related requirements.

Partner reports

There is no standard format for narrative reporting by partners. It may follow the same structure as Annex VI or another template developed by the project and agreed among partners. In any case it should at least include the following for each partner:

- **A description of all activities carried out and all outputs (materials, etc.) produced during the reporting period** (these should correspond to the expenditures reported in the financial part of the report!). This description should be consistent with the approved project work plan and logical framework. Justify any deviation and in case of delays, explain how the delayed activities and outputs will be completed (if it is an interim report). List activities that you were not able to implement, explain why and how you addressed this in the project.
- **An assessment of the results of the activities during the reporting period.** Quantify these results (when possible), give information on the fulfilment of logical framework indicators; refer to logical framework assumptions if relevant. Please note that results should not only be measured at the end of the project, they

⁴⁵ Grant contract General Conditions Article 14

should be monitored throughout the implementation of the project. Include a description of the impact on target groups and/or final beneficiaries.

- A list of all contracts (services, supplies and works) awarded above €10,000. For each contract give the amount, the award procedure followed and the name of the contractor.
- A description of fulfilment of visibility and communication requirements with relevant attachments (such as copies of publications).



FINANCIAL REPORTING AND PAYMENT REQUESTS

The required financial reporting is described in **Article 4 of your grant contract Special Conditions** and supplemented in **Article 15.1 of your grant contract General Conditions** which explains the conditions for payment requests and the documents to attach.

These requirements are supplemented by the following items in annexes to your grant contract:

- **Annex V:** A model payment request
- **Annex VI:** A model financial report
- **Annex VII:** A model of expenditure verification report

What payment requests are to be submitted during the project?

According to **Option 1** in Article 15.1 of your grant contract General Conditions, when the project duration is **shorter than 12 months** or when the **grant is lower than €100,000**, there are:

- A pre-financing request of 80% on the signature of the grant contract
- A request for payment of the balance which accompanies **ONLY ONE FINAL REPORT**

According to **Option 2** in Article 15.1, when the project duration is **longer than 12 months** or when the **grant is higher than €100,000**, there are:

- A pre-financing request of 80% of the grant for the first year on signature of the grant contract
- Further pre-financing requests to cover, normally, implementation periods of 12 months when:
 - The expenditure financed by the grant amount (as calculated according to the percentage set out in your grant contract Special Conditions) is at least at 70% of the previous payment and 100% of any other payments (as illustrated below in the table and accompanying text)
 - They are supported by an **interim report** and Expenditure Verification Report
 - The total sum of pre-financing does not exceed 90% of grant
- A request for payment of the balance on submission of the **final report**

The **threshold of 70%** for further pre-financing has to be understood as “the grant corresponding to the reported expenditure which is higher than 70% of the previous pre-financing”.

See the table on the right for an example for a two-year project.

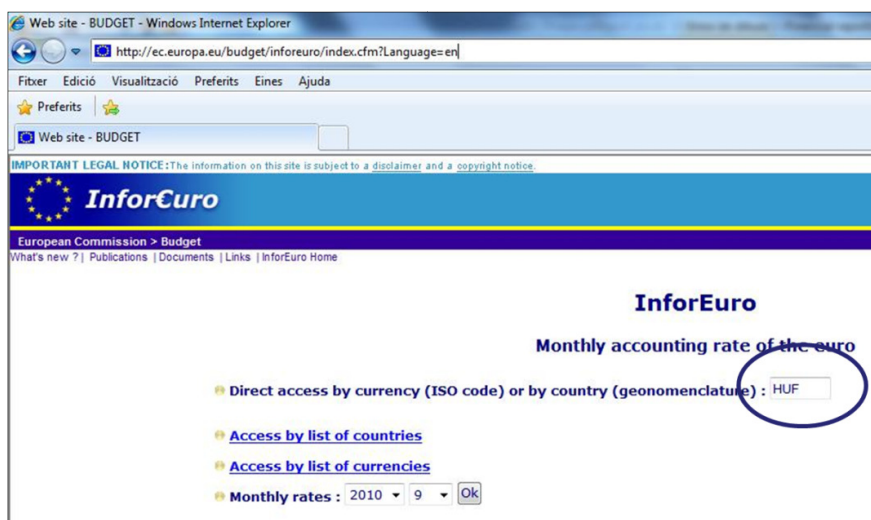
Project	ENPI CBC grant	Payment forecasts
Total costs €2,000,000	Total grant (90%) €1,800,000	
Budget year 1 €900,000	Grant financing (90%) €810,000	1st pre-financing payment €648,000 (80% 1 st year) < 45 days after signed contract received
Budget year 2 €1,110,000	Grant financing (90%) €990,00	Interim payment €972,000 When > €453,600 of advance spent (648,000 * 70%) i.e. project reported eligible expenditures > €504,000 < 45 days after interim report approved
		Final payment (forecast) €180,000 (10% total grant) After project completion < 45 days after final report approved.

What should be in the Financial Report?

The first thing is to make sure you use the right **exchange rates**:

- The project **accounts** have to be kept in the **national currency** used by each partner
- Interim and final reports include four **columns for each currency** for each budget line. These are the number of units, the unit cost in the original currency, the total cost in the original currency and the total cost in Euro
- The exchange rate to use is the **arithmetical average of the rates published on the EC Inforeuro website**⁴⁶ for the concerned period (i.e. sum of the exchange rates of the months of the reporting period divided by the number of months)

Let's see the steps to follow when calculating the exchange rate for the report!



- Go to the **Inforeuro** website and select your currency

- Click *Download in table format* and open the Excel file with the monthly exchange rates:

**HUF (Hungary)
forint**

[Download in CSV format](#)
[Download in table format](#)

Dates of validity		Currency	Rate
01/09/10	30/09/10	EUR/HUF	283,490000
01/08/10	31/08/10	EUR/HUF	283,810000
01/07/10	31/07/10	EUR/HUF	286,760000
01/06/10	30/06/10	EUR/HUF	273,930000
01/05/10	31/05/10	EUR/HUF	268,280000
01/04/10	30/04/10	EUR/HUF	265,900000
01/03/10	31/03/10	EUR/HUF	270,450000
01/02/10	28/02/10	EUR/HUF	271,300000
01/01/10	31/01/10	EUR/HUF	272,100000

⁴⁶ :Inforeuro website: <http://ec.europa.eu/budget/inforeuro/index.cfm?Language=en>

- Calculate the average exchange rate for the reporting period (in the example on the right, from October 2009 to August 2010).

	A	B	C	D	E
1	01/09/2010	30/09/2010	EUR/HUF	283,49	
2	01/08/2010	31/08/2010	EUR/HUF	283,81	
3	01/07/2010	31/07/2010	EUR/HUF	286,76	
4	01/06/2010	30/06/2010	EUR/HUF	273,93	
5	01/05/2010	31/05/2010	EUR/HUF	268,28	
6	01/04/2010	30/04/2010	EUR/HUF	265,9	
7	01/03/2010	31/03/2010	EUR/HUF	270,45	
8	01/02/2010	28/02/2010	EUR/HUF	271,3	
9	01/01/2010	31/01/2010	EUR/HUF	272,1	
10	01/12/2009	31/12/2009	EUR/HUF	272,32	
11	01/11/2009	30/11/2009	EUR/HUF	272,95	
12	01/10/2009	31/10/2009	EUR/HUF	269,55	
13	01/09/2009	30/09/2009	EUR/HUF	270,74	
14	01/08/2009	31/08/2009	EUR/HUF	268,31	

Formula bar: $=SUMA(D2:D12)/11$

Result in cell F7: 273,3955

How do you fill-in the financial part of Annex VI?

The financial part of Annex VI is an Excel file with **five parts**:

1. General information
2. Forecast budget and follow-up
3. Interim Report
4. Sources of funding
5. Final report

More details below!

NB: The Beneficiary alone is responsible for the correctness of the information in the tables; check the information sent by your partners!

