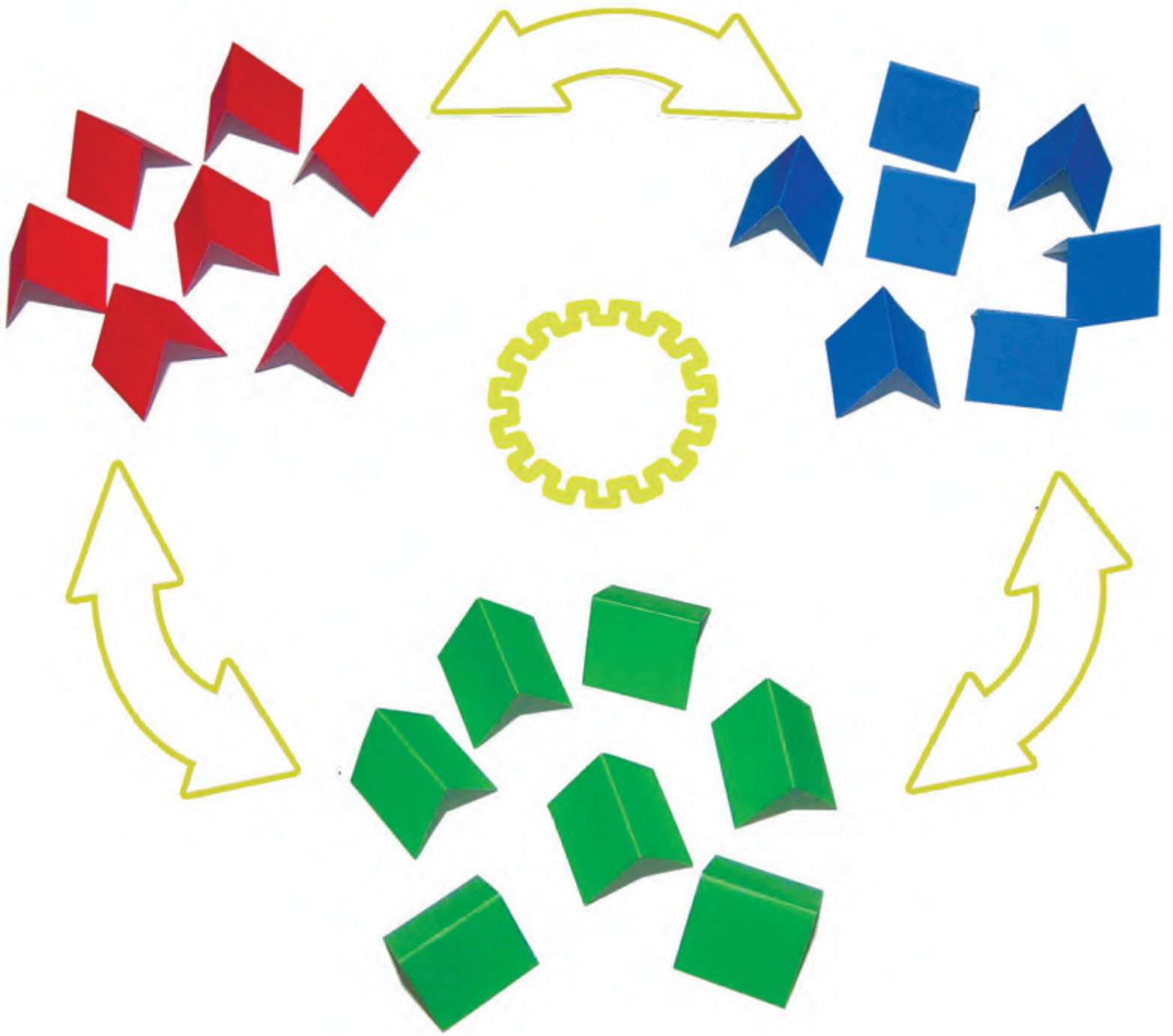


A Practical Implementation Manual for IPA/CBC funded Projects

Tirana, October 2012

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1. CROSS BORDER COOPERATION

1.1 IPA Cross Border Cooperation Programmes in Albania

The Cross Border Cooperation Programmes are designed to provide strategic guidance to implementation of assistance under Component II –“Cross Border Cooperation” of the Instrument of Pre-Accession Assistance (IPA).

CBC supports with 30 million EUR cross border activities between Albania and EU Member States, and between Albania and candidate and potential candidate countries.

The overall objective of CBC Programmes is strengthening the cross border cooperation through common local and regional initiatives by combining foreign assistance objectives to the economic and social cohesion objectives'. Specific objectives envisaged under the implementation of CBC programmes offered to Albania by the EU include:

- Enhancing economic and social development in border areas;
- Addressing common challenges in areas such as environment, natural and cultural heritage, public health, prevention and fight against organized crime and secure borders;
- Promoting joint activities involving partners and border regions , Encouraging enterprises, in particular development of SME, tourism, culture and cross-border trade ;
- Fostering and improving joint protection and management of natural and cultural resources, as well as prevent technological and natural risks;
- Supporting networks between urban and rural areas;
- Reducing isolation level between improved transport networks, communication and services net-

works, cross-border waters, energy systems and waste management etc;

- Develop cooperation in sectors such as health, culture, tourism and education;

CBC programmes are building on the existing partnerships and joint cooperation initiatives between the two countries and the local government units (LGUs) in the bordering area. The civil society organizations (CSOs), including non-government organizations, trade unions, universities and research institutions are also eligible to apply for grants from CBC Programmes.

While a substantial emphasis is given to social, economic and environmental sustainability, the cross-border programme encourages the design and implementation of projects highlighting the cross border partnership and equal opportunities. Thus, creation of real partnerships with cross border effects is indispensable to the implementation of this Programme. Priority is given to projects that clearly demonstrate the creation of equal opportunities for gender, ethnicities, and disable persons according to EU principles.

Albania benefits from the following CBC programmes: **IPA-Adriatic, Greece-Albania, Albania Montenegro, Albania Kosovo, FYR of Macedonia Albania, and SEE (Southern Eastern Europe).**

For the period 2007-2009, 26.6 million EUR are allocated for the above mentioned programmes. These found are awarded to the successful applicants through open call for proposals, whereby organizations are invited to develop joint project with their cross border counterparts within a time period, usually 3 months.

During 2008, through frequent regional and bilateral consultations, partner countries established all joint structures necessary for efficient and effective management of CBC programmes. Roles and responsibilities of these structures, Joint Monitoring Committees (JMC), Joint Technical Secretariats and their Antennae (JTS/A) are described in details in the following paragraphs.

1.2. Structures of Cross Border Cooperation Programmes

1.2.1. Operating structures at the programme level

The implementation of the Cross-Border Programme between Albania and the above mentioned countries is operated through the Operating Structures (OS) that are appointed in each country benefiting from IPA/CBC Programmes:

In Albania the Operating Structure is the **Ministry of the European Integration**, responsible for coordination of the Instrument for Pre-Accession Assistance (IPA 2007-2013)

The Operating Structures in each country cooperate closely in the programming and implementation of the programme and have established common coordination mechanism.

1.2.2. Contracting authority

In Albania, all CBC Programs between Albania and EU member states and Western Balkan Countries are implemented under the centralised management, meaning that the **Contracting Authority (CA)** is the **Delegation of the European Union (EUD)** in Albania. The CA is having the contractual role in the implementation and management of the CBC projects. This role includes contract signature, execution of payments to grantees, approval of

project reports, and overall monitoring of the implementation of grant contracts.

1.2.3. The role of the Joint Technical Secretariat and Antenna (JTS/A)

The OSs of the partner countries of IPA/CBC Programmes have established the **Joint Technical Secretariats and their Antennae (JTS/A)**, as the bodies responsible for day-to-day management and administrative arrangements of every programme.

The JTSs are responsible for the following tasks:

- assisting the JMC and the OS in carrying out their duties, including the drafting of all monitoring and evaluation reports and the annual and final report;
- organising JMC meetings and planning and organising information campaigns and other activities related to raising public awareness on the programme;
- assisting potential beneficiaries in partner research and project definition;
- managing the Call for Proposals process, including receiving and registering project applications, carrying out the initial assessment (e.g. examination of the application documents for completeness, and meeting eligibility criteria) and preparing documentation for the evaluation process;
- assisting the JMC or the Steering Committee in the evaluation and selection of projects;
- preparing standardized forms for project application, assessment, contracting, and implementation, monitoring and reporting based as much as possible on templates and models included in the PRAG;
- organising and managing an ad-hoc data base of the programme, on the basis of the information collected during the call for proposal process

and those transferred regularly by the OSs;

- planning its activities according to a work plan annually approved by the JMC.

When you signed the grant contracts, you were informed of the designated person in the EUD responsible for your contract.

Please find below the table containing the contact details of the programme JTS/A.

Pro-gramme	JTS Contact Details	Antenna Contact Details
IPA Adriatic	IPA Adriatic CBC Programme Via Salaria Antica Est 27, 67100 L'Aquila, Italy Tel. +39 0862 411383; Fax: +39 0862 22520, e-mail: info@adriaticpacbc.org www.adriaticpacbc.org	Ministria e Integritimit Evropian "Rr Papa Gjon Pali II" Nr 3, Kutia Postare Nr 8302, Ti- rana, Albania Telephone: 00 355 4 2 228623 Fax.: 00 355 4 2 256267 www.mie.gov.al
Greece - Albania	Joint Technical Secretariat/Managing Authority of the "Greece – Albania IPA Cross-Border Programme" 2007-2013 65, Georgikis Scholis Avenue, Pilea, 57001, Thessaloniki, Greece Telephone: 0030 231046 96 24; Email: interreg@mou.gr rsemergjan@mou.gr mpanagiotakou@mou.gr www.interreg.gr	Ministria e Integritimit Evropian "Rr Papa Gjon Pali II" Nr 3, Kutia Postare Nr 8302, Ti- rana, Albania Telephone: 00 355 4 2 228623 Fax.: 00 355 4 2 256267 www.mie.gov.al
Albania - Montenegro	Joint Technical Secretariat Cross-Border Programme Albania-Montenegro Rruga: "13 Dhjetori", No. 1 Godina e Bashkise, Kati IV Shkodër, Albania E-mail address: jts.almne@gmail.com Fax: +355 222 400 215	JTS Antenna Office Ul. Omladinskih brigada 4, Podgorica, Montenegro phone: +382 69 180-199 e-mail: vmcamaj@gmail.com
Albania – Kosovo	Joint Technical Secretariat (JTS) - Kukës Hotel GjAllica, 2nd floor Kukës, Albania E-mail: jts.albaniakosovo@gmail.com Tel / Fax: +355 242 2 44 96	JTS Antenna Office IPA CBC Programme Albania – Kosovo "Remzi Ademaj" nr.23, Prizren, Kosovo Tel: + 377 (0) 44 206 357
FYR of Macedonia – Albania	Joint Technical Secretariat (JTS)-Struga Boro Duni bb, 6330 Struga Republic of Macedonia E-mail: jts_mkal@yahoo.com Fax: +389 46 788 300	Antenna Prefektura e Elbasanit Marin Beluli, Task Manager Email: marin_beluli@yahoo.com

2. GETTING STARTED / PROJECT IMPLEMENTATION

The approval of a project proposal usually brings inspiration and positive excitement for all those who have invested time in the preparation of the proposal. Although the funding of the project is a major stepping stone the real work is just beginning. After budget negotiation as to which cost will be covered (or may reduce) and which not, you should embark on the next stage of the project where all you have planned will commence. For the Project Manager it is very important to implement all the set activities, achieve all the results and specific (objective)s within the set time frame of the project.

To run a project efficiently and to successfully achieve the objectives, the project has to be managed and administered in an accurate and accountable way. Both grant beneficiaries, the **Functional Lead Partner (Applicant 1) becomes Grantee 1** and **Applicant 2 becomes Grantee 2**. The Functional Lead Partner (Applicant 1) is responsible for the **overall** project implementation, meaning for the entire co-ordination of implemented activities on both sides of the border, while **both grantees take the responsibility for the entire project implementation in their respective countries, including activities carried out by all other partners**. Please note that in further text only terms Grantee 1 (G1) and Grantee 2 (G2) will be used.

The G1 and G2 must make sure that the EU contractual procedures concerning financial management and control (audit) and as well as procurement, information, communication and visibility activities and rules are respected and observed **by all their partners**. Moreover, the grantees are responsible for timely and correct reporting to the Contracting Authority. As a result, the G1 and G2 should ensure that efficient administrative management and con-

trol systems are established within the project, on each side of the border.

Before starting the implementation of your project be sure that all partners have a common understanding of the project goals, activities and expected results and of the working plan. Come back to your application to see whether it is relevant and read it again carefully. However, the most useful tool in the project management is you Logframe Matrix, which is a summary of the project

During the negotiation phase of your grant contract with the Contracting Authority you will review your project proposal in order to:

- ▶ Get acquainted with contractual obligations and ensure they are well understood;
- ▶ Ensure that each project partner understands specific national rules applicable in their country;
- ▶ Review the schedule of activities and the budget costs;
- ▶ Review the Partnership Agreement
- ▶ Make a detailed plan of the initial stage including:
 - Recruiting of the project staff, if needed
 - Training the project staff, paying special attention to the project implementation according to EU regulations (in particular financial management, the procurement and visibility rules)
 - Setting up accounting and monitoring systems and a good archiving system;
 - Developing good financial planning to prevent cash flow problems

2.1. Contractual Obligations

If a Grant Beneficiary from Cross Border Programme (LGU or CSO) is awarded a grant, the first thing it should do is remind itself what exactly a grant is according to EU principles and procedures.

According to the Practical Guide to contract procedures for EC External Actions (PRAG), which is the EU's guide for implementing EU funded projects:

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

Therefore:

- ▶ A grant is a payment of non-commercial nature to implement an action, in accordance with a Grant Agreement between the contracting authority and the beneficiary.
- ▶ A grant is made for an operation which is proposed by the Beneficiary and falls within the normal framework of the beneficiary's activities;
- ▶ The beneficiary is responsible for implementing the operation conditional on a number of rules and regulations and retains ownership of the results.

The "conditionality" of the award is described in detail in the Grant Contract, a legal document mutually agreed and signed between the Contracting Authority i.e. the LGU, or CSO being awarded a grant. It is essential that Grant Beneficiary, particularly the project management team clearly understands the content of the Grant Contract Document.

A standard grant contract is made up of the following parts:

- ▶ **Special Conditions** - *which describe the specific context and parameters of the Call for Proposals, detailing the cost eligibility criteria, criteria for eligible actions, as well as the duration and location of the action, and information about the two contact parties;*
- ▶ **Annex I:** *Description of the Action - the project proposal as described by the completed Application Form. Although no major changes can be made to the Application Form, prior to contract signature the Contracting Authority may negotiate with the Applicant to make minor changes (for example, to account for any contextual changes due to a lapse in time between the date of application and date of award of the grant.);*
- ▶ **Annex II:** *General Conditions - universal conditions set by the EU, based on PRAG;*
- ▶ **Annex III:** *Budget for the Action - as included in the Application, but may be modified by negotiation with the Contracting Authority prior to contract signature. The budget is a breakdown of all eligible project related costs. It is important to have a clear and easy to understand budget attached to the contract as it directly impacts on the smooth Implementation of the project. It should also be remembered that the budget is only an estimate of costs and that the final disbursement will depend upon actual project outputs and their related eligible costs;*
- ▶ **Annex IV:** *Contract-award Procedures;*
- ▶ **Annex V:** *Standard 'Request' templates for Payment and Financial Identification Form;*
- ▶ **Annex VI:** *Template for Reports;*
- ▶ **Annex VII:** *Expenditure Verification Report.*

Optional:

- ▶ **Annex VIII:** *Instructions on VAT exemption*

Let's look into the details of the grant contract. Below please find a model outline of your contract, with key "*red-me-lements*" underlined in bold.

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

Your Project Proposal describing the cross-border cooperation project funded by the grant and the results you commit to achieve with your partners.

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 of The Action

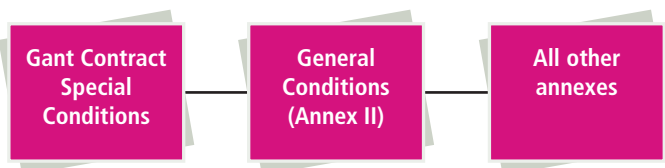
Your project budget, as agreed with Contracting Authority upon the contract signature (please note that your project may be amended during project implementation - always check the last budget agreed)

ANNEX IV: <i>Contract-Award Procedures</i>	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: <i>Request for Payments</i>	<i>Compulsory template to be used by the Beneficiary to request pre of the balance</i>
ANNEX VI: <i>Model Reports</i>	<i>Compulsory templates to be used to prepare project narrative and financial reporting</i>
ANNEX VII: <i>Expenditure Verification</i>	<i>Model Terms of Reference for the expenditure verification of the grant, list of procedures to be performed by the auditor and model</i>

In addition, during the project implementation, you will need other **templates and forms**, which apart from those mentioned above, could be provided by the Contracting Authority or JTS/Antenna.