- **General information:** Gives information on how to use the Excel
- **Forecast budget and follow-up:** This is requested for information purposes only, but can also be very useful for your financial monitoring of the project!
- **Interim Report:** The amount of eligible expenditure has to be indicated in this sheet
- **Sources of funding:** This sheet has to be included in both interim and final reports
- **Other:** Figures have to be rounded to the nearest euro cent

See the global report template in Figure 33 below

Fig.33

Final financial report: period (dd/mm/yyyy-dd/mm/yyyy)		Contract No: _____ Implementation period of the contract (dd/mm/yyyy-dd/mm/yyyy)															
Expenditures	Budget as per contract/rider				Reallocation allowed reallocation	Per currency Name of currency n°1 Exchange rate of the period (dd/mm/yyyy-dd/mm/yyyy):				Expenditures incurred							
	Unit	# Units (a)	Unit cost (in EUR) (b)	Costs (in EUR) (a)*(b)		# Units (d)	Unit cost (in currency n°1) (e)	Total cost (in currency n°1) (f)=(d)*(e)	Total cost (in EUR) (g)=(f)*(fx-rate)	Units total # for all currencies Sum (d ₁ +d _n) (h)	Total cost of the period (in EUR) Sum (g ₁ +g _n) (i)	Cumulated costs (before current report) (in EUR) (j)	Cumulated costs (from start of implementation to present report included) (in EUR) (k)=(j)+(i)				
														Fx-rate ₁ (g ₁)= (f ₁)/(F _{x-rate})	Sum (d ₁ +d _n) (h)	Sum (g ₁ +g _n) (i)	Sum (j ₁ +j _n) (k)
1. Human Resources																	
1.1 Salaries (gross amounts, local staff)																	
1.1.1 Technical	Per month																
1.1.2 Administrative/ support staff	Per month																
1.2 Salaries (gross amounts, expat/int. staff)	Per month																
1.3 Per diems for missions/travel																	
1.3.1 Abroad (staff assigned to the Action)	Per diem																
1.3.2 Local (staff assigned to the Action)	Per diem																
1.3.3 Seminar/conference participants	Per diem																
Subtotal Human Resources																	
2. Travel																	
2.1 International travel	Per flight																
2.2 Local transportation	Per month																
Subtotal Travel																	
3. Equipment and supplies																	
3.1 Purchase or rent of vehicles	Per vehicle																
3.2 Furniture, computer equipment																	
3.3 Machines, tools...																	
3.4 Spare parts/equipment for machines, tools																	
3.5 Other (please specify)																	
Subtotal Equipment and supplies																	
4. Local office																	
4.1 Vehicle costs	Per month																
4.2 Office rent	Per month																
4.3 Consumables - office supplies	Per month																
4.4 Other services (tel/fax, electricity/heating, maintenance)	Per month																
Subtotal Local office																	
5. Other costs, services																	
5.1 Publications																	
5.2 Studies, research																	
5.3 Auditing costs																	
5.4 Evaluation costs																	
5.5 Translation, interpreters																	
5.6 Financial services (bank guarantee costs etc.)																	
5.7 Costs of conferences/seminars																	
5.8 Visibility actions																	
Subtotal Other costs, services																	
6. Other																	
Subtotal Other																	
7. Subtotal direct eligible costs of the Action (1-6)																	
8. Provision for contingency reserve (maximum 5% of 7, subtotal of direct eligible costs of the Action)																	
9. Total direct eligible costs of the Action (7+ 8)																	
10. Administrative costs (maximum 7% of 9, total direct eligible costs of the Action)																	
11. Total eligible costs (9+10)																	
Ineligible costs																	
12. Taxes																	
13. Total costs of the action (11+12)																	
Bank interests on EC contribution yielded during the period:																	
Per currency Amount in currency n°1 Amount in EUR Total for the period in EUR Cumulated costs (before current report) (in EUR)																	
0																	

What steps do you need to follow when filling in the table on expenditure?

- Identify the project by number and implementation period, indicate the period covered by the report and copy the approved budget (see Figure 34)

Fig.34

Interim financial report: period (dd/mm/yyyy-dd/mm/yyyy)	Contract No:					
	Implementation period of the contract (dd/mm/yyyy-dd/mm/yyyy)					
	Budget as per contract/rider				Reallocation and use of contingencies	
	Unit	# Units (a)	Unit cost (in EUR) (b)	Costs (in EUR) (a)*(b)	allowed reallocation	Use of contingencies
Expenditures						
1. Human Resources						
1.1 Salaries (gross amounts, local staff)						
1.1.1 Technical	Per month					
1.1.2 Administrative/ support staff	Per month					
1.2 Salaries (gross amounts, expat/int. staff)	Per month					
1.3 Per diems for missions/travel						
1.3.1 Abroad (staff assigned to the Action)	Per diem					
1.3.2 Local (staff assigned to the Action)	Per diem					
1.3.3 Seminar/conference participants	Per diem					
Subtotal Human Resources						

- If there is any minor reallocation between budget lines within the limits of Article 9 of your grant contract General Conditions or if the JMA/JTS has authorized the use of part of the reserve for contingency, indicate it in the columns beside the 'original' budget (as shown in the example in Figure 35 to the right)

Interim financial report: period (dd/mm/yyyy-dd/mm/yyyy)	Contract No:					
	Implementation period of the contract (dd/mm/yyyy-dd/mm/yyyy)					
	Budget as per contract/rider				Reallocation and use of contingencies	
	Unit	# Units (a)	Unit cost (in EUR) (b)	Costs (in EUR) (a)*(b)	allowed reallocation	Use of contingencies
Expenditures						
1. Human Resources						
1.1 Salaries (gross amounts, local staff)						
1.1.1 Technical	Per month					
1.1.2 Administrative/ support staff	Per month					
1.2 Salaries (gross amounts, expat/int. staff)	Per month					
1.3 Per diems for missions/travel						
1.3.1 Abroad (staff assigned to the Action)	Per diem					
1.3.2 Local (staff assigned to the Action)	Per diem					
1.3.3 Seminar/conference participants	Per diem					
Subtotal Human Resources						

Fig.35

- For each currency and budget line, fill in the requested information, i.e. the number of units, the unit cost, the total cost in the original currency and the total cost in euro (as shown in the example in Figure 36 to the right), using the exchange rate calculated as described above

Per currency			
Hungarian Florint (HUF)			
Exchange rate of the period (01/10/2009-31/08/2010):			273.3955
# Units (d ₁)	Unit cost (in currency n°1) (e ₁)	Total cost (in currency n°1) (f ₁)=(d ₁)*(e ₁)	Total cost (in EUR) (g ₁)= (f ₁)*(Fx-rate ₁)
8.59	882,747.38	7,582,799.99	27,735.64

Fig.36

- For each category, add up the number of units from all currencies and the total amount in euro for each currency (as shown in the example in Figure 37 below)

Per currency				Per currency				Total for the period in EUR	
Hungarian Florint (HUF)				Ukrainian Hryvnia (UAH)					
Exchange rate of the period (01/10/2009-31/08/2010): 273.3955				Exchange rate of the period (01/10/2009-31/08/2010): 10.9149					
# Units	Unit cost (in currency n°1)	Total cost (in currency n°1)	Total cost (in EUR)	# Units	Unit cost (in currency n°1)	Total cost (in currency n°1)	Total cost (in EUR)	Units total # for all currencies	Total cost of the period (in EUR)
(d _i)	(e _i)	(f _i)=(d _i)*(e _i)	(g _i)= (f _i)*(Fx-rate _i)	(d _i)	(e _i)	(f _i)=(d _i)*(e _i)	(g _i)= (f _i)*(Fx-rate _i)	Sum (d ₁ ↗ d _n)	(h)= Sum (g ₁ ↗ g _n)
8.59	882,747.38	7,582,799.99	27,735.64	1.19	22,000.00	26,180.00	2,398.56	9.78	30,134.20

Fig.37

- Add the cumulated costs for the previous period, if it is not the first payment claim, and calculate the cumulated cost (see Figure 38)

Cumulated costs (before current report) (in EUR) (i)	Cumulated costs (from start of implementation to present report included) (in EUR) (h)+(i)
0.00	30,134.20

Fig.38

As well as the eligible expenditure, the financial report should include a table on the **follow-up and budget forecast**. This table is a key tool to check if there is any significant deviation, either from the previous forecast for the present period or from the global budget. As a result of this calculation, you may need to request authorization for a change in the budget (see the example in Figure 39 below).

Fig.39

Forecast Budget & follow-up	Contract n° Implementation period of the contract (dd/mm/yyyy-dd/mm/yyyy)								
	<u>Previous</u> period (dd/mm/yyyy-dd/mm/yyyy)					Real Previous Period	<u>Following</u> period (dd/mm/yyyy-dd/mm/yyyy)		
	Forecast						Forecast		
	Expenditures	Unit	# Units	Unit cost (in EUR)	Costs (in EUR)	Costs (in EUR)	Unit	# Units	Unit cost (in EUR)
1. Human Resources									
1.1 Salaries (gross amounts, local staff)									
1.1.1 Technical	Per month					Per month			
1.1.2 Administrative/ support staff	Per month					Per month			
1.2 Salaries (gross amounts, expat/int. staff)	Per month					Per month			
1.3 Per diems for missions/travel									

The last table to include in the Excel file is the one on the **sources of funding** (see 2.14 above for more details). For both the Interim and final reports, this table has to include:

- Actual direct revenue
- Interest accrued from pre-financing
- The estimated own contribution by the Beneficiary and Partners
- Contributions by other donors, such as national authorities
- The estimated grant

- Finally, any payment claim has to be accompanied by a formal request, following the model in Annex V of your grant contract (shown on the right)

ANNEX V
Request for payment for grant Contract
European Community external actions

< Date of the request for payment >

For the attention of
< address of the Contracting Authority >
< Financial unit/section indicated in the Contract >¹

Reference number of the grant Contract:
Title of the grant Contract: Name and address of the Beneficiary:
Request for payment number: Period covered by the request for payment:

Dear Sir/Madam,

I hereby request < [a further] pre-financing payment/payment of the balance >² under the Contract mentioned above.

The amount requested is < as indicated in Article 4(2) of the Special Conditions of the Contract/the following: ... >.

Please find attached the following supporting documents:
<- expenditure verification report (if required by Article 15.6 of the General Conditions of the Contract)
- financial guarantee (if required by Article 15.7 of the General Conditions of the Contract)
- technical and financial interim report (for further pre-financing payments)
- final implementation report (for payment of the balance). >

The amount covered by the expenditure verification report and claimed for deduction from the sum total of pre-financing under the contract is the following: ...

The payment should be made to the following bank account: < give the account number shown on the financial identification form annexed to the Contract >

I hereby certify that the information contained in this request for payment is complete, faithful and reliable, that the costs incurred can be considered eligible in accordance with the Contract and that this request for payment is substantiated by adequate supporting documents that can be checked.

Yours faithfully,

< signature >

Final considerations for smooth reporting

- Look at what is needed for the final and interim reports **now!** Any information needed for reports has to be collected from the beginning
- Prepare the project accounts (for the Beneficiary and Partners) so they include the information necessary for the reports, not just the amount of expenditure
- Keep your accounts up to date so you will know when you reach thresholds
- Agree regular updates of financial information with your partners; reporting in ENPI CBC projects needs team work!
- Involve your auditors from the beginning. It is too late to reach a shared understanding of the rules when preparing the payment request

EXPENDITURE VERIFICATION

★ What is Expenditure Verification and why is it needed?

EC financial rules require that all expenditure under an EC grant contract should be independently verified as to its incurrence (that the expenditure really happened), its accuracy (the expenditure amounts are stated correctly) and its eligibility (the amounts satisfy the eligibility criteria). **This external verification of the expenditure has to accompany any payment request (except the first pre-financing request made on contract signature).**

ENPI CBC projects are implemented by Beneficiaries and their Partners who sign an agreement acknowledging their responsibilities for the implementation of the project. This agreement includes a requirement for partners to organise an expenditure verification assignment for the project expenditure they are responsible for.

The subject of the expenditure verification is the financial report produced by a Beneficiary or a Partner where project expenditure that has been incurred is declared and reimbursement is sought for the eligible part of that expenditure.

The Expenditure Verification work is organised in accordance with the guidance contained in **Annex VII of your grant contract General Conditions**, which contains the Terms of Reference (ToR) of the work to be carried out by the auditor, including who can carry out the assignment.

★ The 'agreed upon procedures' to be performed (Annex VII of your grant contract)

The Beneficiary or Partner should agree with the auditor the procedures to be performed (the 'agreed upon procedures'). These procedures, which cannot be changed, are listed in Annex 2a of Annex VII of your grant contract and are organised under three headings:

- General Procedures
- Conformity of Expenditure with the Budget and Analytical Review
- Procedures to verify selected expenditure

General procedures

There are five general procedures covering the general information the auditor collects about the grant contract, the form and content of the financial report, the underlying accounting system and the record keeping rules that are applied, confirming that the financial report agrees with the accounting records and the exchange rates applied. These are:

- **Understanding the terms and conditions of the grant contract** and its annexes and any other relevant documentation like the partnership agreement.



- **Examining the financial report** to verify that it complies with the conditions set out in Article 2 of your grant contract General Conditions (possibly modified by Article 7 of your grant contract Special Conditions). The first issue is to verify that the proper model for the financial report has been used.
- **Checking the accounting and record keeping system** that is being used.
- **Confirming that the information in the financial report agrees with the information in the accounting system.** This is achieved by checking the reconciliation of the financial report to the underlying accounts, usually through a review of the trial balance and the control accounts.
- **Checking the currency exchange rates** used in producing the financial report.

Conformity of expenditure with the budget and analytical review

The second group of procedures in an Expenditure Verification assignment are to verify the conformity of expenditure with the budget and to make an analytical review of the expenditure.

- **Carrying out an analytical review** of the expenditure headings in the Financial Report. In this review, the auditor will note areas of high or low expenditure and he will make a quick comparison between actual and budgeted expenditure and note any high or unusual variances.
- **Checking the budget of the grant contract.** The auditor will verify the authenticity and authorisation of the budget and that the actual expenditure was indicated (i.e. foreseen) in the budget.
- **Checking to see if there were amendments to the budget.**

Expenditure verification procedures

The third group of procedures are concerned with the **verification of the specific expenditure items** reported in the financial report. The objective of the expenditure verification is to collect the factual evidence to support the incurrence, accuracy and eligibility of the expenditure included in the financial report. The focus of the verification of expenditure is on examining the documentary evidence supporting each category of expenditure that is reported. Annex VII of your grant contract presents the procedures under several headings. The first of these procedures is to determine the eligibility of costs.

What is done to check the eligibility of costs?

There are nine criteria used by the auditor to check the eligibility of costs as explained in the table below.

Eligibility criteria	What it means	Comment
Costs actually incurred	<i>The expenditure is real and relates to the Beneficiary/ Partner.</i>	This is established through examining supporting accounting transaction documents and proof of payment. The documents should support the proof of work done or supplies and services received, establishing the quantity and description of supplies and services and the prices and taxes paid. This procedure also extends to confirming the existence of assets (through supporting documentation or site visits.) If sufficient supporting evidence is not available, the expenditure will be considered ineligible.
Cut-off implementation period	<i>The expenditure was incurred within the implementation period.</i>	The period of incurrence will be established through the documentary evidence of when the work, supplies or services were ordered, delivered, invoiced and paid for. Note: the expenditure is incurred at the time the supplies or services are delivered.
Budget	<i>There is a budget for the expenditure.</i>	The availability of a budget supports the necessity, justification and valuation of the expenditure. The verification work involved for this is the examination of documents.
Necessary	<i>The expenditure was needed in the project.</i>	The Annex VII wording is whether it is plausible that the expenditure was necessary and had to be incurred for the contracted activities. The factual necessity of the expenditure will depend on what was expected and provided for in the project proposal. For this reason, it is important that the project plan should identify the necessary expenditure items.
Records	<i>The expenditure is properly recorded in the accounting system.</i>	Only expenditure recorded in the accounting systems in accordance with applicable accounting standards and usual cost accounting principles is eligible. The reference to cost accounting principles refers to expenditure which is apportioned to the project e.g. the rent of office space.
Justified	<i>The expenditure is supported by evidence.</i>	Expenditure is considered justified when it is substantiated by evidence. This is a check on the sufficiency of the supporting evidence.
Valuation	<i>The monetary amounts are properly stated.</i>	In checking the monetary amounts, the auditor will look at quantities, unit prices (including salary rates) and the final amounts recorded. The exchange rates used will also be checked.
Classification	<i>The expenditure is recorded in the proper category.</i>	The financial report has defined expenditure categories. This check ensures the expenditure is recorded under the correct category. It is also important that the categorisation of expenditure is consistent from one financial reporting period to another.
Compliance with procurement, nationality and origin rules	<i>Compliance with procurement, nationality and origin rules is essential for expenditure to be eligible.</i>	Annex VII of your grant contract specifically refers to checking the procurement, nationality and origin rules for expenditure headings, classes of expenditure items and individual expenditure items. Documents supporting the procurement process will be examined for this and the procurement risk factors (listed in Annex VII) should be considered. Where non-compliance with the rules is established, the auditor must determine and report the financial effect on the eligibility of expenditure.

Note on the quality of the evidence available

In an expenditure verification assignment, the quality of the evidence (proof) available is very important for establishing the incurrence, accuracy and eligibility of the expenditure reported. Annex VII provides further specific comments on the quality of evidence. It states that evidence:

- *Must be available in documentary form, whether paper, electronic or another medium,*
- *Must be available in the form of original documents rather than photocopies or facsimiles*
- *Should preferably be obtained from independent sources outside the entity*
- *Which is generated internally is more reliable if it has been subject to control and approval*
- *Obtained directly by the auditor is more reliable than evidence obtained indirectly*

The nine eligibility criteria are verified for all expenditure items. In addition, further verification procedures are specified for each specific expenditure category.

The model financial report

The model financial report is organised under expenditure headings. The Annex VII guidelines identify that Headings 1 to 6 are **direct costs**. These are for *Human Resources, Travel, Equipment and Supplies, Local Office, Other Costs and Services, and Other Costs*. Direct costs are costs that are specifically incurred for the benefit of the project. The auditor is specifically required to verify that costs recorded under headings 1 to 6 are, in fact, direct costs.