You should also be aware of the hierarchy of your contract components (shown in Figure to the right):

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



Following the signature of the contract with the Contracting Authority, the **Functional Lead Partner (Applicant 1) becomes Grant Beneficiary 1 (GB1) and Applicant 2 becomes Grant Beneficiary (GB2)**. The Functional Lead Partner (Applicant 1) is responsible for the **overall** project implementation, meaning for the entire co-ordination of implemented activities on both sides of the border, while **both grantees take the responsibility for the entire project implementation in their respective countries, including activities carried out by all other partners.**

The GB1 and GB2 must make sure that the EU contractual procedures concerning financial management and control (audit) and as well as procurement, information, communication and visibility activities and rules are respected and observed **by all their partners**. Moreover, the grantees are responsible for timely and correct reporting to the Contracting Authority. As a result, the G1 and G2 should ensure that efficient administrative management and control systems are established within the project, on each side of the border.

As grant beneficiary, remember to copy the full grant contract (and any amendments) to your Partners and make sure that obligations and requirements are clearly understood from the start of the project.

2.2. Important Timelines and Deadlines

Once your grant contract is signed you should know what is timeline for its execution and what are deadlines for the implementation of your project.

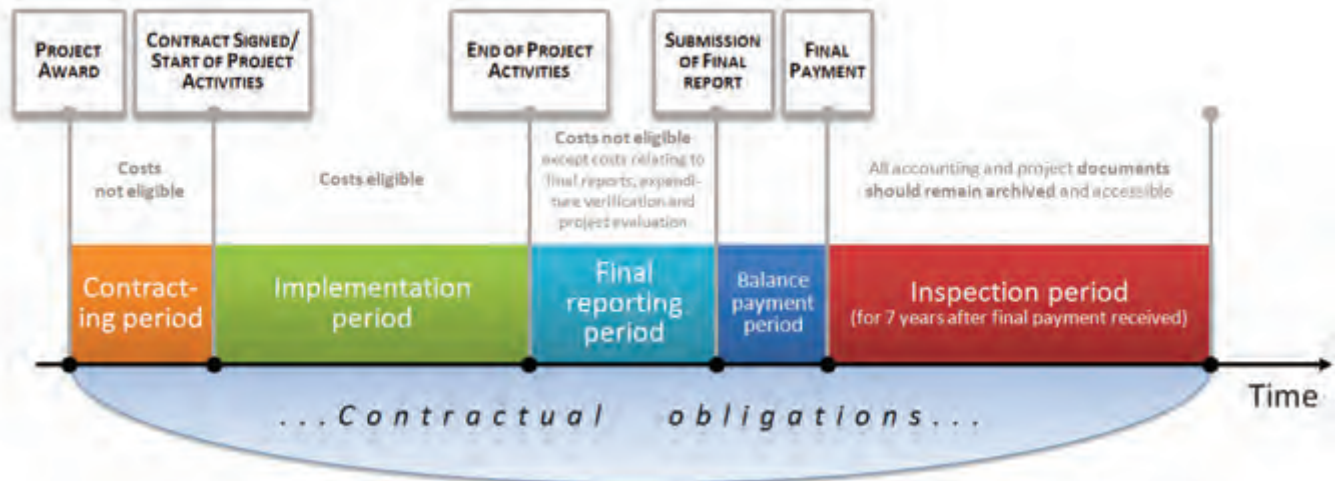
Make sure that the Beneficiary and all Partners understand the duration of contractual obligations and distinguish between:

Timing and contractual obligations are shown in the figure below and explained further in the following paragraphs.

- ▶ 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 imple-

mentation 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.
- ▶ When all contractual obligations end? 7 years after final payment. During this period the Beneficiary and Partners may be subject to verifications, including on-the-spot checks and a full audit, recognized by the Contracting Authority.



2.1.1. Deadlines

When it comes to payments, future instalments or the final reimbursement may be adversely affected by the late submission of narrative and financial reports. You can avoid disappointment and extra work by timely submitting all required materials. You should always be aware, among other things, of the following important deadlines for implementation of grant projects funded by the EU:

- ▶ Contract commencement date
- ▶ Contract expiry date¹;
- ▶ Submission of **interim project reports** at the end of each year of implementation, **within one month** after the reporting period finishes;
- ▶ Submission of the **final project reports** by the G1 (and G2) **within 3 months** after contract expiry date²;
- ▶ Timely submission of any additional report/information as requested by the Contracting Authority.

2.3. Responsibilities: CA (EUD) – JTS/A - Grant Beneficiaries (G1 and G2)

Each of the parties involved in the overall project implementation, the Contracting Authority, the Joint Technical Secretariat and Antennae (JTS/A) and the grant beneficiaries (G1 and G2) have their distinctive responsibilities. These responsibilities are outlined below:

1) Special Conditions, article 2.
2) General Conditions article 2.3.

Contracting Authority (CA)

- ▶ Signs a grant contract with a grant beneficiary;
- ▶ Makes payments as foreseen in the grant contract ;
- ▶ Provides final approval of all (interim and final) reports;
- ▶ If requested, approves and signs addenda to the contract;
- ▶ Approves utilisation of contingencies;
- ▶ Monitors (financial and technical) implementation of the grant contract

Joint Technical Secretariat/Antennae (JTS/A)

- ▶ Supports and advises the grant beneficiaries throughout the implementation;
- ▶ Assists grant beneficiaries in implementing procurement activities;
- ▶ Advises grant beneficiaries in writing of progress, interim and final project reports;
- ▶ Assists beneficiaries, if needed, in preparing addendum requests;
- ▶ Monitors (financial and technical) implementation of the grant projects

Grant beneficiary (Grantee 1 and Grantee2)

- ▶ Directly responsible for contract implementation;
 - ▶ Ensures that the contract is implemented according to the plan, indicators and resources set out in Annex I (Description of the Action);
 - ▶ Ensures co-ordination among its Partners;
 - ▶ Submits progress, interim and final reports;
 - ▶ Requests necessary payments;
 - ▶ Request authorisation for contract changes (addendum);
 - ▶ Responsible for procurement in line with EC procedures;
 - ▶ Responsible for project finances and audit;
 - ▶ Ensures adequate project publicity and visibility
-

**Grantee 1
(Functional
Lead
Partner)**

In addition to the above listed responsibilities, G1 should as well:

- ▶ Ensure the overall coordination of the project activities on both sides of the border;
 - ▶ Organise joint meetings of project partners, regular information exchange and correspondence;
 - ▶ Reports to the Joint Technical Secretariat and CA on the overall project progress
-

IMPORTANT REMARK!

Any communication related to project implementation, including narrative and financial reports, payment requests, audit reports and other relevant documents, must be in writing and should be **sent to the responsible EU Delegation as the Contracting Authority**, to the attention of the designated Project Manager/Task Manager.

The EU Delegation as the Contracting Authority will answer on all your questions and requests, different visibility solutions, etc. in the shortest possible time. Please be aware that a reply to your question/request might take some time. You are advised to consider this in your project planning and implementation!

3. GENERAL PROJECT MANAGEMENT

3.1. Project Team: Management and Coordination

There are two positions in your organisation that are crucial throughout the project implementation and whose importance should not be underestimated:

1. **Project manager;**
2. **Financial manager.**

3.1.1. The Project manager

The project manager is responsible for the overall organisation of the project and/or contract. This includes management of the various components of the project and ensuring that all rules and procedures are respected, including preparation of all reports, implementation of visibility activities, etc. This person should be qualified to handle thematic coordination of the project activities and its components. The project manager should be able to act as a driving force in the partnership and to mobilise the project team in order to achieve the objectives laid down in the

application. It is highly recommended to appoint a project manager with experience in management of donor-funded projects (especially familiar with EC regulations). The project manager should have a good command of the oral and written English, as this is the official language of the grant contract and all other documents that GB1 and GB2 should submit to the Contracting Authority.

3.1.2. The Financial manager

The financial manager is responsible for the accounts, financial reporting, and the internal management of the funds. The financial manager should work in close contact with the project manager in order to enable efficient overall sound financial management of the grant contract. He/she should be familiar with accountancy, and be aware of both EC external aid rules and, where applicable, national legislation in the field of financial management and controls.

LESSONS LEARNED FROM THE IMPLEMENTATION OF IPA/CBC PROJECT BY GURI I ZI COMMUNNE.

Guri i Zi Commune is part of LGUs fallen under the jurisdiction of the Administrative Region of Shkodra. After successful application in the 1st CfP from the CBC Programme between Albanian and Montenegro, the commune was awarded a grant contract entitled "Building pathways for tourism cooperation through developing handicraft products", in an amount of 101,805.11 EUR.

The objective of the action was to contribute to preservation and revitalization of traditional artisan production in the cross border area by effectively promoting these products (home textiles and traditional dresses) to local and foreign visitors in both sides of the border.

The target group of the project were 170 artisans living in Zadrime and Podgorica areas.

Guri i Zi Commune implemented this grant contract in the position of Functional Lead Partner having as Lead Partner from the Montenegrin side the Commune of Podgorica. From the Albanian side, Guri i Zi had as Albanian partners the Regional Council of Shkodra and Albanian Artisan Association.

The project was implemented by a project team consisting of Project Manager, Project Coordinator and the Finance Manager, selected through an open and transparent process.

3.2. Overview of Tasks and Functions

The implementation of your grant project will involve a broad range of tasks and functions including both technical and managerial aspects (and for Functional Lead Partner – G1 this will include coordination of activities on both sides of the border). The below paragraph provides you with essential best practices to be followed in order to successfully implement your project.

3.2.1. Initial stage

At the initial stage, special attention will have to be paid to:

- setting-up efficient **management structures and procedures** (both at individual and joint management levels);
- **Developing the Partnership Agreement as a start-**
- ing point for the definition of roles and responsibilities between you and project partners in the project. The partnership statement you have submitted as part of the application package is only an official confirmation of the Partner's participation in the project, it should be further developed into a Partnership Agreement which is a tool for ensuring a shared understanding of the project's partner. Key components of a partnership agreement are described in the figure below
- further translation of the **action plan in the form of a more detailed activity schedule** that can serve as a basis for both financial planning and management together with a procurement plan, and for monitoring the progress of project **implementation**;
- **procurement of originally envisaged services/supplies/works**;
- developing a **communication and visibility strategy/concept** that is appropriate for the project's scope and focus.

MAIN COMPONENTS OF A PARTNERSHIP AGREEMENT

- > 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.
- > Ownership of results and intellectual property.
- > Responsibilities for accounting, document archiving, reporting, monitoring and expenditure verification.
- > Responsibilities for control and recoveries.
- > Information on the resolution of conflicts (possible arbitration).
- > Conditions and procedures for modifications to the agreement.
- > Conditions for terminating the agreement – under what conditions can partnership be terminated.

3.2.2. The implementation stage

Once **project management structures** are in place and a detailed work plan has been agreed among all partners from both sides of the border, project activities can be initiated and implemented as foreseen in the description of the action.

Other key tasks at this main stage of project implementation comprise of a regular **internal monitoring** of project progress, i.e. of inputs/resources, activities, deliverables, and project outputs/results, in line with the activity schedule and the continuous financial management of the budget and expenditures. Throughout the implementation of project activities adequate attention will have to be paid to **documenting project outputs** and ensuring **visibility** of the project at local, national and (inter)regional level, and at the overall programme level on both sides.

Moreover, depending on the project duration and grant size, **interim report(s)** comprising of a narrative and financial section will have to be prepared and submitted to the Contracting Authorities for the approval. In addition, joint progress report(s) have to be regularly submitted to the JTS/A (copy to CAs).

Note: *In case of unforeseen delays or other obstacles that may impede the timely conclusion of the project, these should be indicated as early as possible and without delay to the Contracting Authority and an extension of the implementation period may be requested (respecting contractual limitations), if necessary (see General Conditions, article 11.1)³.*

3) Please note that extensions, if justified, might be agreed by your Contracting Authority, but in any case should stay within the time limits/implementation of the overall IPA CBC annual programme (which cannot be changed).

3.2.3. The final stage

In the final stage of implementation, i.e. in the last 3 - 4 months of the project's duration, the emphasis will shift to **assessing and documenting the results achieved**. Based on the assessment grant beneficiaries will collect inputs for the final project report, consisting of narrative and financial reports.

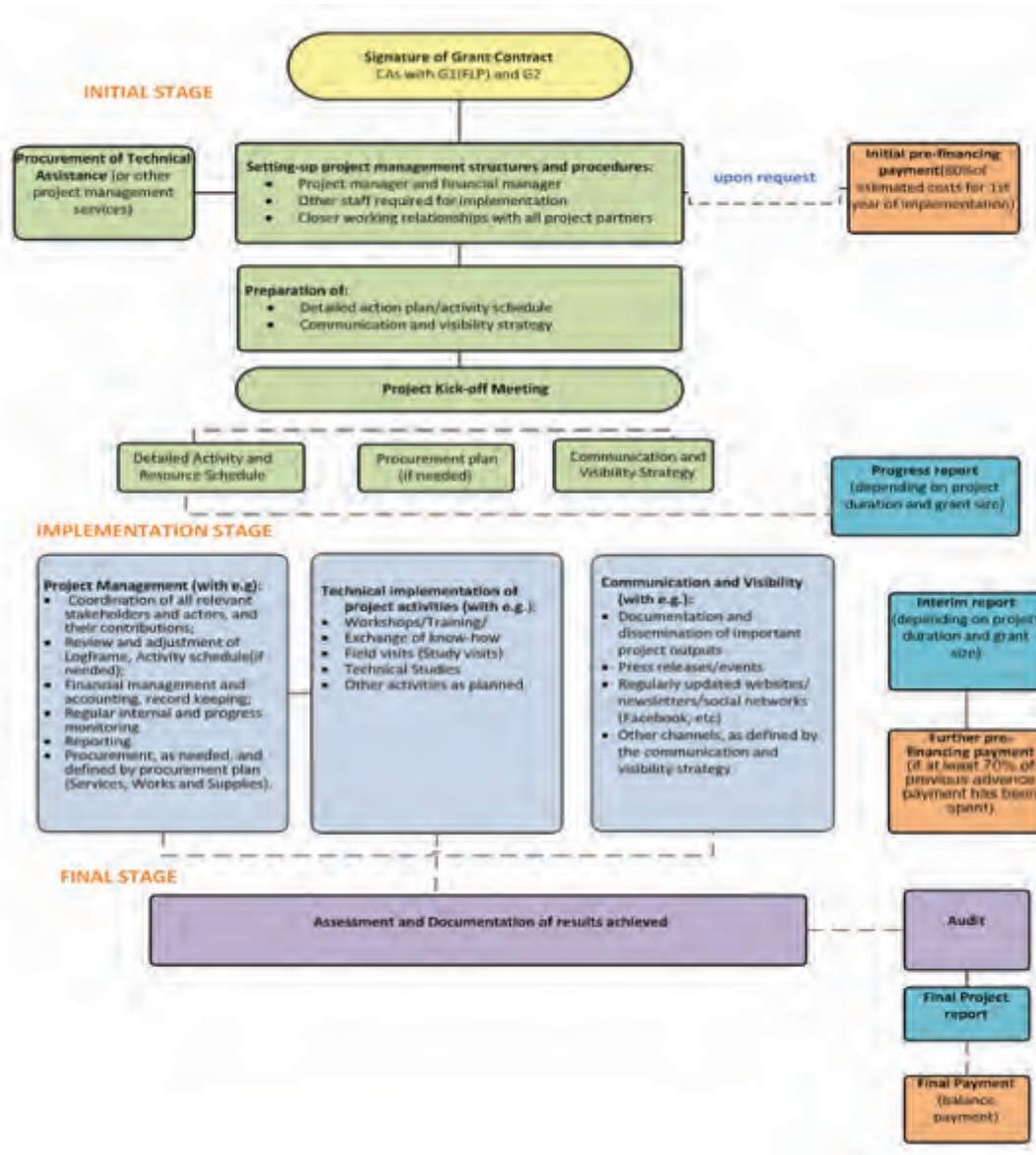


Figure 1. Project implementation stages (all tasks and functions are indicative only and explained in more detail in the different sections of this Implementation guide).

3.3. Practical Tools for Project Planning and Management

Despite the fact that you have developed a project Logframe and a detailed activity submitted with the Application Package, it is worth spending some time on reviewing both these tools before starting project implementation. This is an important prerequisite since:

- ▶ There might be quite a considerable time between project development and Grant Contract signature.

- ▶ Some external factors anticipated in the project Logframe, or certain organizational development issues may have changed;
- ▶ Some unforeseen changes may necessitate certain adjustment in the timing and/or organization of several project activities and/or results.

These issues are the best to address together with project partners as soon as possible.

LESSONS LEARNED FROM THE IMPLEMENTATION OF IPA/CBC PROJECT BY EDEN CENTER WITH ASSOCIATED PARTNERS OF DAJÇ, BREGU I BUNËS DHE ANA E MALIT COMMUNES.

EDEN Center, an Albanian non-for-profit organization, is currently implementing the project: “The separate waste collection in schools and communities”. The project was funded by the 2nd CfP under the CBC Program between Albanian and Montenegro. In Albania the EDEN Center is implementing the project in partnership with 3 LGUs from Shkodra Region, namely the communes of Dajç, Bregu i Bunës and Ana e Malit, who are acting as associates. .

EDEN Center submitted the project proposal to JTS/Shkodër in September of 2010 and after evaluation as successful applicant, EDEN signed the grant contract with EUD in Albania in March 2012. The first activity planned to be implemented according to the original proposal was conducting site visits in the 3 associated partners in order to assess the current situation, to present the project in details and organize the division of tasks between them.

In the course of paying the visits the project staff found that one of planned activities “Developing of local plans for waste management in the three selected communes” was already completed by DLDP Program, which is supporting LGUs of Shkodra and Lezha regions with financial assistance of Swiss Government.

To avoid the overlapping of the same activity, the project staff revised the opportunity to substitute it with another activity: “Support the 3 selected communes in the course of implementing the local plans for waste management”.

Under these circumstances, the Project Manager contacted the Task Manager for IPA/CBC Albania and Montenegro Program at the EUD to Albania and following the needed procedures succeeded to make the necessary changes to contract activities without having budget implications for the project.

In addition to the above, there are also very important tools for project planning and management, which should be carefully considered. These tools are:

- ▶ The activity schedule;
- ▶ The resource and cost schedule.

The **activity schedule** is a format for analysing and graphically presenting project activities. It helps to identify their logical sequence, expected duration, any dependencies that exist between activities, and provides a basis for allocating the management responsibility. With the activity schedule prepared, further specification of resources and scheduling of costs can be undertaken.

Another important management tool for your project is a **resource and cost schedule** that further details the project budget of the grant contract through assigning costs/ budget lines to each activity.

The activity schedule is based on the results and activities described in the project logframe, while on the basis of the activity schedule the resource and cost schedule is developed, as illustrated by the figure below.

3.3.1. Activity schedule

A well-prepared and **regularly updated activity schedule** (work plan or operational plan) is a useful tool for successfully managing your grant project. The activity schedule should reflect project activities both as those implemented on each side of the border, as well as those making the joint action, covering both sides.

In preparing the **activity schedule**, the indicative ac-

tion plan can be used as a starting point, involving the following **9 main steps**:

1. List the **main activities** that provide a summary of what the project must do to achieve the expected results as identified by the action plan (and the Logical framework) of your project;
2. Break them into **manageable tasks** (sub-activities) in order to make them sufficiently simple to be organised and managed easily;
3. Relate the **sub-activities** to each other determining their sequence (in what order should related activities be undertaken?) and the dependencies between the different tasks (is the activity dependent on the start-up or completion of any other activity?);
4. **Estimate the duration** of each task, and build them into the activity schedule and define the planned start-up and completion dates (as needed, with inputs from technical staff to be involved in different tasks);
5. Summarise the **scheduling** of different tasks

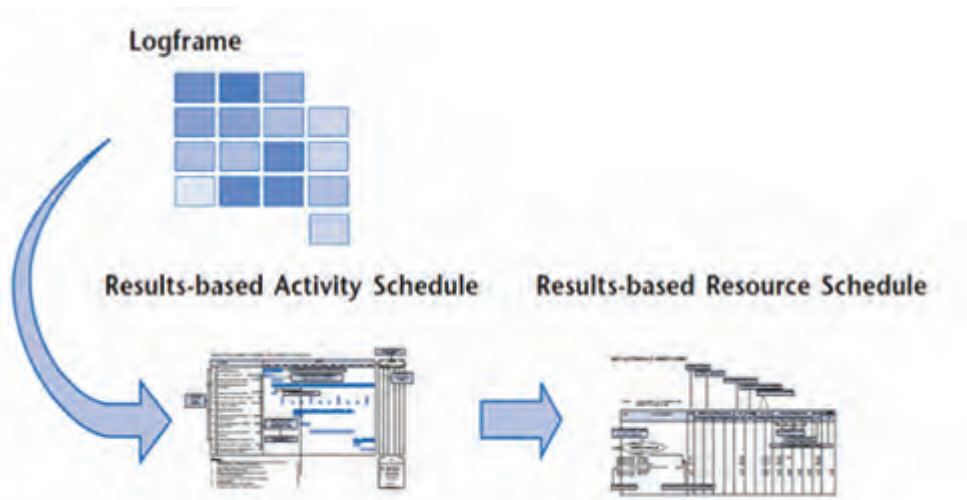


Figure 2. Link between Logframe, activity, and resource schedules

(sub-activities) for each main activity providing an overview of their start-up, duration and completion;

6. Define important **milestones** that provide a measure of progress and targets for project management and monitoring. The simplest milestones are the dates estimated for completion of each main activity, e.g. technical study for a specific subject completed by a specific date, or workshop on exchange of know-how and expertise conducted by a specific date;
7. Define the **expertise** that will be required for performing the tasks identified in step 3;

8. **Allocate tasks** among the project partners and team members, and responsibilities for achieving the milestones identified;

9. **Indicate** links and **joint activities** with the other side of your project.

It is recommended that above is initially done for each individual component and then reported in a **joint activity schedule** (work plan or operational plan) to allow GB1 (FLP) to implement necessary joint project actions, reporting and monitoring.



Photo: Project staff preparing the Activity Schedule

Each side should develop a detailed plan, while the joint plan may be more indicative in order to allow sufficient flexibility without losing the objective of the joint initiative.

3.3.2. Resource and cost schedule

For preparing the Resource and Cost Schedule, the list of activities should be copied into a resource schedule pro-

forma. Then, for each activity, all necessary resources/inputs required should be identified and aggregated/summarised according to the cost categories/budget lines of the project budget. Again, budgeting of management activities should not be forgotten at this stage.

For example, in figure 4 below, the activity of establishing a Planning unit requires equipment, salaries and allowances. The units, quantity per period, funding source and estimated unit cost should then be specified.

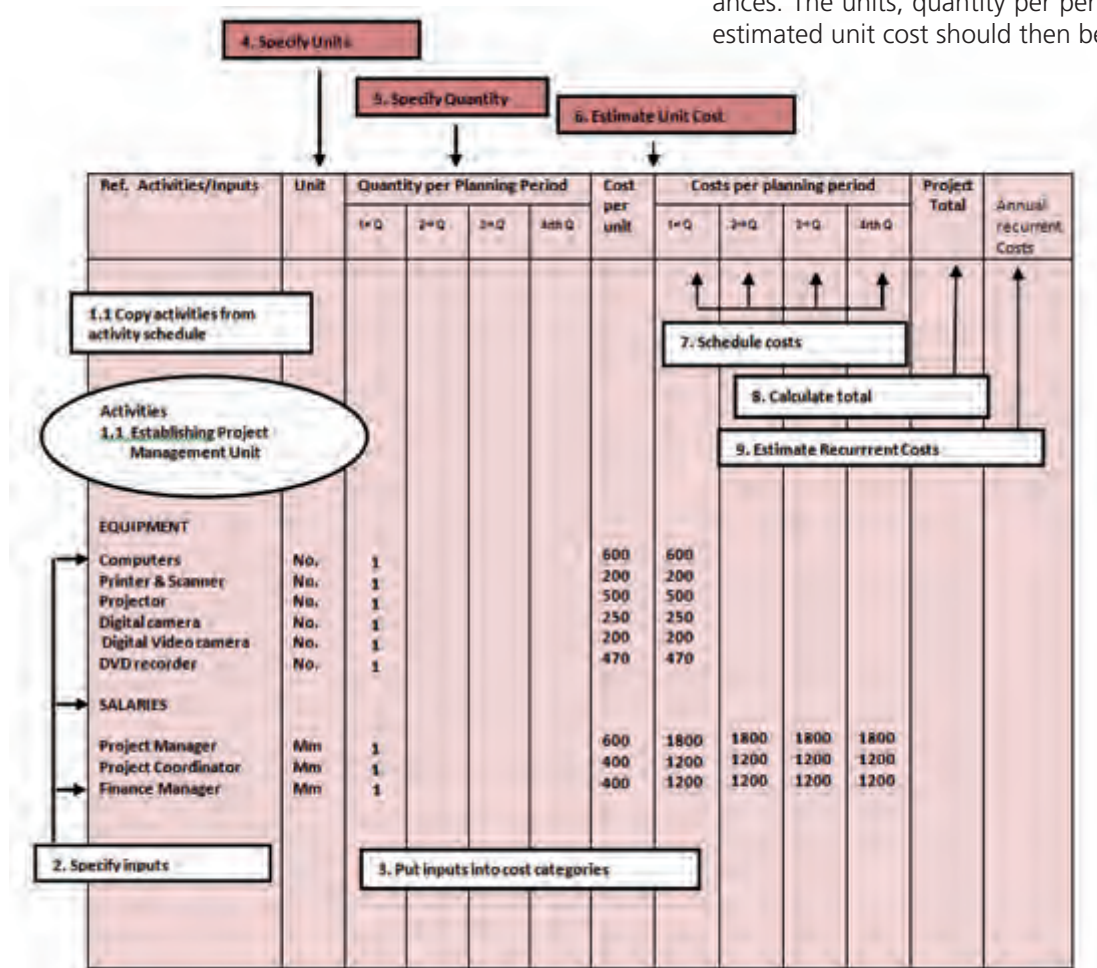


Figure 4. Resource and Cost Schedule for establishing the Project Management Unit at Guri I Zi Commune

4. PROJECT FINANCES

It is your responsibility (both for GB1 and GB2 individually and according to their specific contracts) to ensure that project funds are spent in a timely manner and in compliance with EC regulations and procedures for external aid.

IMPORTANT REMARK!

When managing awarded funds, project managers and financial officers should be aware of:

- Eligibility of costs and approved budget;
- VAT exemption – when planning final costs of VAT exempted expenditures;
- Average EC exchange rate – to be used for calculation of all costs;
- Keeping of all payment records, including supporting documents.

Accounts and expenditures related to project implementation must be easily **identifiable** and **verifiable**, meaning that expenditures for the project can be easily identified and traced to and within the beneficiary's accounting and bookkeeping systems.

All payments from the CAs shall be made in EURO into grant beneficiaries' bank accounts (G1 and G2), as identified in the Financial Identification Forms (FIF), attached to their contracts.

It is recommended that you as the GB1 and GB2 have to open special/separate bank accounts for the project in your respective countries, which will be used exclusively for the activities related to the project. (Also, sub-accounts are often acceptable; therefore please consult your CA on the matter). The Accounts may be opened with any commercial bank and be kept both in EUR and in Albanian currency (LEK). Accounts must provide details of interest accrued on funds paid by the Contracting Authority.

LESSONS LEARNED FROM THE IMPLEMENTATION OF IPA/CBC PROJECTs BY GURI I ZI COMMUNE AND MUNICIPALITY OFSHKODER

After winning the project and while negotiating for the budget clearing with the Contracting Authority, **Guri i Zi Commune** did not open a special account in EUR for depositing the IPA/CBC grant. Having implemented for the first time an EU funded project, Guri i Zi Commune reported in the Financial Identification Form (FIF) the account number at the Treasury Branch of Shkodër. Consequently, the first pre-financing payment was deposited by the CA in this account at the Treasury Branch, which in compliance with the national regulations, converted immediately the entire payment into the Albanian currency (LEK). The lack of experience in opening a special account and the transfer of pre-financing payment into the Treasury Branch brought about serious problems due to the lost from the exchange rate and bureaucratic setbacks for normal procurement of goods and services as will explained in the following chapters.

The Municipality of Shkodër implemented the project "Cross-Border Sculpture Symposium" financed under the 1st CfP from the CBC Programme between Albania and Montenegro. The municipality reports that the balance payment of the grant made by the CA to the municipality's account at the Treasury Branch of Shkodër did not end up at the beneficiary account and there is no information where this payment was due.

The above mentioned examples argue the necessity of opening and maintaining a special account in EUR for those LUGs managing EU funded Projects.

IMPORTANT REMARK!

The question of opening a dedicated bank account in foreign currency (EUR) is more important in cases when the **Grant Beneficiary is an LGU/or a Public Institution**. The LGUs operate through their accounts maintained by the Treasure Branches and perform the financial transactions in Albanian currency (ALL). However, LGUs have the right to open and maintain a separate (special) account in foreign currency based upon the organic law, No. 8379, dated 29.07.1998 "On drafting and implementing the state budget of the Republic of Albania" and the Instruction of the Ministry of Finance No. 8, dated 17.02. 2005, 'For the disbursement, recording, using and reporting of foreign funding , either in the form of grants, credit, or technical assistance agreement, concluded between the budgetary institutions and foreign projects'.

According to the above, all revenues coming from the foreign assistance will be spent through a special account open on behalf of Ministry of Finances at the National Bank of Albania. This special account will be used for the purpose of implementations of foreign funding only.

At the moment when the project implementation agency/unit is awarded a Grant Contract from IPA/CBC and other funds from foreign donors, it should make a request to Treasury and Debt Department at the Ministry of Finances for opening a special account. Such request should contain:

1. *The account's name;*
2. *Type of financing (grant, or credit)*
3. *Name of the donors/creditor;*
4. *Amount of foreign funding;*
5. *The amount of first disbursement;*
6. *The preliminary period when the first disbursement is due;*

The request for opening the special account should be supported by Government's decision, approving the grant agreement, or the law ratifying the credit agreement (In this case, the Law No. 9840, dated 10.12.2007 "For the Ratification of the Framework Agreement between the Government of the Republic of Albania and the Commission of the European Communities on the rules for co-operation concerning EC-Financial Assistance to the Republic of Albania in the framework of the implementation of the assistance under the Instrument for Pre-Accession Assistance (IPA)")

The Minister of Finance makes known to the Banks the authorised persons for using these special accounts. After opening of the special account all transactions related to foreign funding will be observed, registered and reported by the LGU/implementing agency under the obligation to report to the Ministry of Finances all the data related with foreign transactions deposited in this account.

For projects implementing the partials scheme of the treasury, after opening of a special account in the National Bank of Albania, the implementing agency/unit has the right to request the transferring of funds/grant in an operative account at any bank of a second level.

4.1. Payment Schedule and Types of Payment

If your grant contract under the CBC programme has an implementation period **not exceeding 12 months or if the value of the EU grant awarded is less than or equal to € 100,000**, the payment schedule will foresee:

- ▶ a pre-financing payment (one instalment) equaling 80% of the requested grant;
- ▶ a balance (or final) payment up to a maximum of 20% of the grant amount.

Instead, **if your contract will at the same time last more than 12 months and is awarded an EU-funded grant for more than € 100,000**, the payment schedule will foresee:

- ▶ a pre-financing payment (one instalment) equaling 80% of the amount of the requested grant that you expect to spend during the first 12 months;
- ▶ one (or more) further pre-financing payments (one or two instalments) to partially cover the costs incurred during the successive periods of implementation;
- ▶ a balance (or final) payment initially planned to amount to 10% of the grant amount.

4.1.1. Pre-financing payment

The first payment of pre-financing will be made within 45 days from the date the CAs receive the Request for payment made by the Grantees (G1 and G2). The Financial Guarantee signed by the relevant financial institution (the Bank) must accompany the Request for payment of the first pre-financing (Annex - B.3 Pre-financing guarantee form).

4.1.2. Further pre-financing payments

As mentioned above, contracts with a period of implementation longer than 12 months and a grant awarded over EUR 100,000 (both conditions must be met at the same time), are entitled to further pre financing payment(s) in order to cover the grant beneficiary's financing needs for each subsequent 12-month period of implementation.

The Request for payment must be submitted in original to the CA (and in copy to JTS/A) using the template presented in Annex V to the Grant Contract (*Annex B.2 - Payment request*). Please note that the Request must be supported by an *Interim Narrative Report (Annex B.1.a)* and *Interim Financial Report (Annex B.1.b)*.