The rules allow for a **contingency reserve** of up to 5% of the direct eligible costs. The auditor is required to check that written approval has been obtained prior to the use of the contingency reserve. The auditor also checks that the contingency reserve does not exceed the 5% limit.

Similarly, the rules impose a limit on the extent of the eligibility of **administrative overhead costs**. The auditor is required to check that the administrative overhead costs reported do not exceed the specified percentage of the eligible direct costs of the action, as provided in the project approved budget.

In most programmes **in kind contributions** are not eligible, the auditor is therefore required to ensure that no such costs are included in the financial report. This is verified through the examination of the supporting documentary evidence for the claimed expenditure.

The auditor is concerned with ensuring that the expenditure items reported as eligible do not contain expenditure elements which are **not eligible**. A typical example is VAT which the Beneficiary or Partner is able to reclaim from the taxation authorities. Some ineligible cost items are identified in the grant contract General Conditions. Others will emerge from the expenditure verification procedures that check the nine eligibility criteria.

Finally, the auditor is required to check that revenues attributable to the action (project) are properly disclosed in the financial report. The auditor is not expected to check the completeness of revenues. This is

a recognition of the limitations to what can be factually established through the procedures. The anticipated procedures are inquiry with the Beneficiary/Partner and the examination of documents.

★ The Expenditure Verification report (report on factual findings)

Annex VII provides a model report to be used for the report on factual findings arising from the expenditure verification assignment. The model report provides the auditor with standard headings and some standard text which should not be changed. It also indicates the areas where specific information is to be inserted and provides instructions for the completion of the report.

The actual substance of the letter is the presentation of the **procedures performed**, the **sources of information** and the **factual findings** arising from the procedures. The full listing of the procedures applied is required to be annexed to the report. The report clearly states that these procedures were determined solely by the Beneficiary/Partner and do not constitute an audit. The information provided by the Beneficiary/Partner is provided in the report. The letter identifies the total expenditure that is covered by the expenditure verification assignment and the expenditure coverage ratio percentage.

The report on factual findings starts with a short chapter providing brief information about the grant contract. The detail of the report consists of a full listing of each procedure performed with an indication of errors or exceptions found (the factual findings) or an explicit statement that “no factual findings have arisen from this procedure”. The guidelines require a very detailed report that specifies the expenditure items/amounts where exceptions between facts and criteria were found.

The annexes to the model report contain the financial report (Annex 1) and the Terms of Reference, including the information about the grant contract and the listing of specific procedures to be performed (Annex 2).

CHECKS, ON-THE-SPOT VISITS AND CONTROLS

The Beneficiary has a contractual obligation to provide the JMA with 'all required information on the implementation of the action (project)'⁴⁷. The main tool to provide this information is the compulsory project narrative report and financial reporting described above. In addition, the JMA has the right to request additional information at any time and that information must be supplied within 30 days of the request⁴⁸

The Beneficiary and Partners (as well as any of their contractors or sub-grantees!) may also be subject to verifications carried out by the programme, EU relevant bodies or other authorised bodies, on the basis of documents and/or on-the-spot checks. The Beneficiary and Partners (and any contractor and sub-grantee) have therefore the obligation to give appropriate access to the staff or experts carrying out those verifications and to all the sites and locations at which the project is (or has been) implemented, including:

- Information systems
- All documents and databases concerning the technical and financial management of the project.

The Beneficiary and Partners (as well as any contractor and sub-grantee) must take all steps to facilitate the work of the staff and experts authorized to carry out this verification. In particular, documents must be easily accessible and filed so as to facilitate their examination up to seven years after the payment of the balance is received! Access is given on the basis of confidentiality with respect to third parties⁴⁹

GOAL OF VERIFICATION

The protection of the financial interests of the European Union against fraud and other irregularities

WHO CAN BE SUBJECT TO VERIFICATION?

- | | |
|---------------|----------------------------------|
| • Beneficiary | • Contractors |
| • Partners | • Sub-grantees (when applicable) |

WHO CAN CARRY OUT THE VERIFICATION?

- | | |
|--|--|
| • JMA/JTS (check contract provisions in Article 7 of your grant contract Special Conditions) | • European Court of Auditors |
| • Any external auditor on behalf of the JMA | • Competent Authorities of the Russian Federation (for programmes involving Russia, as described in the relevant Financing Agreements) |
| • European Commission | |
| • European Anti-Fraud Office (OLAF) | |

⁴⁷ Art. 2.1 of your grant contract General Conditions

⁴⁸ Art. 2.2 of your grant contract General Conditions

⁴⁹ See Art. 16 of your grant contract General Conditions – check any derogations in Art. 7 of the grant contract Special Conditions

WHAT KIND OF VERIFICATION?

- **Verification of the implementation of the project** by means of
 - Examination of documents and/or
 - On-the-spot checks
- **Full audit** on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the project

UNTIL WHEN?

These verifications may take place up to **seven years after the payment of the balance.**

Remember

The Beneficiary guarantees⁵⁰ that the rights of the European Commission, the European Anti-Fraud Office and the European Court of Auditors as well as any external auditor authorised by the JMA and Competent Authorities of the Russian Federation (for programmes involving Russia, as described in the relevant Financing Agreements) to carry out audits, checks and verification shall be equally applicable to the Beneficiary's partners, contractors and sub-grantees under the same conditions and according to the same rules as those set out in Article 16 of your grant contract General Conditions.

It is therefore Beneficiary's responsibility to ensure that appropriate provisions are inserted in all contracts concluded with and by Partners!

Which documents may be verified?

The following documents should be accessible and properly filed (as outline in Article 16.3 of your grant contract General Conditions):

- All reports (including both narrative and financial) issued during the life-time of the project
- Accounting records (computerised or manual) from the Beneficiary and Partners accounting systems such as general ledger, sub ledgers and payroll accounts, fixed assets, registers and other relevant accounting information
- Proof of procurement procedures such as tender documents, bids from tenderers and evaluation reports
- Proof of commitments such as contracts and order forms
- Proof of delivery of services such as approved reports, time sheets, transport tickets (including boarding passes), proof of attending seminars, conferences and training courses (including relevant documentation and material obtained, certificates), etc.
- Proof of receipt of goods such as delivery slips from suppliers

⁵⁰ Under Art. 16.2 of your grant contract General Conditions



- Proof of completion of works such as acceptance certificates
- Proof of purchase such as invoices and receipts
- Proof of payment such as bank statements, debit notices, proof of settlement by the contractor
- For fuel and oil expenses, a summary list of the distance covered, the average consumption of the vehicles used, fuel costs and maintenance costs
- Staff and payroll records such as contracts, salary statements, time sheets
- For staff recruited on fixed-term contracts, details of remuneration paid duly substantiated by the person in charge, broken down into gross salary, social security charges, insurance and net salary
- For expatriate and/or for permanent staff, analyses and breakdowns of expenditure per month of actual work; assessed on the basis of unit prices per verifiable block of time worked and broken down into gross salary, social security charges, insurance and net salary.

How do you prepare for an on-the-spot visit?

- Make sure the list of documents above is properly filed and easily accessible
- Be ready to show the equipment purchased within the project, including respect of rule of origin as well as appropriate visibility rules applied (EU logo and mention of financing)
- When possible, ensure that the key staff of the project are present during the visit (project manager, accountant, key experts, etc.)
- If the visit takes place during project implementation, be ready to provide updated information, including about what your partners do (remember this is a joint project)! Likewise, be ready to justify and explain any deviation from the agreed work plan
- If relevant, obtain the necessary internal authorizations to allow access by the person carrying out the on-the-spot check to the information required including to databases and information systems and to other project locations (particularly in the case of works).

Chapter 6. Anticipating Project Closure

OWNERSHIP OF EQUIPMENT AND PROJECT RESULTS, INCLUDING INTELLECTUAL PROPERTY

Ownership of both project results and of equipment are described in Article 7 of your grant contract General Conditions, usually adapted in Article 7 of your grant contract Special Conditions as outlined below.

OWNERSHIP OF PROJECT RESULTS AND DOCUMENTS

General Conditions Article 7.1: *"Ownership of, and title and intellectual and industrial property rights to, the Action's results, reports and other documents relating to it shall be vested in the Beneficiary."*

OWNERSHIP OF EQUIPMENT AND SUPPLIES

General Conditions Article 7.3: *"Where the Beneficiary does not have its headquarters in the country where the action is implemented and unless otherwise specified in the Special Conditions, the equipment, vehicles and supplies paid for by the Budget for the Action must be transferred to any local partners of the Beneficiary and/or the final beneficiaries of the Action, at the latest when submitting the final report."*

Check Article 7 of your grant contract Special Conditions for specific modifications to these articles, in particular to include the rights of partners.