In order to receive further pre-financing payment, a minimum of 70% of the previous instalment must be spent, as well as 100% of any other payment received before the previous instalment, as proven by the relevant reports. Furthermore, this payment shall be due by the CA within 45 days from the date of approval of the interim reports accompanying the Request for payment.

If the assessment process identifies ineligible expenditure, this will be taken into account in calculating the value of further pre-financing by deducting respective amounts from it. Moreover, where the consumption of the previous pre-financing is less than 70%, the amount of the new pre-financing payment shall be reduced by the unused amounts of the previous pre-financing payment.

4.1.3. Final payment (Balance Payment)

The contract must be completed before the final payment to the grant beneficiary can be made. A Request for Final Payment should be submitted to the CA (copy to the JTS/A) within three months of the end of the contract implementation. The request for the final payment shall be accompanied by the Final Report (*Narrative final report and financial final report*) and depending on the size of the contract, by an Expenditure Verification Report. As in all

cases of payments supported by reports, its processing is conditional on the prior approval of the Final report.

The time limit to process the payment is suspended when the CA sends the request for clarifications and resumed when the CA receives from you acceptable clarifications or the requested additional documents. Any requested modifications or additional information must be submitted within 30 days of the request.

If the outcome of the report assessment or the Expenditure verification carried out by the CA is that part or all of the final payment (or of any previous payment) has to be recovered, the CA will immediately inform you of the reasons (copying the JTS/A) providing you with the necessary information on how to proceed with the required reimbursement.

Remember:

- Any report shall be considered **approved** if there is no written reply from the Contracting Authority within 45 days of its receipt (the so-called time limit) accompanied by the required documents⁴.
- The Contracting Authority may **suspend** the time limit for the approval of a report by notifying the beneficiary that the report cannot be approved in case that the Contracting Authority finds it necessary to carry out additional checks. In such cases, the Contracting Authority may request **clarification** or additional information, which must be produced by the grant beneficiary within 30 days of the request. The time-limit starts running again on the date the required information is received by the Contracting Authority⁵.
- The Contracting Authority may **prolong** the 45 days time-limit by notifying the Beneficiary that

4) General Conditions, art. 15.2.

5) General Conditions, art. 15.3

the request for payment is inadmissible, either because the amount in question is not due or because proper supporting documents have not been supplied or it thinks it necessary to conduct further checks, including on-the-spot checks, to make sure that the expenditure is eligible. The time limit for payment shall start running again on the date on which the Contracting Authority has received a correctly formulated request for payment⁶.

IMPORTANT REMARK!

You should be aware of the implications of the timing of the final payment. The final payment to the FLP and LP will be made following the completion of **all contractual obligations**. Both FLP and LP may have to **secure funds** in order to be able to finance expenditures until the final payment is made by the CAs. It can easily take up to 14 weeks after submission of the final report before the final payment is transferred (please check with your Contracting Authorities for the exact duration).

Please remember that the CA will accept as eligible costs all those incurred during the implementation of the action as specified in Article 2 of the Special Conditions with the exception of costs relating to final reports, expenditure verification and evaluation of the action, whatever the time of actual disbursement by the Beneficiary and/or its partners. The commitment of funds has to be backed up by proof of realisation of whatever this commitment was meant for.

4.2. Eligibility of Costs

During the development of project proposal the grant

6) General Conditions, art 15.4.

beneficiary has taken care of including in the project budget eligible costs. However, not all the expenditure incurred for project implementation is necessary acceptable for the calculation of total grant amount by the CA. The total grant amount will be calculated as a percentage of eligible cost only. But, what does the word “eligibility” means?

Eligible costs are expenditures that are allowed as project costs. A crucial concept for all project managers is to be aware that all expenditures must be considered ‘**eligible**’.

The eligible costs of the action must satisfy the eligibility criteria laid down in the grant contract (General Conditions, art. 14), concluded between the GB and CA.

IMPORTANT REMARK!

The general principles for eligible costs and the description of eligible costs are given below, but you are strongly recommend 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 our grant contract General Conditions, eligible costs are costs actually incurred by the Beneficiary or Partners when they meet all the following criteria.

<i>Have been incurred during the implementation period</i>	<ul style="list-style-type: none"> • 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.
<i>Are indicated in the estimated overall budget for the project</i>	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 CA 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 CA about budget changes! (For more details on budget amendment thresholds and procedures see section 4.2 below)
<i>Are necessary for the implementation of the project</i>	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.
<i>Are identifiable and verifiable</i>	The identification and verification work may be carried out by any authorized 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 Albania, the Public Financial Inspectors as described in the Law No.10, dated 0.1.07.2010 “On the Public Financial Inspection”
<i>Are reasonable, justified and comply with the requirements of sound financial management</i>	Comply with Principles of Sound Financial Management

In addition, eligibility of costs should take into account whether activities are carried out in **eligible or adjacent areas**; costs in eligible areas are fully eligible while costs for activities carried out in adjacent areas are limited to 20% of the project budget.

A distinction is made between:

- Eligible direct costs;
- Eligible indirect cost (administrative costs)

4.2.1. Eligible direct costs

The eligible direct costs for a project are those costs which, with due regards for the conditions of eligibility set out above, are identifiable as specific costs directly linked to the implementation of the project and which can therefore be booked to it directly and in full. The following table describes headings of the estimated overall budget dedicated to the eligible direct cost.

4.2.1 ELIGIBLE DIRECT COSTS	
1. Human Resources (Budget Heading 1)	<p>Salaries</p> <p>Budget line 1.1 - The staff assigned to the action means permanent or temporary staff employed by the grantees or the associated partners. When using outside service providers for the implementation the corresponding activities, costs must be presented as subcontracting costs. Terms of reference should be drafted for such experts and a transparent recruitment process should be followed, resulting in a contract. Experts should provide timesheets and mission reports and will be paid on the basis of invoices submitted. Please note that according to Article 14.2 (General conditions - GC), the cost of the <u>staff</u> assigned to the action, comprising actual salaries plus social security charges and other statutory costs included in the remuneration are eligible (i.e. gross salaries), <u>provided that this does not exceed the average rates corresponding to the beneficiary's usual policy on remuneration.</u></p> <p>In case payments of salaries to staff do not go through the project bank account (in many countries this is legally impossible for municipalities for example), the project will need to prove the payment of the staff through official salary slips for the months charged to the project.</p>
	<p>Per diems</p> <p>Budget line 1.3 - When staying overnight, most often staff assigned to the action (project) and/or experts will be provided with a per diem (flat-rate), from which accommodation, meals, local transport, and other expenses should be covered. Per diems must not exceed the rate published by the EU at the time of the signature of the grant contract. The list of maximum per diem rates at the time of signing the contract can be found on: http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm</p> <p>Please note that subsistence costs are not allowed to be paid to staff assigned to the action or experts through flat-rate reimbursement if no overnight stay is made. Direct payment of accommodation and subsistence costs (i.e. not using the per diem system), according to national/internal rules, is in any case allowed. Sometimes the grantees (or their partner) might choose not to pay per diems to staff but pay directly for accommodation costs of the staff (or experts) assigned to the action. Such accommodation costs are eligible costs and can be charged to the project. Subsistence costs (meals, local transport etc.) are eligible costs. Please also note that in such cases the accommodation and subsistence costs together cannot be higher than the official per diem rate. If grantees and their partners have their own rules and procedures with regard to this budget line, those may be applied as long as the above is respected.</p>

<p>2. Travel</p>	<p>International travel</p>	<p>As a general rule, for international travel (budget line 2.1.) the most economic way of transportation must be used, i.e. economy class air fares, first class train fares (for international travels) etc. All travel costs have to be documented so that the eligibility of the costs can be certified (ticket receipt and boarding passes for air travel, receipt and ticket for train travel, etc). Costs related to travel visa are eligible only if supported by invoices. Cost related to entry and/or exit tax are also eligible, but a copy of stamp (in the passport) is necessary.</p>
	<p>Local travel</p>	<p>Local travel (budget line 2.2.) is meant for travel in country. This can cover air travel (if applicable) or train travel (in which case the same rules apply as mentioned under 2.1.). Often this budget line is used for local public transportation such as bus, train, as well as taxi and/or entity or private car. For public transportation, the tickets should be kept in the project administration, for taxi a receipt is needed mentioning the date, the route and the amount paid. For utilisation of grant beneficiaries' (or their partners') own car or private cars, please refer to your CA for advice (normally this is included in office running costs, budget line 4).</p>
<p>3. Equipment & supplies</p>	<p>General</p>	<p>In case of renting a vehicle (budget line 3.1.), the invoice and proof of payment (receipt) should be kept in the project administration. Purchase of a car is only allowed if specifically mentioned in the project as activity and in the approved budget to meet project results (for example: car for outreach work of social workers, etc.) and proper procurement procedures should be followed. For budget lines 3.2. (equipment/furniture), 3.3. (machines, tools), 3.4. (spare parts) and 3.5 (other, to be specified) eligible costs are only those identified in the approved budget. Impartial procurement of equipment and supplies, and clear technical specifications are to be prepared. The full procurement procedure, contracts, invoices and proofs of payment, provisional/final acceptance, certificate of origin etc., should be kept in the project administration.</p>
<p>4. Local office</p>	<p>General</p>	<p>Budget line 4.1. (vehicle costs) concerns costs related to using (project) vehicles or grantee/partner own cars, and costs such as car insurance, parking costs and fuel may be included in your budget. These costs should be supported by proof of payment, in case of car insurance also an invoice, and these should be kept in the project administration. Office rent costs (budget line 4.2.), if approved, are eligible costs only if required for the specific purpose of the project. Besides the invoice and proof of payment, also a rental contract is advised to be kept in the project administration. Office running costs including supplies (budget line 4.3.), if approved, are eligible costs and purchasing of these should be supported by invoice and proof of payment. Other running costs including services (telephone/fax, heating, electricity, maintenance) and any other utility, if approved, are eligible costs and purchasing of these is to be supported by invoice and proof of payment. An alternative, and maybe easier method would be to introduce a global price (e.g. for 12 months utility bills).</p>

<p>5. Other costs, services</p>	<p>5.1 Publications</p>	<p>Costs for other services are paid on the basis of service contracts and against invoices to external service providers who are sub-contracted to carry out certain tasks of the operation (e.g. studies and surveys, translation, evaluation, management or audit of the operation if sub-contracted, conference organisation, etc.). Costs shall be paid on the basis of the contracts together with invoices of actual expenses from the service providers. Procurement rules must be observed in selecting a company to provide external expertise, or carry out the assignment.</p>
	<p>5.2 Studies/ Research</p>	
	<p>5.4 Evaluation costs</p>	
	<p>5.7 Conf/Seminars</p>	
	<p>5.3 Audit costs (expenditure verification)</p>	<p>This concerns the costs for the audit of the project. It is obligatory to have the audit if the grant sought from the EC is above € 100,000, though it is advisable to have it for lower amounts too. Check Article 15.6 of the General Conditions, if your grant requires and expenditure verification. Appropriate audit cost is about 2.75% of the budget value, but of course, this percentage may vary according to the complexity of the financial management of each project. Note: It is possible to include budget verification also if the grant is below €100,000.</p>
<p>5.5 Translation/ Interpretation</p>	<p>5.5 Translation/ Interpretation</p>	<p>Budget line 5.5. (translation/interpretation) is meant for translation and interpretation requirements for the project. These costs should not be included in budget line 1, unless an interpreter/ translator is under regular contract with and receives regular salary from the grantees or one of the partners. A contract should be signed, and payments should be made on the basis of invoices (and timesheets in case of interpretation). Please make sure to obtain a proof of payment (receipt). Note: <i>In terms of large interpretation/translation assignments, it is advised to receive three quotations from different providers, even when a single tender procedure can be followed.</i></p>
	<p>5.6 Financial services (bank guarantee costs)</p>	<p>This covers costs of financial services. Typically, these include costs of bank transfers, as well as costs of withdrawal of funds and commission paid for exchanging currencies (if applicable). The proof of these costs should be shown in supporting documents (typically bank statements, or receipt showing commission paid). Usually only costs for international transaction are eligible under this sub heading (check with your Contracting Authority).</p>
	<p>Visibility Actions</p>	<p>As you are receiving a grant from the EU, you are obliged to follow certain rules regarding the visibility as indicated in your contract. These rules are laid down and published by the European Commission in the Communication and Visibility manual available at the website: http://ec.europa.eu/europeaid/work/visibility/index_en.htm</p>
<p>6. Other</p>	<p>General</p>	<p>Other costs, not specifically mentioned under the other budget headings, can be charged here, given that they have been identified in the approved budget in this budget line and are considered eligible costs. In addition, in this case, proof of payment and invoices are mandatory, and single tender procedures can be followed for amounts under 10.000 Euro. Under this budget line, typically works are included. Since this line is for other approved costs, we kindly ask you to contact your CA specifically to assist you in how to manage this budget line.</p>

7. Sub-total direct eligible costs (1-6)	n.a.	
8. Contingency	General	The provision for contingency reserve, up to a maximum of 5% of eligible direct costs, as mentioned in the budget attached to your Contract can be used only with the prior written authorisation of the Contracting Authority ¹ . Typically, this budget line is used when you run into costs that you did not and could not foresee when writing the proposal (i.e. force majeure, such as sudden increase of market prices, natural disasters, etc.). Funding “Forgotten Activities”, (i.e. not well planned and designed project) is rarely eligible for this budget line. Remember that Contracting Authority approval is a must.
9. Total direct eligible costs (7+8)	n.a.	

4.2.2 ELIGIBLE INDIRECT COSTS (ADMINISTRATIVE COSTS)

10. Admin. costs	General	<p>All structural and support costs of an administrative, technical and logistical nature (office utilisation, mail, fax, phone, copying costs, consumables, etc.) which are cross-cutting for the operation of the beneficiary's various activities and cannot therefore be booked in full to the activities for which the grant is awarded. Budget line 10 can be used to cover such costs as indirect costs, up to the amount in the budget attached to your grant contract.</p> <p>These indirect administrative costs do not have to be supported by accounting documents². However, it is advised for the project to charge the administrative costs on a monthly basis, so that the actual direct costs will be reflected in the project accounts at any given time. It is advisable to use the actual % by calculating line 10 divided by line 9, using % as the unit.</p>
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4.2.2. Ineligible costs

There are a number of specific costs that **are not eligible for the project**. This means that if you incur any of these costs, these are not allowed to be paid from project funds.

Examples of ineligible costs are:

- Debts and provisions for losses or debts;
- Interest owed;
- Items already financed in another framework or project;
- Purchases of land or buildings, except where necessary for the direct implementation of the action, in which case ownership must be transferred to the final beneficiaries at the end of the action;
- Currency exchange losses;
- In-kind contributions;
- Taxes, including VAT, unless the grantees (or their partners) can show they cannot reclaim them and the applicable EU regulations do not forbid coverage of taxes. This implies that the beneficiaries (G1, G2 and partners) should be able to submit supporting documents that prove that VAT cannot be reclaimed. This can, for example, be in the form of a letter from the country's authority responsible for VAT issues stating so, or a statement by the auditor that VAT cannot be reclaimed (citing relevant legislation/regulation). It is strongly advised that obtaining the VAT exemption is arranged by the grant beneficiary (or the beneficiary's partners) as early as possible after signing the contract with the CA;
- Credits to third parties.

If any of the above-mentioned **ineligible costs are incurred then the grantees** (or their partners) will need to cover these from **own resources**. They should not be included in the financial report (s). Any ineligible costs, which are found in the report(s), particularly in the final report, will be deducted from the total project costs, reducing therefore the requested EU contribution accordingly.

4.3. Exchange Rates (EU and Local)

The project accounts have to be kept in the national currency used by each GB and project partners. During the course of the contract, funds held in the bank EUR account will be exchanged and transferred to the local currency account for buying goods/services needed for project implementation. You should be aware that exchange rates differences will occur, when buying goods and services. This is because, banks use a rate based on the daily exchange rates as set by the country's national bank for conversion of EUR into local currency.

However, EU uses a different exchange rate than your bank is using. The EU exchange rate is determined on a monthly basis and is on average slightly higher than the local rate at the beginning and slightly below the local at the end of the month.

You can find the EUR currency exchange rate at: <http://ec.europa.eu/budget/inforeuro/index.cfm?fuseaction=countries&Language=en>



Information on the exchange rate is updated **every first day in the month to come**.

IMPORTANT REMARK!

The approved EU exchange rate for EUR into local currency is determined on a monthly basis at the beginning of each month. When presenting all costs of the project in the final report, you will have to use the **average** exchange over the period of the project covered by the report.

To illustrate how the difference in the exchange rates may affect the project finance let us make the following example:

Let's suppose that within the budget headings "Equipment and supplies" it is planned the purchase of 1 PC Computer.

Unit	Unit No.	Unit price in local currency (ALL)	Unit price in Euro (rate used by your bank)	Unit price in Euro (EU rate)
PC Computer	1	74,230.00	540.24 (1 Euro=137.4 ALL)	542.61 (1 Euro = 136.8 ALL)

IMPORTANT REMARK!

The grantee bears all the exchange rate risks that occur after the date of signature of the Grant Contract. Differences in exchange rate are not eligible cost and any losses will have to be covered by the beneficiary (see also section 3.2.3. on eligible costs). For this reason, it is not advisable to exchange the full amount of Euro received immediately into local currency.

LESSON LEARNED FROM GURI I ZI COMMUNE IMPLEMENTING AN IPA/CBC GRANT CONTRACT

After the signature of the grant contract with the Contracting Authority, the first pre-financing payment in an amount of 81,444.09 EUR was made to Guri i Zi Commune's accounts in the Treasury Branch of Shkodra. This payment was converted into the Albanian Lek by using an exchange rate 1 EUR=137.9 ALL. In the following months the exchange rate was changed in favor of EUR. During the course of preparing the final narrative report, the project manager calculated the average exchange rate of EU for the reporting period 1 EUR = 139.8 Lek. Thus, the full conversion of the first-pre-financing payment into the local currency and the difference in the exchange rate caused a loss of 1.106,89 EUR to Guri i Zi Commune. This loss was considered as a non-eligible cost and was covered by the commune's resources.

This unexpected cost would be avoided if the commune's authorities would have opened a special account in EUR, as explained in the chapter above, and would transfer partial payments from the special account to the account in Lek at the Treasury Branch, according to the expenditure needs for each month of project implementation.

4.4. Value Added Tax (VAT)

In accordance with Framework Agreement signed between the EU and the Albanian Government, ratified by the Law No. 9840, dated 10.12.2007, on "The rules for cooperation concerning financial assistance to the Republic of Albania in the Framework of the implementation of the assistance under the instrument for Pre-Accession Assistance (IPA)", financing contribution is VAT exempted.

The Article 26/Paragraph b, of the above mentioned law states that "Community financed contracts for services, supplies or works carried out by contractors registered in Albania or by external contractors shall not be subject in Albania to value added tax, documentary stamp or registration duties or fiscal charges equivalent effect, whether such charges exist or are to be instituted. EC contractors shall be exempted from VAT for services rendered, goods supplied and/or works executed by them under EC contracts with the right of the contractors to offset or deduct input VAT paid in connection with the services rendered, the goods supplied and/or the works executed against any VAT collected by them for any of their transactions. Should the EC contractors not be able to make use of this possibility, they shall be entitled to obtain VAT refund directly from the tax authorities upon submission of a written request accompanied by the necessary documentation required under the national/local law for refund and by a certified copy of the underlying EC contract.

However, this rule is not being implemented yet and the grant beneficiaries of IPA funded projects are facing serious difficulties in handling this issue.

Till early summer of the year 2012, The Ministry of Finances used to justify non reimbursement of VAT for EC grants, with Council of Ministers Decision No. 509, dated 12.08.1996, according to which, in cases when the VAT is not accepted by the donor, the project beneficiary finances it itself, or could ask for the project implementation

company, as it was considering a "project's local cost".

However, after a strong advocacy campaign conducted by a group of Albanian NGOs, with the support of the EU Delegation in Albania and the regional EU funded project TACSO, intensive negotiations were made with senior officials of the Ministry of Finance, who were made aware about the difference between the grant and other types of financial support subject to VAT. Consequently, the Finance Ministry is committed to solve this issue and relevant bylaws are under preparations accordingly.

Meanwhile, the entry into force of 2010 version of Practical Guide to Contract procedures for EU external actions (PRAG), in November 2010 allows the grant recipients to charge unrecoverable VAT and other taxes to their co-financing contribution, provided they can document the fact that they cannot recover taxes nor obtain an exemption under the applicable national law.

Valid types of supporting documents are listed in the "Annex J: Information on the tax regime applicable to grant contract" as follows:

Official document from the competent tax authority stating that the entity is not entitled to reclaim taxes for the activities in question (and that this does not depend on the simple fact that it does not wish to be subject to VAT). However, research shows that only CSOs benefiting from Public Interest Status have been able to obtain such document.

4.5. Possible Changes to the Budget

4.5.1. What to do if the incurred costs exceed the amount of the budget item

Same principle as above applies when the actual amount exceeds the unit rate foreseen in the budget: in this case too, the event shall be reported as one unit only. However,

the unit rate is considered as a maximum the grantee can dispose of. Thus, **before incurring the cost** and as soon as he/she becomes aware that the current unit rates are not sufficient (for instance when contacting Travel Agents to obtain quotes about the costs for the planned travels), the grantee should amend the unit rates following the same procedures and principles as described above, subject to available savings on other budget items.

4.5.2. Interest accrued from pre-financing?

According to Article 15.9 of the General Conditions, any interest or equivalent benefits accruing from pre-financing paid by the Contracting Authority to the grant beneficiary shall be mentioned in the interim and final reports.

Any interest accrued from pre-financing paid by the CA amounting to or **below EUR 250,000** shall **not** be due to the CA and may be used by the grant beneficiary for the project. Any interest accrued from pre-financing **of more than EUR 250,000** paid by the CA shall be assigned to the project and deducted from the final payment of the amounts due to the grantee, unless the CA requests the grantee to reimburse the interest generated by pre-financing payments before the final payment.

Note: *The above means that beneficiaries do not have to pay back the money from the interest in cases the pre-financing was below €250,000, but they have to report it anyway, no matter how high the pre-financing is. Moreover, it is a common practice that the legal expression “may be used” is understood as you **must exclusively use the interest accrued for financing activities under the action.** Since the interest accruing from pre-financing in your case shall not be due to the CA, it follows that there would be no obstacle for reducing it in its exact value your original commitment for the co-financing of the option.*

4.6. Use of the Contingency Reserve

The contingency reserve is meant to cover the costs that unexpectedly appear during the implementation of the contract, impossible to foresee at the time of grant contract signature.

- Bear in mind that you can use the contingency reserve only following the written approval of the Contracting Authority (not through notifications)!

When the need becomes obvious, the grant beneficiary should prepare a duly justified request, explaining the objective reasons that led to the need for additional funds, and send it to the Contracting Authority for approval.

DO NOT USE contingency reserve funds before the Contracting Authority approves this, otherwise the funds will surely be considered as not eligible.

ONLY USE (or ask to use) contingency reserve when there are no savings on other budget items, and you are still able to make budgetary transfers.

Possible examples of cases in which the contingency reserve may be used are:

- When, following a tender procedure, the recommended tender exceeds the budget available and through negotiations it cannot be reduced to fit within; then, if there are no savings on other lines and co-financing funds are not available to cover the difference, a request to the CA should be made to use part of contingencies;
- When it becomes apparent that the unit rate for a certain budget item is insufficient (e.g. flight ticket costs more than the rate in the budget for one flight, etc.) and there are no savings or co-financing available, the grant beneficiary can apply to the CA for the use of contingencies to cover the difference;

- When additional units of a certain item are needed (e.g. more flights, more per diems, more conferences, more pages of translation etc.) and their eligibility in terms of opportunity and relevance to the action can be demonstrated, unless there are savings on other budget items, the grant beneficiary can apply to the CA for approval to use part of contingencies to cover the cost of additional units.

4.7. Amendments (changes) to the Contract

During the course of project implementation you may need to make changes to grant contract regarding the activities and their costs, or in other words amend your grant contract. However, there are strict procedures to be followed before any changes in a grant contract can be made.

The types of modifications which are made to grant contracts are usually categorised as “minor changes”, and “major changes”. The details of these types changes can be seen in PRAG and are also described in the annexes of grant contract.

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

Further on, 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 CA thirty days before the date on which the amendment should enter into force. However, Article 9.2 gives the option of **minor amendments without an addendum**. Let’s find out more.

Minor modifications in the budget are the:

- ▶ Transfer of funds between items within the same main budget heading (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.
- ▶ Change of the beneficiary’ bank account and its address, or change of auditor.
- ▶ Change of Project Manager, or Key Experts

Below is an example of minor changes involving two budget Headings 4:Local Office/Action Costs and 5: Other Costs services

IMPORTANT REMARK!

When contract changes are proposed you should be aware of the following:

- ▶ The Grant Contract can be modified only within the lifetime of the contract;
- ▶ No modification can be made retroactively;
- ▶ The maximum amount of grant cannot be increased.

Annex III. Approved budget		All years (24 months)		
Costs	Unit	No of units	Unit rate (in EUR)	Costs (in EUR)
4. Local Office/Action costs				
4.1 Vehicle costs	Per month			
4.2 Office Rents	Per month			
4.3 Consumables – office supplies	Per month	10	100	1000
1.4 Other services 9tel/fax, electricity heating maintenance	Per month	11	150	1650
<i>Subtotal Local Office/Action cost</i>				
5. Other costs, services				
5.1 Publications	Per copy	2 000	1	2000
5.2 Studies, research (30 man days)	Per study	2	2000	2000
5.3 Auditing costs	Per audit	1	500	1500
5.4 Final Evaluation	Per report	1	1000	1000
5.5 Translation, interpreters	Per day	25	100	3500
5.6 Financial services (bank guarantee costs etc.)	Lump sum	1	500	500
5.7 Costs of conferences/seminars	Per event	1	800	800
5.8 Visibility actions				
<i>Subtotal Other costs, services</i>				
<i>TOTAL</i>				

The approved budget is amended as follows:

Annex III. Amended budget	All years (24 months)			
	Unit	No of units	Unit rate (in EUR)	Costs (in EUR)
Costs				
6. Local Office/Action costs				
6.1 Vehicle costs	Per month			
6.2 Office Rents	Per month			
6.3 Consumables – office supplies	Per month	10	100	000
6.4 Other services 9tel/fax, electricity heating maintenance	Per month	11	150	1650
Subtotal Local Office/Action cost				
7. Other costs, services				
7.1 Publications	Per copy	2 000	1	2000
7.2 Studies, research (30 man days)	Per study	2	2000	2000
7.3 Auditing costs	Per audit	1	500	1500
7.4 Final Evaluation	Per report	1	1000	1000
7.5 Translation, interpreters	Per day	35	100	3500
7.6 Financial services (bank guarantee costs etc.)	Lump sum	1	500	500
7.7 Costs of conferences/seminars	Per event	1	800	800
7.8 Visibility actions				
Subtotal Other costs, services				
TOTAL				

However keep in mind that the change of budget items up to 15%, or the application of “15% rule” can be applied only once on the same budget heading. Therefore you need to have a good insight on overall budget spending. Also it is compulsory the notification of the Contracting Authority.

IMPORTANT REMARK!

Minor changes-budget variations of 15%, or less, changes of address, changes of bank account, and changes of auditor should simply be notified in writing without delay (i.e. within 2 working days) to the relevant CA (copying the JTS/A). However, this does not affect the right of the CAs to oppose your choice of bank account or auditor, for instance. In order to apply this procedure of contract modification, you need to submit to the CA:

- A Notification letter outlining the reasons for the proposed change (any modification request should be supported with sufficient arguments).
- **Supporting documents:**
 - a) The Re-allocation form modified budget proposal;
 - b) New Financial Identification Form (FIF) or;
 - c) Contact details of the newly selected audit company.

You should contact the Contracting Authority prior to preparing a Notification letter to inform them about the amendments mentioned here (project address, project account, contact details of new auditor, 15% rule), especially when proposing budget re-allocations. Please note that the Contracting Authority reserves the right to raise additional questions.

4.7.1. Major changes (modifications requesting an addendum)

Major changes (contract addendum) are used for:

- ▶ Modifications of budget headings exceeding 15%;
- ▶ Substantial changes of project activities, if allowed by the Contracting Authority;
- ▶ Change of Partners;
- ▶ Extension of the contract implementation period : an extension of the project implementation period should be requested not later than one month before the implementations ends.

Please be aware that the total amount and percentage of the budget co-financed by the EU **cannot** be increased.

Addendum requests are not encouraged as they involve a complicated administrative approval procedure that takes considerable time. However, if you estimate that you have to make an addendum, you have to be sure that the addendum will not affect the overall contract implementation. You have to plan in advance amendments that are to be in form of the addendum, because you will need to obtain the approval from the CA, (the process may take around one month provided that the changes are absolutely needed and properly justified).

Note: *An addendum comes into force when it has been signed by both parties to the contract and it never retroactive.*

Documents to be submitted to the CA include:

- Notification letter;
- Request for an Addendum;
- If applicable, modified description of the action and justification.

LESSONS LEARNED FROM THE IMPLEMENTATION OF IPA/CBC PROJECT BY GURI I ZI COMMUNNE.

According to the Special Conditions of the Grant Contract, Guri i Zi should start its project in December 1, 2010 with an implementation period of 12 months. Due to the delay in signing the contract from the Montenegrin applicant (Commune of Podgorica), the implementation period was postponed by 3 months. Thus, through the Addendum No 1 of the Grant Contract, the project implementation period was rescheduled from February 1, 2011 till March 1 2012. However, the local elections in Albania of the year 2011, brought about negative effects in the normal performance of project implementation. Thus, due to a prolonged delay of the election process (May 8 – August 15, 2011) and do the delayed constitution of the commune chairman by the Commune Council, Guri i Zi missed the legal representative to authorize the payment of expenses needed to implementation the project. Moreover, the lack of compliance between the procurement rules of EU and those applied by the Albanian legislation caused further delays in the course of preparing a series of promotional materials and the procurement process for a museum where typical and traditional art crafts of Zadrimea area would be displayed. In setting out to implement these delayed activities, the project manager prepared and submitted to the CA the Addendum in Nr. 2 asking for a 3 months no-cost project extension.



5. ACCOUNTING PRINCIPLES AND RECORD KEEPING

To be considered eligible for EU co-financing, expenses must have actually been incurred during the implementation of the project and be identifiable and verifiable – this means **they must be recorded in the accounts and backed by originals of supporting evidence** – see Article 14 of the General Conditions of your grant contract.

The grant beneficiaries (G1, G2, and their partners) must retain original supporting documents for all expenditures incurred. In addition, they must keep accurate and regular records and accounts on the contract implementation, using a dedicated double-entry book-keeping system (see article 16.1 of the General Conditions of grant contract).

The accounting system must identify:

- Sources of income for the project (EU contribution and other contributions);
- All expenses incurred during the contract period.

Besides standard local book-keeping system, for interim and final project reports all expenditures must be presented in the form of templates provided in Annex VI (model narrative and financial report) of the grant contract. In addition to Annex VI, a more detailed list of all expenditures indicating period, title, amount, relevant heading, has to be annexed to the report (General Conditions, Article 2.1.). Please find below two sample templates to be used for expenditures tracking.

A. Balance (income and expenditure sheet)

Date	Source code/ budget heading	Budget Item/	Descr.	Receivable Euro (income)	Exp. (Euro)	Currency (local currency or Euro)	Aver. ex. monthly exch rate	Amount in Euro	Balance remaining
		Grant line							
etc.									

5.1. Income and Expenditure Sheet

This table should include a list of all incomes and expenditures made during the life-time of the project. Each new line starts with the date (taken from bank statement), followed by information on the budget heading and line; short description of expenditure (for example, ticket Belgrade-Tirana-Belgrade), and currency (local currency for all payments made in the country or EUR in case of costs for international travels to EU countries). As previously explained, all expenditures need to be calculated on the basis of the average monthly EU exchange rate. The last two columns provide information on the total income / expenditure amount in EUR and remaining funds.

In the income column you should present the EU co-financing contribution and own contribution (as paid to the project account). Please note that the EU co-financing contribution is presented as one payment, in EUR. You should not present converted portions of the EU co-financing contribution from EUR to local currency account as a new income. The expenditure column should include all expenditures of the project, including EU co-financing and own contribution.

Based on the overall income and expenditure sheet you will also prepare individual sheets per budget line (1.1.1, 1.1.2, etc.).

B. Balance per budget line

Date	Source code / budget heading	Budget item/	Desc.	Receivable Euro (income)	Exp. (Euro)	Currency (local or euro)	Avg. ex. monthly exch rate	Amount	Balance remaining
		Grant line							
etc.									

It is recommended to update both templates regularly on a monthly basis, and use the financial report format as a budget control sheet. By inserting the financial data from templates A and B into the financial report format, you will have a monthly overview of how much funds you have spent so far. This should provide you with sufficient information on the remaining funds and, in case that portion of funds remains unspent, allow you to prepare a realistic budget re-allocation request.