It is important to understand the distinction between ownership of intellectual and industrial property rights, ownership of project results and documents and ownership of equipment and supplies.

- **Intellectual and industrial property rights and ownership of project results and documents** belong logically to the Beneficiary (and Partners) as they implement the project (and notably take the responsibility for any publications produced). Note that despite this ownership, both JMA and the European Commission have the right to freely use all the documents deriving from the project (except the project reports) provided they are not breaching existing industrial and intellectual property rights.⁵¹
- **Ownership of equipment and supplies** which should be used for project purpose to benefit the programme regions and final beneficiaries of the project. All the equipment, vehicles and supplies paid for by the Beneficiary for the use in another country, must therefore be transferred to any Partner and/or final beneficiaries in that country/region. For equipment or vehicles of a unit cost higher than €5,000, proofs of transfer of equipment must be attached to the project final report.

Important last remark

Make sure you include specific clauses in your Partnership Agreement specifying clearly the distribution of intellectual and industrial property rights on one hand, and the ownership of equipment on the other. If needed, clarify these issues before the end of the project!

⁵¹ See Art 7.2 of your grant contract General Conditions

FINAL PAYMENT AND RECOVERIES

★ Final payments

The final amount of financing by JMA to the project is regulated in Article 17 of your grant contract General Conditions. The main conditions for this are:

- The total amount to be paid may not exceed the maximum grant laid down in your grant contract Special Conditions (or addendum to the grant contract), both in regard to the:
 - Absolute amount
 - Co-financing rate
- If the total costs are less than the estimated total in the budget, the contribution shall be limited to the amount obtained by applying the percentage (co-financing rate) laid down in your grant contract Special Conditions, to the total costs approved by JMA

Let's see an example of the two scenarios (in Figure 40 to the right):

Fig.40

	Special conditions	Case 1	Case 2
Co-financing rate	90%		
Total costs	1,000,000.00	1,020,090.00	957,850.00
Total approved costs		1,012,540.00	950,125.00
Amount of grant	900,000.00	900,000.00	855,112.50

Grant is the absolute amount of Special Conditions

Grant is the application of co-financing rate to approved costs

As stated in 2.14 above on sources of funding, the **grant** can under no circumstances result in profit and it **must be limited to the amount required to balance the income and expenditure of the project**.

In addition, and without prejudice to the right to terminate the grant contract, **JMA may**, by a duly justified reasoned decision, **reduce the grant in case of poor, partial or late implementation of the project**. The grant will be reduced in accordance with actual implementation.

★ Recoveries

The term 'recoveries' refers to the recovery of payments by the JMA in excess of what is legally required for example, due to ineligible expenditure, or lower than expected costs for the project, etc.

What is the legal basis for recoveries?

Source	Content
Article 27 of ENPI CBC Implementing Rules	Defines the basic rules for recoveries from Beneficiaries, Partners and contractors taking into account the specifics of ENPI-CBC
Financing Agreement between the EU and each Partner Country	It specifies the conditions for recovery from Beneficiaries and Partners in the Partner Country and the role of national authorities
Article 18 of your grant contract General Conditions	Includes the basic conditions for recoveries in accordance with the common rules applicable to all projects financed by DG DevCo, such as ENPI CBC
Article 7 of your grant contract Special Conditions	Adapts the General Conditions to the specifics of ENPI-CBC in accordance with Article 27 of the ENPI CBC Implementing Rules
Partnership Agreement	Ensures that all partners comply with the conditions set out in the grant contract (a commitment to contractual obligations is also part of the Partnership Statement included in the Application Form).

The **main conditions in Article 18** of your grant contract General Conditions are:

- The Beneficiary undertakes to **repay** any amounts in excess of the final amount due to JMA **within 45 days** of the issuing of a 'recovery order'
- Should the Beneficiary **fail to repay** within the deadline, JMA may increase the amount due by **adding interest**
- **Amounts to be repaid may be offset** against amounts of any kind due to the Beneficiary i.e. the amount to be recovered may be compensated with future payments for example, on other projects financed by JMA

What are the procedures for recoveries?

The JMA will not start by issuing a recovery order when it has identified a potential payment in excess. The first step will be to inform the Beneficiary and give them the opportunity to send clarifications and additional information and documentation. This procedure is called a '**contradictory procedure**'. This procedure will take as long as necessary to ensure that the potential recovery is substantiated as once a recovery order issued, the JMA can only waive it with prior approval of the EC and the programme Joint Monitoring Committee (JMC).⁵²

On the other hand, although your grant contract General Conditions only mentions the relationship between JMA and the Beneficiary, the ENPI CBC Implementing Rules, Article 7 of your grant contract Special Conditions and the Partnership Agreement regulate the eventual recoveries due to payments in excess to partners.

⁵² The primary decision making body of the Programme made up of representatives from all participating countries

Different procedures will apply depending whether the Beneficiary or Partner is located in a EU Member State or in a Partner Country, but the first steps are the same as show in Figure 41 below:

Fig.41

When the amount claimed is not paid or offset after one year, and all the steps outlined above have been followed, the procedure differs between Member States and Partner Countries. These are outlined in Figure 42 below.

Fig.42

Final considerations on recoveries

- ***The Beneficiary has the first responsibility** to the JMA, regardless of the recovery being addressed to one of its Partners*
- ***The Partnership Agreement** provides the basic legal basis for liabilities in case of eventual recoveries being requested from partners*
- *As the JMA may be located in a different country from that of the Beneficiary or Partner needing to reimburse the JMA, the legal framework provides the necessary basis for the involvement of both the European Commission and the national authorities in order to **ensure that all amounts paid in excess are recovered**.*

REMAINING READY FOR UP TO SEVEN YEARS

Both Article 45 of the ENPI CBC Implementing Rules, and Article 16.2 of your grant contract General Conditions, indicate the period **open to control** after the project closes.

ENPI CBC IMPLEMENTING RULES ARTICLE 45

"The projects' beneficiaries and partners shall, for **seven years** from the date of the payment of the balance of the project, **keep all documents** related to the project, in particular the reports and supporting documents as well as accounts, accounting documents and any other document related to the financing of the project."

GENERAL CONDITIONS ARTICLE 16.2

The inspections may take place up to seven years after the payment of the balance.

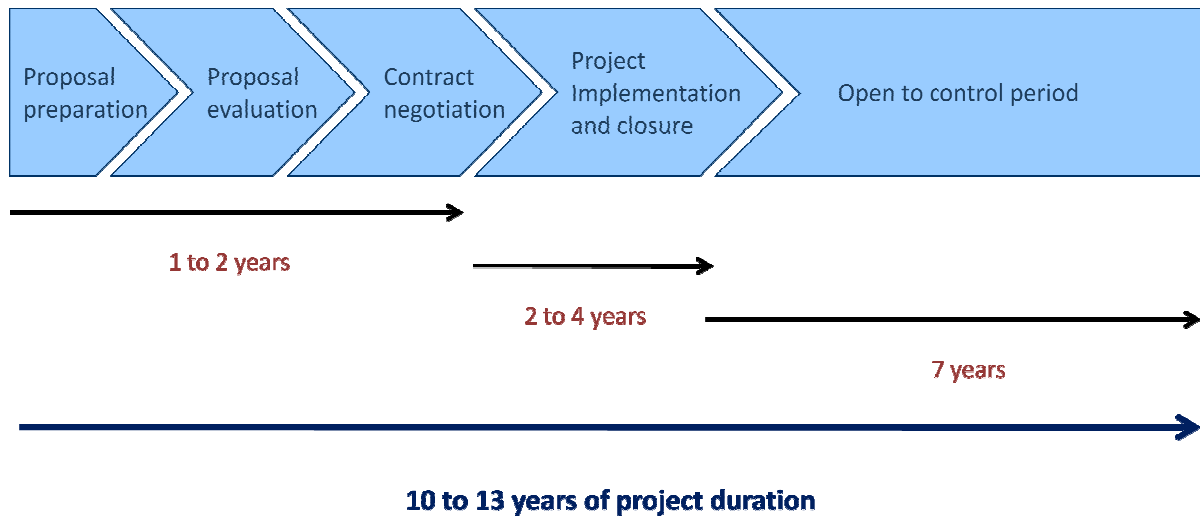
What are the key factors relating to being prepared for control after project closure?