5.2. Importance of Record Keeping

The record keeping procedure is important for several reasons:

- Helps you keep track of the types of eligible expenses incurred by your project and their rate of occurrence. In addition, you will know how much money remains unspent within the budget categories;
- Serves as confirmation that the costs have occurred during the grant project implementation period;
- The records are the basis for the financial section of the project reports you have to complete;
- Expenditure incurred during the project is only eligible for EU financing if there are supporting documents that provide evidence of the expenses;
- The record of expenditure for the project will be checked during audits of the project.

A lack of supporting evidence could result in the costs not being considered eligible.

The EC and the Court of Auditors have the right to perform record-based and on-the-spot inspections to verify expenditure and the use made of the EU grant (as provided for in Article 16.2 of the General Conditions of your grant contract). Checks may be made at any time during the project's implementation, or up to seven years after the final payment.

This mainly includes the following:

- Invoices for all purchases, contracts etc. and proof of payment;
- Bank statements;
- Tenders and contracts, including evidence of the procedures followed (Technical Specification/ Terms of Reference, Tender form, received offers, contracts form, certificate of final/provisional acceptance – accepted final report/any other requested report and related annexes like studies, brochures etc.)
- Salary slips and contracts for employees;
- Time sheets: experts working under a service contract will have to submit timesheets signed by themselves and the project management;
- Tickets and boarding passes for all travel;
- Related to conferences/workshop/seminars, etc. (minutes of meetings, translated invitation letters, participants' list, etc).

In addition to general financial documents consisting of interim and final reports and accounting records (general ledger, balance ledger, record on salaries paid, list of assets, etc.), all payments have to be **supported by accounting documents**.

For purchased services, supplies and/or works:

- Evidence of procurement procedures (tender documents, tenders, evaluation reports);
- Evidence of commitments (contracts, purchase orders);
- Evidence of purchase and payment (invoices, receipts, bank excerpts, slips, etc.);
- Evidence of implementation (delivery/ receipt):
- Services (accepted reports, time sheets, transport tickets, evidence of participation in seminars & conferences, such as worksheets and certificates, etc.);
- Supplies (receipt);
- Works (permits, supervisory reports).

For travel expenses:

- a) Travelling by public transport (ticket, boarding pass, receipt)
- b) Travelling by car: mileage calculation (Travel sheet – Annex E.2)
- c) Per diem receipt (Annex E.3)

Cost of staff and experts:

- a) Contracts with the accompanying annexes, such as job description/ terms of reference (ToR);
- b) Salary list with a statement of gross wages, social contributions, insurance and net salary;
- c) The calculation of working days - for experts who are paid per day and the project team members who are not full time employed on the project (Time Sheet - Annex - E.1)

IMPORTANT REMARK!

- > Lack of supporting evidence could result in the costs not being considered eligible;
- > You should instruct your staff and partners' staff to **keep all relevant documents**, as they are subject to the same conditions as you.
- > **Any transfers from the two main grant beneficiaries (G1 and G2) to their partners should be made to the bank account of partners (not of physical persons); any invoices/bills** should be on the name of the beneficiary or beneficiary's partners (invoices/bills on the name of associates or physical persons are not eligible).
- > **Payments of invoices/bills in principle should be made by bank transfer.**
The Beneficiary has to make sure that the payments are in line with Article 59 of the Law of the Nr. 9920, dated 19.05.2008 "On Taxation Procedures in the Republic of Albania" which stipulates that for the amount of the transaction exceeding 300,000 ALL such amount can only be processed via bank transfer.
- > **Any costs need to be supported by an invoice** issued by the seller/supplier of the goods or services. The **format of such invoices** has to be in line with Article 49-54 of the same Law as above. According to the Article 3 paragraph 4 and 5 of the Law on "Fiscal procedures", the small businesses below the set minimum annual turnover limit of 5 million ALL are not subject to VAT. However, **they are obliged to "issue simple tax invoices or tax receipts** according to provisions of Law no. 9632, dated 30.10.2006 "on Taxation". The models for the invoices were published together with the Instructions by the Albanian Authorities. In case of businesses subject to VAT, the invoice format which is established by the Tax Authority has to be applied. The Contracting Authority accepts only those invoices as supporting documents which follow the above mentioned rules.
- > **Civil servants** of the beneficiary partner countries and territories **are not allowed to receive salaries** from the project as experts, i.e. for sub-contracted services (budget heading 5).
- > **Civil servants may not receive fees for their contribution to the action other than their salaries in the respective institution.** The salaries of the civil servants or other public employees of the central and local administrations may be presented as co-financing contribution of the applicant. Please note that this is limited to the cases of civil servants employed by the project. If the grant beneficiaries or their partners intend to recruit (through a regular tender procedure) a civil servant or company which wants to hire civil servants, the grant beneficiaries should provide the CA with full information on their intention. In addition, the grant beneficiaries should pay special attention in avoiding the conflict of interest.
- > **Human resources that do not have an employment contract** with the beneficiary or partners should be employed under a service contracts according to the relevant Terms of Reference and following a transparent selection process.

6. PROCUREMENT

Before you start implementing your project, you are aware that you need the expertise and services of experts (trainers, auditors, graphic designers) to produce information materials (services), to buy computer or other equipment (supplies), or in some cases, to execute construction works (works). For these reasons you need to procure services, supplies and/or works, or involving sub-contracting (i.e. if you need to sign a contract with a third party - *sub-contractor* - for the delivery of services, supplies or works

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

The selection of the sub-contractor and the signature of the *sub-contracts* shall follow the **Contract Award Procedures specified in Annex IV to the Grant Contract**. This annex is applicable to the Beneficiary and all Partners, regardless of their status (public or private) or nationality (EU member State or Partner Country)

The **Annex IV of your Grant Contract** includes:

1. General Principles
2. Eligibility for Contracts (Rules of nationality & origin)
3. Rules common to all tender procedures
4. Rules applicable to service contracts
5. Rules applicable to supply contracts
6. Rules applicable to work contracts

IMPORTANT REMARK!

According to the Framework Agreement signed between the Government of Albania and European Commission, ratified by the Albanian Parliament by the Law No. 9840, date 10.12.2007, assistance under all IPA components shall be managed in accordance with the rules for external aid contained in the Financial regulation, meaning all service, applies and works contracts shall be implemented in accordance with the procedures and standards documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

When conducting the procurement procedure, you should take care that:

- The correct procedure is being used;
- The forms to be utilised are in line with international standards and provisions of Annex IV of your contract. It is advised to use the simplified forms of the tender dossiers attached in Annex (Annexes 4.1,4.2 and 4.3)
- The rule of origin of supplies is applied;
- The eligibility rule is observed.
- If the beneficiary (or beneficiary's partners) fails to comply with any of these rules expenditures in question will be considered as not eligible for EC financing

7. Use of negotiated procedure
8. Special cases

Additional Information and templates on EU procurement procedures can be found in the **EU Practical Guide to Contract Procedures for EC External Actions (PRAG)**. It is available at the following website:
http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

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 and state that:

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.³³

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

The basic principle governing the award of contracts is *tendering*. Tendering has the aim of ensuring the transparency of the operations, and obtaining the desired quality of services, supplies or works at the best possible price. Awarding principles that always have to be followed in a procurement procedure are:

- **transparency** (the tender documents must contain clear and open criteria and procedures - they

- must be accessible to all tenders);
- **proportionality** (whatever is being requested should be limited to what is necessary to achieve the specific purpose);
- **equal treatment** (the award process must be completely impartial - the bids are selected using published eligibility and evaluation criteria);
- **non-discrimination** and
- **fair competition**

All tenders declared as satisfying the requirements must be evaluated and ranked by an Evaluation committee on the basis of the exclusion, selection and award criteria announced in advance. This Committee must have an odd number of members, at least three, possessing all the technical and administrative capacities necessary to express a valid opinion on the tenders. You must ensure that the members of the Evaluation Committee are not in a situation of conflict of interest. If such a situation arises, the member concerned must inform you and abstain from taking part in the evaluation process. You must adopt all appropriate measures to prevent irregularities, fraud, corruption or any other illegal activity in the management of the procurement procedure.

The **type of procedure** you will have to use depends on the **type of procurement** being carried out (services, supplies or works) and the **size of the contract**. In all cases, the contract must be awarded to the contractor whose tender offers the best quality/price ratio (economically most advantageous tender).

The first step in any procurement, before launching the process, is to determine what is to be purchased, whether supplies, services or works and to estimate the approximate value of the procurement (**it should be in line with your approved budget**).

Projects approved under the IPA Cross-Border Cooperation programmes may include three types of procurements:

- **Service contracts:** These cover engagement of service providers, companies and/or individuals (experts). Service contracts are used for preparation of studies, evaluation reports, experts’ or trainers’ engagement, printing and publishing services, translation, conference/events organisation, catering etc.
- **Supply contracts:** These cover the purchase or rental of supplies/equipment. The delivery of products may in addition include installation and maintenance.
- **Works contracts:** These cover either the execution, or both the execution and design of a ‘work’. A ‘work’ means the outcome of building or civil engineering works taken as a whole that is sufficient in itself to fulfil an economic or technical function.

Please consider that service contracts can **only** include services (no supplies, no works, except for samples, design and printing services). A supply contract can include additional service and installation works. Works contracts may include supplies and services up to a certain extent. In accordance with this information, the grantee will then decide what type of contract and what procedure should be applied.

In line with the signed grant contracts and size of the approved procurement, you will be mainly applying the following two procedures:

- Single tender
- Competitive negotiated procedure

The **thresholds given in the table below** are basis for the selection of the relevant procurement procedure: If there is any doubt about how to estimate the value of

SERVICES	≥ €200,000	< €200,000 but > €10,000		≤ €10,000 Single tender (direct award)
	International restricted tender procedure	Competitive negotiated procedure without publications (3 offers)		
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	
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	

the contract, or which procedure you should use, it is recommended that you consult the relevant CA and JTS/A on this matter, before initiating the process.

6.1. Procurement Procedure

What is common to all procurement procedures is that they need to include the following steps:

- Procurement planning – deciding which procedure to use and when to launch procedure;
- Launching and implementation of the procurement plan. It is recommended to start the procedure early in the project implementation, especially when applying the negotiated competitive procedure (in case you need to repeat the procedure due to an insufficient number of offers, rule of origin, etc.);
- Launching of the procurement procedure – process of contacting selected suppliers and sending of tender dossier with technical specifications/terms of reference;
- Selection of the tenders – should be completed by an evaluation committee, consisting of (at least) 3 voting members – (5 for works tenders is recommended);
- Contract preparation;
- Contract implementation – for all supply and works contracts, the certificate of provisional (and final) acceptance should be issued to the supplier.

6.1.1. Single tender procedure

The single tender procedure is similar to the Competitive Negotiated Procedure, as described below but with only one offer. It means that you can award the contract just on the basis of one offer for either services, supplies, or works) **if the value of the contract is 10.000 Euro and less**. Although one offer is formally sufficient, it is suggested to grant beneficiaries to invite more than one company (preferably 3) in order to compare existing market prices.

This will allow the grant beneficiaries to make a financially and technically sound and transparent decision.

However, the grantee must still be able to prove that the general principles described in Annex IV of the Grant Contract were respected:

- ▶ The most economically advantageous tender – "best price-quality ratio";
- ▶ Transparency and fair competition for potential contractors was allowed;
- ▶ Any conflict of interest was avoided.

It is obviously easier to prove that such principles have been respected if at least 3 potential contractors were invited (although no publication is required), and even better when more than one offer was received.

Regardless of the received number of offers, it is important to record the justification of the selection of tender and the quality check of the tender against the request. This means that an evaluation committee has to be composed and technical specifications, even if simple, prepared. Please find attached templates/forms in Annex on Secondary procurement (D.1 Services, D.2 Supplies, and D.3 Works).

6.1.2. Competitive negotiated procedure

When following this procedure, you prepare a list of potential contractors, **meeting the minimum selection criteria you consider necessary to implement the contract**, and invite at least 3 contractors (better 5 or 6) of your choice to submit a tender. The candidates are invited by sending them a letter of invitation to tender accompanied by a tender dossier.

The most important part of the tender dossier that you send out is the Terms of Reference (ToR)/Technical Specifications, which give instructions to contractors about what is required from them. This document becomes an Annex to the eventual contract and a guide for the contractor in implementing the agreed tasks. Therefore, it needs to

be thorough and detailed. It is strongly advised that when you prepare these you consult everyone involved in the project, and/or colleagues working in specialised departments, such as IT department, procurement and purchasing department etc.

At the end of the procedure, you select the technically compliant tender:

- In the case of services, we suggest using the 80/20 rule as per EuropeAid procedure (i.e. 80% weight to quality and 20% to price);
- In the case of supplies or works tenders, the cheapest compliant offer.

The whole procedure works as follows:

Phase 1:

You prepare the **tender dossier** which should include:

- ToR (service contracts) or technical specifications (supply and works contracts) ;
- Maximum budget (**only** for services);
- Form for submission of the offer;
- Evaluation criteria that will be used for awarding;

Note: You could use the simplified forms, please see Annex on Secondary procurement.

Phase 2:

- The CA approves the tender dossier (only in case the CA specifically requires this);
- Invitation letters with tender dossier are sent to selected contractors;
- Deadline for offer submission is minimum 30 days.

Phase 3:

- You evaluate received offers by forming an evaluation committee comprised of an odd number of voting members (at least 3);
- An evaluation committee consists of a non-voting chairperson, a non-voting secretary and minimum 3 voting members. The voting members must possess the technical and administrative capacities necessary to give an informed opinion on the tenders. The CAs and/or the JTS/A may nominate an observer to follow all or part of the proceedings of the Evaluation committee. All members of the evaluation committee and any observers must sign a declaration of impartiality and confidentiality;
- The Evaluation committee ranks the proposals using the criteria decided on in advance and identifies which offers the best quality/price ratio (in the case of services) or the lowest price (in the case of supplies and works);
- You produce an evaluation report detailing this process;
- Important: Following the assessment of tenders, if only one tender is administratively and technically valid, the contract may be awarded provided that a minimum of three offers are received and the award criteria are met from at least one tenderer.

Phase 4: Only if the CA responsible for your grant contract specifically requires this phase!

- Evaluation report with copies of all received offers is submitted to the CA;
- The CA approves the evaluation report.

Phase 5:

- Notify the successful contractor that its tender has been accepted;
- Contract signing and implementation.

We kindly advise you to strictly follow the above procedure and any other additional instruction received by your Contracting Authority (or your JTS/A). Additionally, check with your CA (or your JTS/A) whether they want to be involved in the procurement process (and if so, in what stage).

LESSONS LEARNED FROM THE IMPLEMENTATION OF IPA/CBC PROJECT BY GURI I ZI COMMUNNE

According to the plan of activities, Guri i Zi Commune ought to produce a documentary film. The budget for this activity was approved in the grant contract in the amount of 13,000 Euro. Based upon the contract value, the right procurement procedure to be followed was this of negotiated procedure.

The documentary film aimed to promote the cultural and ethnographic heritage of the cross border areas of Zadrina and Podgorica and would be introduced to a large audience of communities from both sides of the border. For this reason, by an order of the commune's chairman the Commission for Preparation of Tender Documentation was set up. This commission consisted of 5 persons from the commune staff and external experts having experience in the areas of jurisprudence, finance and film production. After a careful work the Commission succeeded to prepare:

A. Tenders Instructions

B. TORs

B. Draft Contract

C. Tender Evaluation Criteria

D. Form for the submission of the offer

The project staff identified 5 companies, specialised in film production which were invited to officially submit their offer within the time limit set by the Commission.

After submission of the tenders (out of 5 candidates only 3 submitted their offer), the *Tender Evaluation Commission* set up with a special order of the Commune's Chairman and made up of 3 members ranked the proposals using the evaluation criteria and best quality/price ratio evaluated as the best proposals the offer of Grishaj Film Production.

Though the procedure followed for the procurement of documentary film in this case was correct, it was implemented more in lines with Albanian legislation on procurement, thus demonstrating once again the dependence of LGUs implementing IPA/CBC grants on national regulations.

6.2. The Rules on Nationality and Origin

The general principles and rules on nationality and origin apply in all procurement procedures.

6.2.1. The nationality rule

Participation in tender procedures administered by you shall be open on equal terms to all legal persons who are established in a Member State of the European Union, a country or territory that is beneficiary of the Instrument for Pre-accession Assistance programme, a country that is a beneficiary of the European Neighbourhood and Partnership Instrument, or a Member State of the European Economic Area. These countries are:

The Member States	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom
IPA countries:	Albania, Bosnia-Herzegovina, Croatia, Former Yugoslav Republic of Macedonia, Kosovo, Montenegro, Serbia and Turkey.
Partner countries from ENPI	Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestinian Authority of the West Bank and Gaza Strip, Russian Federation, Syria, Tunisia and Ukraine.
The members of the European Economic Area	Iceland, Liechtenstein, Norway

For the purposes of verifying compliance with the nationality rule, the tenderers should be required (through the tender dossier/ invitation to tender) to state in their tender the country of which they are nationals, by presenting the usual proof of nationality under their national legislation.

This rule does not apply, however, to the natural persons (the experts) proposed by service providers taking part in service tender procedures or service contracts financed by the grant. These experts may have any nationality.

6.2.2. The rule of origin

IMPORTANT REMARK!

All equipment purchased under the contract has to be made in one of the EU countries, European Economic Area countries, official EU candidate country, countries receiving IPA or any other one of the countries **covered** by the IPA Cross-Border Cooperation programme (please consult the EuropeAid web page for the specific up-date).

According to the basic act applicable to the IPA CBC programme under which your grant is financed, all supplies and materials you purchase in the context of the grant must originate from the European Union or from an eligible country (**see the list above under 'nationality'**).

The term "origin" is defined in the European Community Customs Code (and other Community legislation), and the following principles are applicable:

- ▶ A product can not originate in a country in which no production process has taken place (on the other hand, if some specific provisions are met, the country of production is not necessarily the country of origin).
- ▶ The country of origin is not necessarily the coun-

try from which the goods have been shipped and supplied. If there is only one country of production, the origin of the finished product is easily established. If more than one country is involved in the production of goods, the country of origin is the country in which the goods have undergone their last, economically justified, substantial transformation. If the last substantial transformation has not taken place in one of the eligible countries, the goods cannot be tendered for the project.

- ▶ The rule of origin applies to all items tendered and supplied. Therefore, it is insufficient that only a certain percentage of the goods tendered and supplied or a certain percentage of the total tender and contract value comply with this requirement. The tenderer must state that all the goods tendered comply with the origin requirement specifying the country or countries of origin and, when tendering for systems comprising more than one item, the origin of each item in the system must be specified.
- ▶ The origin of the supplies can be attested by the certificate of origin, which must be made out by the competent authorities of the country of origin of the supplies and must comply with the rules laid down by the

relevant Community legislation.

- ▶ Where there are serious doubts about the authenticity of a certificate of origin (e.g. because of incoherence in the document, spelling errors etc), you should contact the emitting Chamber of Commerce and request confirmation of the authenticity of the submitted documents.

For the purpose of ensuring compliance with the rule of origin you shall ask the tenderer, through the tender dossier or the invitation to tender, to state the origin of the offered supplies in his tender. In exceptional cases, nationals of countries other than those referred to in section 2.1 of Annex IV (list provided above, under 'nationality') may be allowed to tender for contracts (or supplies of goods originating in such countries to be offered), **but only with the prior approval of the CA**. In specific cases where you cannot purchase goods originating in eligible countries, you should contact the CA and start a procedure to derogate from the rules specified in Annex IV.



7. PROJECT MONITORING AND EVALUATION

According to the hand book on EU Results Oriented Monitoring (ROM), monitoring is

- ▶ 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 guidelines 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 ongoing 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.

Why is it important to monitor the project implementation?

- ▶ Monitoring represents an important part of project management (especially internal monitoring);
- ▶ Monitoring provides information on the progress towards achieving the project's objectives;
- ▶ Monitoring offers you a possibility to critically self-assess your grant project and to propose potential steps for improvement;
- ▶ Monitoring gives early warning of existing or po-

tential problems. Corrective measures are also based on the monitoring reports;

- ▶ Monitoring reports are a useful assistance tool when making important decisions;
- ▶ All stakeholders are regularly informed on the project progress (internal and external reports);
- ▶ It provides budget control.

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 CA/JTS/Antenna with the up-to-date status of the project.

Generally speaking, there are two types of monitoring:

- **Internal** monitoring
- **External** monitoring

7.1. Internal Monitoring

Internal monitoring is one of the key factors of good project management and should be planned and conducted throughout the project realisation. Project managers are

responsible to monitor the realisation of the project’s overall and specific results – they should regularly check the activity plan to make sure that the project implementation is going as planned and that there are no major discrepancies.

Some of the issues that require regular monitoring:

- Which activities are completed?
- Which indicators of success are already achieved?
- Are the basic assumptions changed and why?
- Have any of the changes affected the plan of implementation?
- Which activities are not completed and why?
- Which problems remained unsolved?

Your project managers should try to:

- Conduct internal monitoring on a regular basis, preferably once per month;
- Collect information on all activities realised;
- Collect detailed information on key activities realised;

The essential tool for monitoring performance quality within the project is Logical Framework. The data in the first and second (project description and objectively verifiable indicators) represent your basic data for developing a monitoring plan for your project. There are various monitoring plan tables developed for use in project management. One of the examples is shown below:

Monitoring area	Planned	Actual	Variance
- Project results (in line with the Log frame and the activity scheduling plan)	Describe what is planned to be achieved during this quarter from the list of monitoring area.	Write objective assessment based on comparison between planned targets and the actual achievements at the end of the quarter	If the planned and actual match, your project plan is on the target. Is there a variance, either positive, or negative, briefly explain why and what you are going to do about it.

In addition to regular monitoring of project activities and results, project managers should also regularly monitor expenditures made. As the JTS/A will include your internal monitoring in its own external monitoring system of the implementation of your project, your JTS/A should provide you guidance and mentoring in carrying out internal monitoring.

7.2. External Monitoring

The Contracting Authority is responsible for external **monitoring (visits and/or phone interviews)** either during or after the completion of the project activities. You should be prepared for external monitoring/field visits and ready to provide all required information/documents. In carrying out of the external monitoring, the Contracting Authority may avail itself of the support of the JTS/A.

In any case, the JTS/A team will be involved in the follow-up of your project during implementation. They will review progress, interim and final reports and organize regular field visits to your projects (at least) once a year. As it is the task of the JTS/A to provide support to the grantees, more frequent visits can take place whenever there is a demand from projects for assistance/increased monitoring.

Regular field visits
and/or phone
interviews
Reading approved
project reports

Comparison of
information gained
with plan of action and
objectives set out in
your original proposal

The external monitoring system is built on the output and result/impact indicators and concerns the following aspects of implementation:

- **Management and coordination:** is the management and coordination efficient? Is the operation being implemented in line with the time plan as set out in the Description of the Action (Annex I of the individual contract)? Is the joint cross-border project implemented in line with joint objectives? Is the budget plan being implemented and are allocations per budget lines being observed?
- **Progress** towards the achievements of the project objectives: Are the outputs being achieved? Are the result/impacts of the specific project activities being attained? Are the result/impacts of the joint project being attained? To which extent the project is contributing to the IPA CBC programme objectives?
- **Dissemination:** Are the achievements and results of the project being maximised through adequate dissemination? Are publicity requirements being fulfilled?

You should be prepared for external monitoring/field visits and ready to provide all required information/documents.

Besides the follow-up by the JTS/A team, with a focus on activities and outputs, your project could also be subject to formal regular external monitoring visits within the framework of the Results-Oriented Monitoring (ROM), which is carried out by independent experts on behalf of the Contracting Authority. In addition to looking at activities and outputs, ROM focuses on results including outcomes (for example, the number of children who are taught by teachers and the quality of the teaching provided) and impact (for example, the increase in the number of children, especially girls, who are able to go on to secondary education).

A close-up photograph of young green grass blades growing out of dark, rich soil. The grass is vibrant green and appears to be in the early stages of growth. The soil is dark brown and textured, with some small clumps and organic matter visible. The lighting is bright, creating a high-contrast scene with some shadows and highlights on the grass and soil.

REPORT

A close-up photograph of several young green grass seedlings growing in dark, rich soil. The seedlings are in various stages of growth, with some showing distinct red roots at the base. The soil is dark brown and appears moist. The background is slightly blurred, showing more soil and some small white debris. The overall scene is brightly lit, suggesting a sunny day.

RESULTS

8. REPORTING

All beneficiaries awarded a co-financing grant under the IPA Cross-Border Cooperation programmes, will have to submit the following reports:

1. **Progress report(s)** (joint report on overall project implementation, prepared by the FLP);
2. **Interim report(s)** (individual report(s) prepared and submitted by each FLP and LP separately);
3. **Final report (joint reports on overall project implementation, prepared by the FLP)**

Persons responsible for the overall contract and project implementation, such as project managers/coordinators, will have the main responsibility for project reporting. From the very beginning of the project until the end, project managers are obliged to keep all data about the project/contract. Firstly because they always have to know what is the status of their contract and project and secondly because they have to be prepared for reporting and audit that will be carried out at the end of the implementation of the contracts (i.e. the project).

IMPORTANT REMARK!

- Progress, Interim and final reports consist of a **narrative** and a **financial section**;
- The **interim and final report** should correspond to the model provided in **Annex VI of the Grant Contract**;
- A list detailing each item of expenditure incurred in the period covered by the report, and indicating for each its title, amount, relevant heading in the Budget of the Action and the reference of the justifying document, has to be annexed to reports.
- **You shall submit all reports in the English language only.**

It is advisable to all grant beneficiaries and their partners to keep internal monthly activity updates on the implementation of project activities. In this way, all important events/dates will be recorded and you will have no problems preparing reports. The same applies for internal expenditures records: if updated on a monthly basis, you will have no problem utilising available funds in the best possible manner, including budget reallocations. The table below explains the types of report and obligations of grantees and CA:

Reports	Type of report	Submitted by	Submitted to	Accompanied by	Approval
Progress report(s) (narrative and financial)	Joint	FLP	Each CA and JTS/A	–	–
Interim report(s) (narrative and financial)	Individual	FLP and LP separately	To each CA separately (copy to JTS/A)	Request for Payment	By CA separately
Final report(s) (narrative and financial)	Joint narrative and financial	FLP with signature of LP	To each CA (copy to JTS/A)	Request for Payment; Expenditure verification (for contracts exceeding 100 000€.	By CA separately

8.1. Progress Report(s)

A Progress report is a **technical narrative and financial report** aimed at facilitating project monitoring and timely identification of problems, if any. For each cross-border project, **one joint progress report (narrative and financial) should be prepared by the FLP with the support of the LP, and co-signed by both beneficiaries implementing the project.**

The objective of the joint progress report is to provide actual information on project progress on both sides of the border. The Project Manager has to consult to CA about the template to be used for the joint progress report. .

The report(s) is/are to be sent to the JTS/A (copy to both CAs) in line with the **following schedule:**

Option 1: Action duration \leq 24 months but $>$ 12 months

Progress narrative and financial reports covering each seven months of the period implementation have to be submitted within one month after the period of implementation concerned. No progress narrative and financial reports will be submitted if they are due within the last two months of the period of implementation .

Option 2. Action Duration \leq 24 months but \geq 18 months & value \leq € 100,000

One single progress narrative and financial report within one month after the implementation of half of the project period of implementation. As set out in Article 2.3 of Special Conditions of the Grant Contract.

IMPORTANT REMARK!

The Progress Reports are different from and should not be confused with the Interim Reports (Narrative and Financial) described under point B. below. The joint Progress Reports are to be submitted to both CAs and JTS/A, regardless of the payment option used in the Grant contract; but according to the scheduled explained above, while interim reports are instead to be submitted to the CA (copy to JTS/A) as a support of clearing previous and requesting further pre-financing.

8.2. Interim Report(s)

Projects with a period of implementation **longer than 12 months and a grant awarded over EUR 100,000 (both conditions must be met at the same time)**, are entitled to further pre-financing payment(s) in order to cover the FLP's/LP's financing needs for each further 12 months of for specific intermediate period of implementation.

Note: *The Interim narrative and interim financial report must be accompanied by Payment request for further pre-financing.*

The Request for a further pre-financing, where applicable, must be submitted in original to the CA (and in copy to JTS/A).

Please note that contrary to the Progress report(s) the aim of which is/are to provide a continuous overview of on-going cross-border project activities (as obligation of the FLP), the Interim report(s) (narrative and financial) **is/are related solely to activities implemented only on one side of the border and as such are the responsibility of each grantee separately.**

Thus, both FLP and LP have to submit the Interim reports (narrative and financial) to its respective Contracting Authority. **Interim report should be prepared in English, the forms are part of this implementation package** (Interim narrative report -Annex B.1.a and Interim financial report - Annex B.1.b), and are the annexes of the grant contract.

If grant beneficiaries fail to present an Interim Report and a Request for Payment **by the end of each twelve-month period** following the date of commencing project implementation, and fail to inform the CAs of the reasons why they are unable to do so, the CA can **terminate** the Grant Contract and require the recovery of the amounts already paid and not substantiated.

IMPORTANT REMARK!

In preparing the narrative part of the interim report, the FLP/LP should ensure that the implementation description is clear, precise, specific and concise. In general, the interim narrative report should provide necessary information about the execution of project activities during the first half of the project period while at the same time making proposals for project activities and inputs for the next final period (revised activity plan).

It includes information on the general project's progress, review against the programme indicators, and a detailed report on activities and outputs implemented. An important part of this report is the preparation of a revised activity plan, which should include delayed activities (if any) from the first period and adjusted activity plan for the second period of project realization. The interim narrative report should also include information on project strengths, project accomplishments, and challenges to completing.

8.2.1. Interim narrative report

The interim narrative project report template includes the following sections:

I. Description – including general information on the project, such as title, contract number, duration, person in charge of implementation, etc.

II. Assessment of Implementation of Action Activities, including:

- 2.1 Executive summary of the Action
- 2.2 Activities and results – in line with the approved proposal, you should list all activities realised during the reporting period. The activity description should include the following information: title of the action, period (date), actors/target groups involved, conclusions/follow-up (if applicable). You should also indicate results achieved; e.g., 10 staff members trained in Project Cycle Management. Remember to quantify results whenever possible and to refer to the project LogFrame.
- 2.3 List of activities that were planned but were not implemented.
- 2.4 Assessment of the achieved results (includes potential risks, updated Logframe and list all contracts awarded during the reporting period in case you have sub-contracted or sub-granted).
- 2.5 Updated action plan should include all activities planned for the next report period.

III. Partners and cooperation

- 3.1 Include information on roles and responsibilities performed by each formal partner (not sub-contractors), as well as the overall level of cooperation established.
- 3.2 In case there was no cooperation with the state authorities, please indicate (N/A).
- 3.3 You should pay special attention to indirect and direct beneficiaries of the action, as well as the relation (coordination, level of involvement in project implementation,

etc.) with these groups.

3.4 Indicate if not applicable (N/A).

3.5 Add any additional info, especially in relation to the joint activities.

IV. Visibility

Please note that you should provide a section on your project's contribution to overall EU visibility (not only project visibility) and indicate how the final beneficiaries, target groups and/or general public were informed.

In addition to the narrative report, you should also prepare a financial report covering the 12-month reporting period. You should start from the balance sheet, prepare individual sheets and then fill in Annex VI (Interim financial report).

8.2.2. Interim financial report

The **Interim Financial Report (Annex B.1.b)** shall include a list detailing each item of expenditure incurred in the period covered by the report. Interim financial report consists of:

- a) a forecasted budget and follow up (Worksheet 1) and**
- b) an interim financial report (Worksheet 2).**

When completing the Forecast budget and follow up **Worksheet 1**, the grantee should pay attention to include only envisaged planned amounts, and not budgetary commitments. **The Worksheet 1 is divided in two parts:** the left side contains the report of the costs actually incurred during the previous reporting period (not the figures from your budget!), while the right side contains the costs, you expect or plan to incur in the following reporting period. It is important to understand that this table is essentially a planning and monitoring tool: the figures you introduce in the right side of the template are not committing you or your institution to faithfully follow that spending pace.

Worksheet 2, narrative financial report - In the upper rows of the table, enter basic information (number of contract, the project implementation period and the period covered by the report). In columns, A to E grantee should enter budget items from the grant contract, provided that each item should be duplicated (by inserting rows) as many times as there are payments (bills). In columns, F and G possible re-allocation and use of contingency reserve should be indicated. From column, H–O Expenditure incurred: To ease the preparation of the reports, indications are provided on the relevant columns, FX= foreign currency.

All worksheets: Figures in both worksheets have to be rounded to the nearest euro cent. Check twice if the amount and validity of the formula are correct.

Most common mistakes when writing the narrative part of the interim report:

- Numbers and names of activities do not match those provided in original project proposal;
- A lack of specific data and information (e.g. description of events which do not specify where and when they took place, who participated, what were themes and conclusions);
- There are discrepancies between descriptions of implemented activities and financial statements, or provided data are contradictory (e.g., the description states that the workshop was for 20 people, but in the financial part the cost of catering was for 40 persons);
- The narrative report should not be a comprehensive interpretation of the realized costs, but it is sufficient to give a brief reference to the same (e.g. in the text where it mentions the workshop, put in brackets a reference to budget line);

Most common mistakes when writing the financial report:

- Using monthly average exchange rate instead of average exchange rate;
- Incorrect calculation of average exchange rate;
- Exchange rate indicated with an insufficient number of decimal places;
- Introduction of new items, which have not been, are not approved by Addendum;
- Incorrect entry of Re-allocations and/or Addendum.