- Project closure and the open-to-control-period of seven years require **preparation from the start** of project implementation.
- The **institutions and organisations** acting as Beneficiary or Partners should **understand their obligations** during the open-to-control-period, regardless of the continuity of the staff assigned to the project, especially in terms of the access to documents, information systems and infrastructure and equipment financed by the project.
- The **Partnership Agreement** should be valid until the end of the open-to-control period and include all the necessary clauses to ensure smooth after-closure procedures.
- The **original documents** and the **computerised systems** need to be **easily accessible** during the full open-to-control period. If the period for retention of documents and computerised records required by the national rules or the organisation's usual practice is less than the open-to-control period, ad-hoc adequate procedures have to be designed and implemented at the beginning of the project.
- **Web-sites** and any **internet-based** tools have to be **stored locally** to be able to show them in case of a control. A log of the evolution of web-sites and adequate local back-up systems have to be required of developers.
- Even if **infrastructure** or **equipment** property is transferred after the project closes, the agreement with the recipient has to include the **right of access** during the open-to-control period. All technical documentation and photographs should be kept in the project archives (as needed, copies of the technical documents can be given to the owners of the equipment or infrastructure).
- Any **equipment** at the end of its useful life for example, obsolete computers, needs to be **removed from** the organisation's **inventory** following adequate recorded procedures which have to be archived with the project documents, even after project closure.
- **Technical documentation** must include all supporting documents and photographs **proving all the activities** financed during project implementation, both tangible and intangible.

- **Financial documentation** must be accessible in its original form or equivalent according to national law and must include **proof of delivery of services and supplies**.
- The Beneficiary and all Partners must agree to nominate a **contact person during the open-to-control-period** with adequate knowledge of the project, its content, its archives and computer systems and records.

The actual duration of a project goes much longer than its implementation period. Let's see below an example of an **enlarged project cycle** (Figure 42):

Fig.43



Final considerations for project closure!

Before formally closing your project, be sure that:

- **Your organisation is aware of the obligations** (not just those involved in project implementation) during the open-to-control-period. A future control may need to be facilitated by someone without any knowledge of the project.
- **A communication line is kept open with all your partners** during the open-to-control period. Even if it is written in the Partnership Agreement, check how you are going to make this operational and keep regular contact.
- **Review the project documentation** (all of it!) and verify that it is organised in a way that anyone with no knowledge of the project can ensure a smooth control by the relevant bodies.

And finally:

SWITCH OFF THE LIGHTS! But be ready to switch them ON again if necessary.

Annotated Glossary

Term	Acronym	Description	Section in Manual
<i>Accounting system</i>		The systematic recording, reporting and analysis of the financial transactions of a project or an entity.	Section 2.10
<i>Action</i>		PraG term equivalent to "project"	
<i>Activities</i>		Tasks that have to be carried out to produce project results.	Section 2.6
<i>Addendum</i>		Document annexed to the grant contract to formalize an amendment. Article 9.1 of the grant contract General Conditions indicates that "Any amendment to the Contract, including the annexes thereto, must be set out in writing in an addendum." Not all changes need an addendum.	Section 4.2.
<i>Administrative costs</i>		A fixed percentage of the total amount of direct eligible costs (excluding taxes) of the Action may be claimed as indirect costs to cover the administrative overheads incurred by the Beneficiary or Partners. This should not exceed the percentage laid down in Article 3 of the grant contract Special Conditions.	Section 2.13
<i>Agreed upon procedures</i>		Auditing technical term referring to the type of work to be delivered by the Auditor. In ENPI CBC the term refers to the expenditure verification report accompanying the request by Beneficiaries for payment of the grant. These can be found in Annex VII of the grant contract	Section 5.3
<i>Annual Work Programme for Grants</i>		This document announces the calls for proposals foreseen until end of the year. The JMA are responsible for publishing it before 31 March of each year.	
<i>Antenna</i>		See Branch Office	
<i>Applicant</i>		The organisation which submits a project proposal for selection on behalf of a group of partners.	
<i>Application form</i>		Form used by Applicants to request the award of a grant. It includes a description of the Action, and the budget and the logical framework which later become annexes to the grant contract.	
<i>Associate / Associate Partners</i>		Organisations which have an important role in the project but may not receive funding from the grant with the exception of subsistence or travel costs for project activities. Associates do not have to meet the eligibility criteria for Applicants and Partners.	
<i>Assumptions</i>		External factors which could affect the progress or success of the project, but over which the project manager has no direct control.	Section 2.6
<i>Audit</i>		Verification of the Beneficiary/Partner accounts, including the project accounts. It is carried out either by JMA, the European Commission, the European Court of Auditors or an external auditor on their behalf. It is NOT the expenditure verification to be attached by the Beneficiary to the requests for payment.	Sections 2.7 & 5.4



Term	Acronym	Description	Section in Manual
<i>Auditor</i>		Professional responsible for carrying out the Expenditure Verification for Beneficiaries and Partners (see “controller”). If engaged by programme bodies or EC, s/he is the responsible for carrying out any audit on their behalf.	Sections 5.3 & 5.4
<i>Beneficiary</i>		The Applicant becomes Beneficiary when the grant is awarded. The Beneficiary is the organisation which signs the grant contract with JMA on behalf of the project partners.	Sections 1.3 & 2.2
<i>Body governed by public law</i>		EU institutions using public procurement rules in accordance with Article 1.9 of the relevant Directive (2004/18/EC).	Section 3.1
<i>Branch Office</i>		Programme body established by JTS to support Applicants, Beneficiaries and Partners by informing them of activities planned under the programme, as defined in Article 16 of the Implementing Rules.	
<i>Call for proposals</i>		An award procedure for grants published by the contracting authorities allowing potential Applicants and partners to submit proposals. It may be open or restricted.	Section 1.3
<i>Call for tenders</i>		An open award procedure for contracts (services, works or supplies), published by the contracting authority. For tenders launched within a project, this is the Beneficiary or Partners.	Section 3.2.
<i>Capitalisation</i>		Process of collecting, analysing and transferring good practices in a certain policy area with the objective of optimising the objectives achieved in the specific policy domain of cross-border cooperation on the EU's external borders. In particular, one of the expected results of these activities is the transfer of the good practices identified to other cross-border cooperation projects or programmes.	Section 4.5
<i>Cash flow</i>		Transfer of money into and out of an organization.	Sections 2.8 & 2.12
<i>Co-financing</i>		Funding which matches the EC contribution to the project. As indicated in Article 19 of Implementing Rules, it shall come from own resources of the countries or the bodies participating in the operational programmes.	Section 2.14
<i>Committee on Sponsoring Organisations of the Treadway Commission</i>	COSO	International body having defined the most widely accepted framework for internal control in organisations.	Section 2.9
<i>Contingency Reserve</i>		Defined in Article 14.3 of the grant contract General Conditions. It is an amount indicated in the budget as a reserve, to be used in case of unforeseeable events. It can be used only with prior authorization by JMA.	Section 2.13

Term	Acro- nym	Description	Section in Manual
<i>Conflict of interest</i>		As defined in section 2.3.6 of PraG, conflict of interest occurs when the impartial and objective exercise of the functions an institution, or the respect of the principles of competition, non-discrimination or equality of treatment of candidates/tenderers/applicants/contractors with regard to the award procedure or contract, is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with the beneficiary of EU funded programmes.	Section 3.2.
<i>Contracting Authority</i>		The usual PraG term for the institution responsible for awarding and contracting grants. In the context of ENPI-CBC it is sometimes the Joint Monitoring Committee (when deciding on the award on grants) or the Joint Managing Authority (signing the contracts with Beneficiaries) or the Beneficiaries or Partners (when conducting tenders for services, supplies or works).	Section 1.3
<i>Controller</i>		Public officer designated by some Member States to perform the auditor's tasks for project expenditure verification. Only applicable in some programmes.	Section 5.3
<i>Controls</i>		Financial verifications carried out by JMA, EC or other authorised bodies in order to protect the financial interest of the European Union against fraud and other irregularities.	Section 5.4
<i>Cut-off</i>		Audit and contract term to define the date of the beginning or end of eligibility of expenditure.	Section 5.3
<i>Derogation</i>		The exceptional non-compliance with a certain rule or legal requirement. The derogation has to be authorised by the relevant competent authority.	
<i>Direct Costs</i>		Described in Article 14 of the grant contract General Conditions. They are costs not based on a flat rate. They are identifiable in the accounting and verifiable through adequate supporting documents.	Section 2.13
<i>Double entry bookkeeping</i>		Accounting technique which records each transaction in at least two different accounts, as a credit and as a debit. Credit entries represent the sources of financing, while debit entries the use of this financing. It is compulsory in ENPI-CBC, as indicated in Article 16 of the grant contract General Conditions.	Section 2.10
<i>Economy (principle of)</i>		Assurance that the resources used by a Beneficiary or Partner for pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price, as defined in Article 27 of the Financial Regulation.	Section 4.1
<i>Effectiveness</i>		Attaining the specific objectives set and achieving the intended results of a project, as defined in Article 27 of the Financial Regulation.	Section 4.1.
<i>Efficiency</i>		Best relationship between resources employed and results achieved, as defined in Article 27 of the Financial Regulation.	Section 4.1
<i>Eligible costs</i>		Costs actually incurred by a beneficiary or a partner which meet the criteria described in Article 14 of the grant contract General Conditions.	Section 2.13



Term	Acronym	Description	Section in Manual
<i>Eligibility criteria</i>		The conditions under which a cost, a partner, a tender bid, etc. can be accepted as such during a selection procedure or in a financial report for the calculation of a grant.	Section 2.13
<i>European Anti-fraud Office</i>	OLAF	EC body responsible for investigation when there is suspicion of fraud.	Section 5.4
<i>European Commission</i>	EC	The European Commission is the executive body of the European Union. The body is responsible for proposing legislation, implementing decisions, upholding the Union's treaties and the general day-to-day running of the Union. (http://ec.europa.eu/index_en.htm)	
<i>European Court of Auditors</i>	ECA	The European Court of Auditors is the EU Institution established to carry out the audit of EU finances. As the EU's external auditor it contributes to improving EU financial management and acts as the independent guardian of the financial interests of the citizens of the Union. (http://eca.europa.eu/portal/page/portal/eca_main_pages/home)	Section 5.4
<i>European Economic Area</i>	EEA	The EEA unites the 27 EU Member States and the three EEA EFTA States (Iceland, Liechtenstein, and Norway) into an Internal Market governed by the same basic rules. These rules aim to enable goods, services, capital, and persons to move freely about the EEA in an open and competitive environment. (http://www.efta.int/eea.aspx)	Sections 3.4 & 3.5
<i>European Neighbourhood Policy</i>	ENP	European policy defining the goals and instruments of the European Union in relation to its neighbouring countries. (http://ec.europa.eu/world/enp/index_en.htm)	
<i>European Neighbourhood and Partnership Instrument</i>	ENPI	The financing instrument for the European Neighbourhood Policy and the EU's Strategic Partnership with Russian Federation. It is designed to target sustainable development and approximation to EU policies and standards according to the agreed priorities in priorities in the ENP Action Plans and the Strategic Partnership. (http://ec.europa.eu/world/enp/funding_en.htm)	
<i>European Neighbourhood and Partnership Instrument Cross Border Cooperation</i>	ENPI CBC	Cross Border Cooperation (CBC) is a key priority of the European Neighbourhood and Partnership Instrument (ENPI). It aims to reinforce cooperation between member states and partner countries along the external borders of the European Union. (http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-cross-border/index_en.htm)	
<i>ENPI CBC Implementing rules</i>		COMMISSION REGULATION (EC) No 951/2007 of 9 August 2007 laying down implementing rules for cross-border cooperation programmes financed under Regulation (EC) No 1638/2006 of the European Parliament and of the Council laying down general provisions establishing a European Neighbourhood and Partnership Instrument. (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:210:0010:0025:EN:PDF)	



Term	Acro- nym	Description	Section in Manual
<i>ENPI Regulation</i>		REGULATION (EC) No 1638/2006 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument (http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-cross-border/documents/enpi_regulation_en.pdf)	
<i>ENPI Cross-border Cooperation Strategy Paper 2007-2013</i>		European Neighbourhood and Partnership Instrument Cross-Border Cooperation Strategy Paper 2007-2013 which gives the strategic framework for EC support for cross-border cooperation on the external borders of the European Union, under the ENPI in 2007-13, and the Indicative Programme for 2007-10 (http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-cross-border/documents/enpi_cbc_sp_ip_2007-2013_final_en.pdf).	
<i>Execution period</i>		Period going from the start of project implementation until the moment when the final balance payment of the grant is made or, at the latest, 18 months after the end of the implementation period.	Section 2.2
<i>Expenditure verification</i>		A report on the verification of project expenditure, produced by an approved auditor who meets the specific conditions of the Terms of Reference for expenditure verification (Annex VII of the grant contract).	Section 5.3
<i>Evaluation</i>		Independent assessment of the achievement of the project goals and the respect of the principles of efficiency and effectiveness. It may be carried out at the project's own initiative, but also at the initiative of the JMA or the EC.	Section 4.1
<i>Implementation period</i>		Period going from the start until the end of the project activities.	Section 2.2
<i>Indicators</i>		Provide evidence that a certain condition exists or certain results have or have not been achieved. They define what has to be measured to support the evaluation of the success and performance of results and achievement of the objectives. They specify the quantity and quality of the results and objectives.	Section 2.6
<i>Indirect costs</i>		<i>See Administrative costs</i>	Section 2.13
<i>Inforeuro</i>		Official EC web site for currency exchange rate for the Euro: (http://ec.europa.eu/budget/inforeuro/index.cfm?Language=en)	Section 5.2
<i>In kind contribution</i>		Contribution to project activities which does not involve cash expenditure by Beneficiaries and Partners, such as voluntary work or the free use of premises. It is non-eligible as indicated in Article 14.5 of the grant contract General Conditions.	Section 2.13
<i>Instrument for Pre-Accession</i>	IPA	EU financial instrument (2007-2013) supporting the countries engaged in the accession process to become EU Member States, such as Turkey.	
<i>INTERACT ENPI</i>		INTERACT ENPI is an EU project which supports the management and implementation of the ENPI CBC programmes established along the EU's Eastern and Southern external borders. (http://www.interact-eu.net/interact_enpi/interact_enpi/122/562)	

Term	Acronym	Description	Section in Manual
<i>Interim report</i>		Narrative and financial report accompanying a request for pre-financing from Beneficiary to JMA, with the exception of the first pre-financing on signature of the contract.	Sections 5.1 & 5.2
<i>Irregularity</i>		Any infringement of a provision of Community law resulting from an act or omission by a Beneficiary or Partner which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure.	Sections 2.9 & 5.4
<i>Final Beneficiaries</i>		Those who will benefit from the action in the long term at the level of the society or sector at large, as defined in the PraG application form template.	Sections 2.7 & 6.1
<i>Final report</i>		Narrative and financial report accompanying a request from the Beneficiary for balance payment of the grant from the JMA.	Sections 5.1. & 5.2
<i>Financial Regulation</i>		COUNCIL REGULATION (EC, EURATOM) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities. (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2002R1605:20071227:EN:PDF)	
<i>Financial Report</i>		Part of the Interim Report or final report indicating the amount of eligible expenditure incurred and paid by the beneficiary and the partners.	Section 5.2
<i>Financing Agreements</i>		Agreement established between the European Commission and each partner country for each joint operational programme, in accordance with Article 10 of the Implementing Rules	
<i>Fraud</i>		Deliberate deception, trickery or cheating intended to gain an advantage.	Section 5.4
<i>General objective</i>		It explains why the project is important to society, (also sometimes known as the 'Goal') in terms of the longer-term benefits to final beneficiaries and the wider benefits to other groups. It also helps to show how the project fits into the priorities of the programme. The project contributes to the achievement of the general objective but it will not be achieved by the project alone.	Section 2.6
<i>General conditions</i>		Annex II of the grant contract, including the conditions applicable to all projects financed by grants for external actions.	Section 2.2
<i>Grant</i>		A direct financial contribution, by way of donation from the EU budget, in order to finance a project intended to help achieve an objective that is part of a European Union policy.	Section 1.3
<i>Grant contract</i>		Legally binding agreement signed between the JMA and the Beneficiary laying out the terms and conditions for project implementation.	Section 2.2
<i>Implementing Rules</i>		COMMISSION REGULATION EC 951/2007 laying down implementing rules for cross-border cooperation programmes financed under Regulation (EC) No 1638/2006 of the European Parliament and of the Council laying down general provisions establishing a European Neighbourhood and Partnership Instrument (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:210:0010:0025:EN:PDF)	

Term	Acro- nym	Description	Section in Manual
<i>Internal control</i>		A system designed to promote efficiency or to assure the implementation of a policy, the safeguard of assets or to avoid fraud and error.	Section 2.9
<i>Joint Managing Authority</i>	JMA	In accordance with Article 14 of the Implementing Rules, it is the body entrusted by the participating countries of a programme with the tasks involved in the implementation of the programme.	
<i>Joint Monitoring Committee</i>	JMC	In accordance with Articles 11 to 13 of the Implementing Rules, it is the highest decision-making body of a programme, with representation from all participating countries.	
<i>Joint Operational Programme</i>		Strategic document jointly developed by the participating countries of a programme area, as defined in the Strategy Paper. It is approved by a Decision of the European Commission.	
<i>Joint Technical Secretariat</i>	JTS	In accordance with Article 16 of the Implementing Rules, the JTS is a body established by JMA to assist in the day-to-day management of the activities of the programme.	
<i>Kick-off meeting</i>		Initial project meeting with all partners in order to launch implementation, and ensure a shared understanding among all involved	Section 2.1
<i>Lead Partner</i>		<i>See Beneficiary</i>	
<i>Logical framework (logframe)</i>		The matrix in which the project Intervention Logic, Assumptions, Objectively Verifiable Indicators and Sources of Verification are presented.	Sections 1.3 & 2.6
<i>Logical Framework Approach</i>	LFA	A methodology for planning, managing and evaluating programmes and projects, involving stakeholder analysis, problem analysis, analysis of objectives, analysis of strategies, preparation of the Logframe matrix and Activity and Resource Schedules.	Sections 1.3 & 2.6
<i>Monitoring System</i>		A system ensuring a regular review of project activities to keep track of how a project is progressing in terms of resource use, implementation, delivery of results and the management of risks. It includes the systematic and continual collection of information according to predefined indicators and the analysis and use of this information to support effective decision making.	Section 2.7
<i>Narrative Report</i>		Part of the Interim and Final Reports describing project implementation.	Section 5.1
<i>On-the-spot visit</i>		Monitoring visit made to the Beneficiary or Partner at the location of the project activities by JTS, JMA, EC or any other competent body.	Section 5.4
<i>Open to control period</i>		Period covering 7 years after the payment of the balance of the grant, in accordance with Article 45 of the Implementing Rules. The EC and other competent bodies may carry out checks and controls during this period.	Sections 5.4 & 6.3
<i>Output</i>		Something produced by the project or an event held during the project. Sometimes also called a Deliverable.	Section 2.6
<i>Overheads</i>		<i>See Administrative costs</i>	Section 2.13



Term	Acronym	Description	Section in Manual
<i>Ownership of results</i>		Who owns the results of the project including intellectual property as described in Article 7 of the grant contract General Conditions, usually adapted in Article 7 of the grant contract Special Conditions.	Section 6.1
<i>Partner/project partner</i>		Organisations participating in jointly designing and implementing a project together with the Beneficiary. They sign a Partnership Agreement with the Beneficiary.	Sections 2.4 & 2.5
<i>Partner Countries</i>		EU neighbouring countries proposed in the ENP. They include Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Moldova, Palestinian Authority, Russia, Syria, Tunisia and Ukraine. Algeria, Libya and Morocco are also listed in the ENP, but they do not currently participate in ENPI CBC.	
<i>Partnership Agreement</i>		The Partnership Agreement is a legally binding document signed by the Beneficiary and all Partners to ensure a shared understanding of the project especially in regard to the exact role and responsibilities of each Partner.	Section 2.4
<i>Payment request</i>		Request by the Beneficiary to the JMA for the payment of part of the grant.	Sections 2.8 & 5.2
<i>Per Diem</i>		Flat-rate paid by some institutions to cover the subsistence costs of personnel or experts when travelling for project activities. There is a list of the maximum amounts published by DG DEVCO, which has to be used as a threshold as described in Article 14 of the grant contract General Conditions.	Section 2.13
<i>Practical Guide to contract procedures for EU external actions</i>	PraG	PraG explains the contracting procedures applying to all EU external aid contracts. Article 23 of the Implementing Rules establishes that the ENPI-CBC programmes will use the contracting procedures and related templates of PraG for implementation. (http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm)	
<i>Pre-financing</i>		Advance payment of the grant amount sent by JMA to beneficiaries on signature of the grant contract or on submission of interim reports. The payments are regulated by Article 15 of the grant contract General Conditions and sometimes complemented by Article 7 of the grant contract Special Conditions.	Sections 2.8 & 5.2
<i>Procurement procedures</i>		Procedures used by public authorities and bodies governed by public law for the award of contracts for services, supplies and works. They are also used by private bodies when the services, supplies and works are financed by ENPI CBC grants.	Section 3.2
Project		A set of activities designed to obtain results which contribute to specific objectives and, thus, to the programme's priorities.	

Term	Acro- nym	Description	Section in Manual
<i>Project Cycle Management</i>		A methodology for the preparation, implementation and evaluation of projects based on the principles of the Logical Framework Approach. The EC Project Cycle Management Guidelines are available at http://ec.europa.eu/europeaid/multimedia/publications/publications/manuals-tools/t101_en.htm .	
<i>Recovery</i>		Refers to the recovery of payments made by the JMA that are in excess of what is legally required, for example, due to ineligible expenditure, or lower than expected costs for the project.	Section 6.2
<i>Regional Capacity Building Initiative</i>	RCBI	RCBI is an EU project supporting participation by 13 Partner Countries in the ENPI CBC Programmes (http://www.rcbi.info).	
<i>Results</i>		Outcomes, consequences, or what ensues from an action or policy. Results are the tangible products/services delivered as a consequence of implementing a project.	Section 2.6
<i>Rule of nationality</i>		Participation in the award of procurement contracts financed under ENPI-CBC should be open to all natural persons who are nationals of, and legal persons established in a Member State or a country eligible under ENPI CBC (and other EU financial instruments). They should also be open to International Organisations.	Section 3.4
<i>Rule of origin</i>		All supplies and materials purchased under contracts financed by ENPI-CBC funds shall originate in the European community or a country eligible under ENPI CBC.	Section 3.5
<i>Secondary procurement</i>		Public procurement carried out by project Beneficiaries and Partners.	Sections 2.3 & 2.7 Chapter 3
<i>Single entry bookkeeping</i>		Accounting method in which transactions are recorded as a single entry rather than as both a debit and a credit as in double entry bookkeeping. This method can only provide lists of transactions and is not accepted in ENPI-CBC projects.	Section 2.10
<i>SMART Objectives</i>		In accordance with Article 27 of the Financial Regulation, project objectives have to be Specific, Measurable, Achievable, Relevant and Timed (SMART).	Section 4.1
<i>SMART Indicators</i>		In accordance with Article 27 of the Financial Regulation, the achievement of SMART objective shall be monitored by performance indicators which are also SMART, in this case, Specific, Measurable, Available, Relevant and Timely.	Section 4.1
<i>Sources of funding</i>		The sources of the matching funds needed to complement EC contribution to the project budget usually 90% of eligible costs.	Section 2.14
<i>Sound Financial Management</i>		Three principles defined in Article 27 of the Financial Regulation aimed at the good use of EU money.	Section 4.1
<i>Special Conditions</i>		Part of the grant contract indicating the specific conditions applicable to the implementation of the project.	Section 2.2



<i>Term</i>	<i>Acro- nym</i>	<i>Description</i>	<i>Section in Manual</i>
<i>Specific objectives</i>		Objectives directly related to the problems and needs of the target groups identified by the project. They have to be achieved during the lifetime of the project.	Section 2.6
<i>Strategy Paper</i>		<i>See ENPI Cross-border Cooperation Strategy Paper 2007-2013</i>	
<i>Start-up</i>		Initial steps to be taken at the beginning of a project in order to start implementation.	Section 2.1
<i>Sub-grant</i>		Financial support given to third parties by a Beneficiary or a Partner as outlined in the project description and in accordance with the conditions defined in section 6.2.11 of PraG.	Section 2.13
<i>Sub-grantee</i>		Beneficiary of a sub-grant.	Section 2.13
<i>Subsistence Costs</i>		Accommodation, food and other costs incurred during travel by Beneficiary/Partner staff or other persons participating in the project activities.	Section 2.13
<i>Supporting documents</i>		Documents needed to prove the eligibility of a cost. An indicative list can be found in Article 16.3 of the grant contract General Conditions.	Sections 2.13 & 6.3
<i>Sustainability</i>		In relation to the ENPI CBC projects, sustainability refers to the anticipation and planning for the continuation of the benefits produced by a project after the period of external support has ended.	Sections 2.7 & 4.5
<i>Target group</i>		Groups/entities identified in the project specific objectives or project purpose who will be directly positively affected by the project activities, as defined in the PraG application form template.	Sections 2.7 & 4.3
<i>Timesheet</i>		Time record system describing the activities carried out by project staff or experts within the framework of the project.	Section 2.13 & Annex F
<i>Visibility</i>		Legal requirements defined in Article 6 of the grant contract General Conditions in order to take the necessary steps to publicise EU action.	Section 4.4

Annexes (available only in electronic format)

Annex A: SIMPLIFIED EXAMPLE OF BUDGET AND FINANCIAL PLANNING

Annex B: CHECK-LIST ON INTERNAL CONTROL

Annex C: CHECK-LIST ON ACCOUNTING SYSTEM

Annex D: BANK RECONCILIATION TEMPLATE

Annex E: CASH-FLOWS RECONCILIATION TEMPLATE

Annex F: MODEL OF TIMESHEET

Annex G: CHECK-LIST ON REPORTING

Annex H: CHECK-LIST ON PROCUREMENT

Annex I: CHECK-LIST ON DOCUMENTATION



Regional Capacity Building Initiative

Supporting partner country participation in ENPICBC Programmes 2007-2013

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BUILDING A BETTER WORLD