8.3. Final Report (s)

The final project report (narrative and financial) should primarily deliver all necessary information concerning the

- implementation of activities,
- the utilisation of the inputs and
- the results accomplished over the duration of the project.

In addition, the report should elaborate experience that has been gained in the course of the project and 'lessons learnt'.

- The joint Final Report must be sent in English to both the CAs no later than 3 months (see table on reporting schedule above) after the end of the implementation period.
- The final report will be submitted as an overall, joint and co-signed report by the two grant beneficiaries of the cross-border project (FLP and LP). It is the **responsibility** of the Functional Lead Partner to compile this final report and submit it. If you were LP or partner in this project, you will provide all necessary inputs to the FLP necessary to prepare the final report.

- Remember that you can only receive the final CA payment for your project once your final report has been approved.

If the FLP fails to supply the final (narrative and financial) report to CAs (from both countries) by the required deadline (3 months after the end of project), and fails to furnish an acceptable and sufficient written explanation why it has been unable to comply with this obligation, the CAs can terminate the Grant Contract and require the recovery of the amounts already paid and not substantiated.

The final report should consist of:

1. Payment request (Annex B.2)
2. Final Narrative Report (Annex C.1.a)
3. Final Financial report (Annex C.1.b)
4. Expenditure Verification (Annex C.3)
5. Statement for bank interest yielded
6. Transfer of ownership (Annex C.4.a) and Non-transfer of ownership (Annex C.4.b)
7. Documentation of the publication and visibility of EU funding
8. Documentation relating to secondary procurements over € 10,000 for projects above € 100,000.

8.3.1. Final narrative report

The *final narrative report* shows the extent to which the project has met its objectives and should emphasise results achieved during the project implementation. It should provide answers to the following questions:

- Did the project accomplish its objectives?
- Did the project operate as it was designed to operate?
- Did the project activities produce the desired outcomes? If not, why? What is being done to address any problem areas?
- How do findings/results affect future planning or new strategies?

The final narrative report includes the following sections:

I. Description (same as in interim report)

II. Assessment of implementation of action activities, including:

2.1 Activities and results (same as in interim report): the emphasis should be on results achieved, with particular reference to joint project objective.

Note: although stated in the template to include activities realised after the previous reporting period, you should include all activities realised from start of the Action.

2.2. Activities and results achieved.

You should comment on level of fulfilment of the overall and specific objectives indicated in the project proposal. You should quantify wherever possible and refer to indicators and sources of verification from the LogFrame.

2.3. Activities that have not taken place (same as in interim)

2.4. Assessment of the achieved results (includes potential risks, updated Logframe and list all contracts awarded during the reporting period in case you have sub-contracted or sub-granted.

2.5 Outcome on final beneficiaries/target groups and situation in the target country.

Referring to the situation/information indicated in the application form, you should describe how the situation has changed because of the project and how the project has changed the position of the final beneficiaries/target groups. Include information on training and other activities contributing to building of capacities, new experiences gained, polls/surveys results, etc.

2.6 Materials: Don't forget to include information on dissemination.

2.7 List all procurements.

2.8 Indicate what has been done to achieve sustainability and how do you plan to finance (part) of

follow-up activities after the project has ended.

2.9. Describe in more details whether the project had an impact on any of the cross-cutting issues.

2.10. Indicate how you have monitored project implementation internally. In case you have conducted external evaluation, please attach the evaluation report.

2.11. Has the project contributed to building of partner organization' capacities. If so,how? If not, why not?

III. Beneficiaries, partners and other co-operation

3.1 Include information on roles and responsibilities performed by each formal partner (not sub-contractors), as well as overall level of cooperation established.

3.2 Is the partnership to continue? If so, how? If not, why?

3.3 In case there was no cooperation with the state authorities, please indicate (N/A).

3.4 You should pay special attention to indirect and direct beneficiaries of the action, as well as relation (coordination, level of involvement in project implementation, etc.) with these groups.

3.5 Indicate if a contract on future cooperation has been/will be signed.

3.6 Indicate if not applicable (N/A).

3.7 Evaluate you cooperation with CA.

IV. Visibility

Please note again that you should provide a section on EU visibility (not only project visibility) and indicate how the final beneficiaries and/or general public were informed.

8.3.2. Final financial report

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

The **final financial report** contains a retrospective accounting of all expenditures over the lifetime of the project, and demonstrates the extent to which project expenditures have adhered to the original project budget. The final reimbursement to grantees is contingent upon receipt of a satisfactory financial report.

What should be in the Financial Report?

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

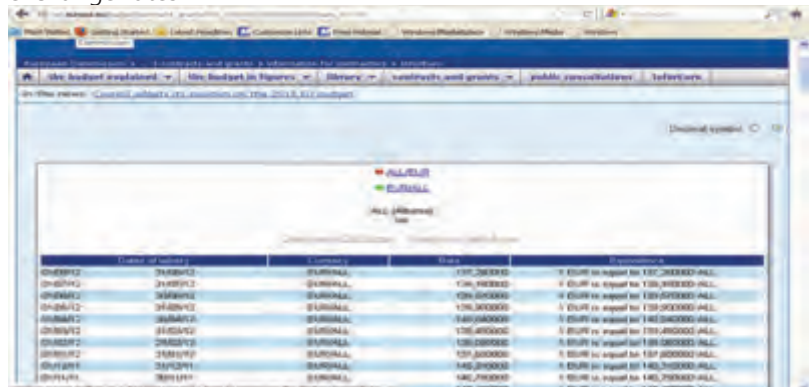
- ▶ The project accounts have to be kept in the national currency used by each partner;
- ▶ Interim and final reports include four columns for each currency for each budget line. These represent the number of units, the unit cost in the original currency, the total cost in the original currency and the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

The table below illustrates the steps to follow when calculating the exchange rate:

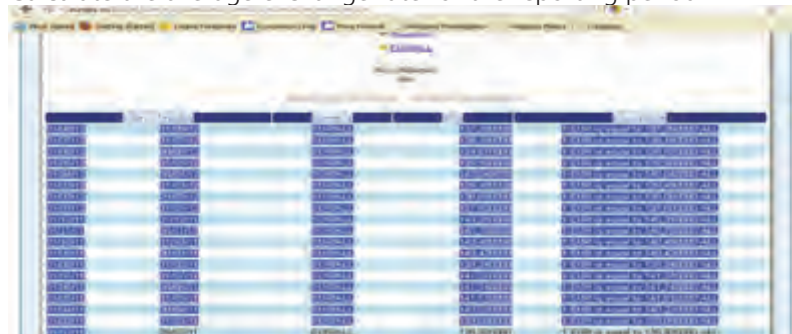
Go to the inforeuro and select Albanian currency.



Click download in the table format and open the table with monthly exchange rates



Calculate the average exchange rate for the reporting period



Costs not accounted for or not reported in due time cannot be reimbursed. Please note that costs/signing of contractual obligations are eligible only up to the finalisation date of the operation.

After the contract expiry date no costs are eligible, with the exception of audit, evaluation and final report costs.

When undertaking the required verifications to approve the final payment, the CAs may carry out an on-the-spot check or request the contractor to provide copies of all or part of the invoices and of the proofs of payments related to the transactions reported in the mentioned list (in other words, neither copies of all invoices, nor the documentation related to tender procedures undertaken are due upfront). In order to be able to meet the time-limit for submission of the Final Report (i.e. 3 months after the implementation of the project, as stated above), the Functional Lead Partner is advised to start consultations with JTS/A on the draft versions of Final Narrative and Financial Report not later than 2 months after the end of the implementation period.

Instructions provided for development of the Interim financial report are also valid for the preparation of the joint Final financial report.

8.4. Expenditure Verification Report

The Expenditure Verification of your project (sometimes simply called “audit”) is required if the value of the grant requested (considering the European Union contribution alone, not including the co-financing) exceeds €100,000. In such cases, during contract preparation you were requested to provide the details of a company that will carry out the audit verification and issue the Expenditure Verification Report (Annex C.3). For more details, see section 10. Audit.

8.5. Transfer of Ownership

In certain cases, during the project implementation the equipment is purchased for the purpose of the project. The grantees may transfer equipment to other organizations (e.g., a partner in the project). In this case, the form of transfer of ownership must be properly filled in by both sides (Transfer of ownership – Annex C.4.a). All Transfers of ownership must be attached to the final report. Transfer of ownership is mandatory when the grant beneficiaries (G1 and G2) are not established in the country where the project is implemented (see Article 7.3 of General Conditions).

IMPORTANT REMARKS!

Interest Accrued: Any interest or equivalent benefits accruing from pre-financing paid by the Contracting Authority 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 Euro paid by the Contracting authority shall not be due to the Contracting Authority and may be used by the beneficiary for the action. Any interest accruing from pre-financing of more than EUR 250.000 paid by the Contracting Authority shall be assigned to the action and deducted from the payment of the balance of the amounts due to the beneficiary, unless the Contracting Authority requests the beneficiary to reimburse the interest generated by pre-financing payments before the payment of the balance.

LGUs implementing EU grants, **do not benefit interests accrued** from pre-financing paid by the CA to their accounts in the Treasury Branch of the regions where they belong to.

9. PROJECT VISIBILITY

As you are receiving a grant from the EU, you are obliged to follow certain rules regarding the visibility as indicated in your grant contract. **These rules are laid down and published by the European Commission in the Communication and Visibility manual.** (the photo on the left) The use of this manual is compulsory for all grant beneficiaries (G1, G2 and their partners). Electronic templates have been developed for each type of the communication tools and can be downloaded from the following website, as well as the manual itself:

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

The EU communication and visibility rules guarantee the EU identity in written and audiovisual materials. They cover the written and visual identity of the EU and are to be used in briefings, newsletters, press conferences, presentations, invitations, signs and all other items used to highlight EU participation. In addition, it offers tools designed to enable the development of a dynamic communication strategy that will highlight the achievements of EU support.

IMPORTANT REMARKS!

Visibility requirements depend on the type of action

All projects that are beneficiaries of EU funds are obliged to comply with EU visibility guidelines. What visibility activities are required, or will be considered appropriate, will depend on the size of EU assistance.

Technical assistance and studies

The grant beneficiary should:

- Issue at least one **press release per year (at major project milestones)**;
- Use the appropriate visual identity and report cover template for project reports;
- Prepare a **communication plan**, outlining other elements as appropriate, e.g. leaflets and/or brochures, newsletters, web pages, banners, promotional items, reports, audio-visual productions.

Events (trainings, workshops, seminars, etc.)

The grant beneficiary is responsible for ensuring that:

- Participants are informed that the project is co-financed by the EU;
- The EU logo appears on all materials, invitations, etc.;
- Depending on opportunity, the EU flag or banners may be displayed;
- High level events might also include press releases and photo opportunities;
- The CA in the beneficiary country must be closely involved in the preparation and implementation of such events.

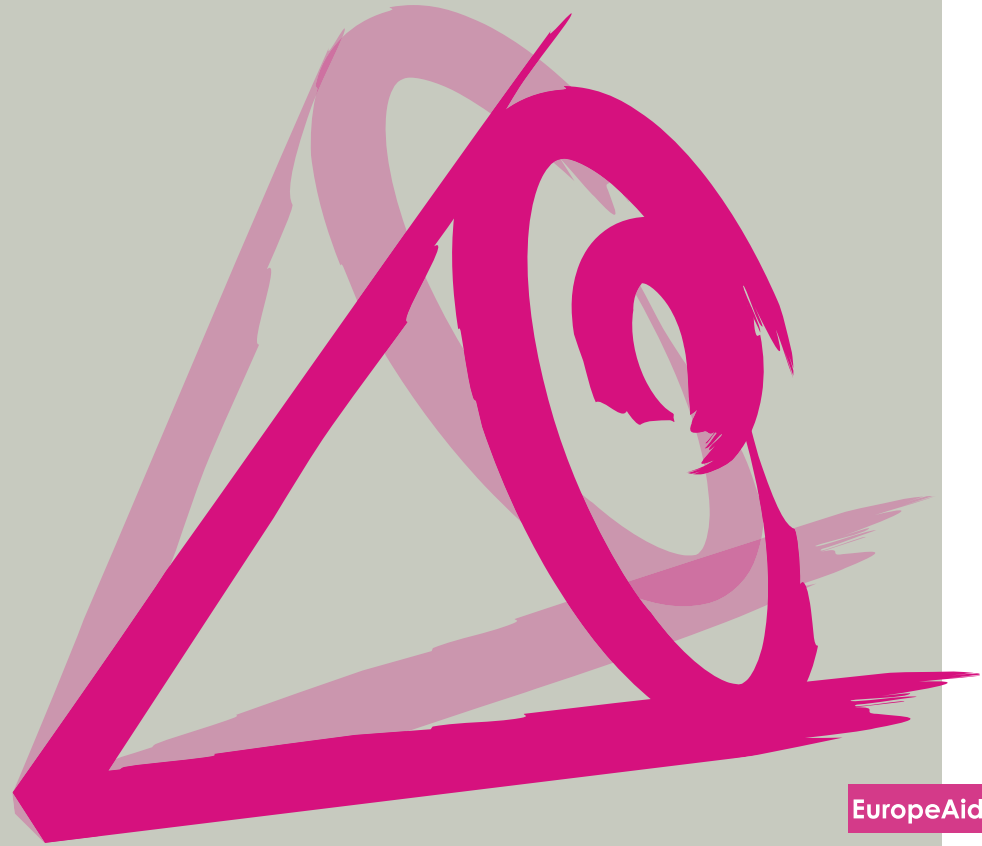
9.1. Communicating Activities and Results

Communicating your project's achievements and results should be a priority for your projects. Not only you and your partners together with their target groups need to know about your projects, its objectives and its achievements, the wider public also need to be informed. Therefore communicating project 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 vis-

COMMUNICATION AND VISIBILITY MANUAL

for **European Union**
External Actions



EuropeAid



EUROPEAN
COMMISSION

ibility to EU support in the CBC Programmes. Please note that the EU has strict rules and requirements on visibility and communication.

What to keep in mind when communicating project results:

- Make sure you reach all different stakeholders;
- Develop compelling messages for political level, for the media and different stakeholders;
- Do not only inform but communicate by receiving feedback from the stakeholders
- 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 with your partners. The level of detail should correspond to the cost envisaged. The focus should be on the reasons for, objectives and impact of the action undertaken, rather than on internal project processes. It must be agreed, and implemented in close coordination with the CA.

In order to maximise the impact of communication efforts:

- Activities need to be timely;
- Information used must be accurate;
- Activities should be co-ordinated closely with the CA;
- The right audience(s) should be targeted;
- Messages should interest the target audience(s);
- Activities should be appropriate in terms of resources spent and expected impact.

A step by step guide on how to develop a communication plan can be found on the EU Communication and Visibility Manual. The manual also serves to ensure that projects know the legal requirements they should respect

In order to communicate effectively, target audiences should be clearly identified in communication and visibility

plans. Audiences will include opinion formers and influential figures, as well as those beyond government and media who have a stake in the action, or are affected by it.

9.2. EU Visual Identity Elements

Acknowledgement of funding:

All beneficiaries should use their normal visual identity in letterheads or fax headers sheets, but should add the phrase:

'This project is co-funded by the European Union'

as well as the EU flag when communicating on matters related to the action. The graphic identity of the EU must enjoy an equally prominent place and size as that of the local authority. Detailed instructions regarding the flag's exact layout, colours, backgrounds, positioning, size etc are given in the communications and visibility manual.

Disclaimer:

All publications and project websites must include the disclaimer: *'This publication/website has been produced with the assistance of the European Union. The contents of this publication/website are the sole responsibility of the 'contractor' and can in no way be taken to reflect the views of the European Union'*.

Electronic templates available:

Templates for preparing a communication plan are given in the communication and visibility manual (Annex G1) for EU external actions: http://ec.europa.eu/europeaid/work/visibility/index_en.htm

9.3. Individual Communication Tools

Visual identity in written communication

In general, beneficiaries should use their own visual identity, but add the EU logo and phrase 'This project is co-funded by the European Union' when communicating on matters relating to the project (invitations, reports, leaflets, etc.).

Website

Separate websites are only appropriate if a project will last over a long period and will result in a significant amount of information, documents, and other materials. Websites should be established in close cooperation with the CA to ensure coherence and provide links to the Commission web site. At the end of the action, it should be copied onto a CD-Rom and given to the CA. A disclaimer and the EU visual identity must be applied.

Press releases

The press release is the most important form of written information and in general one should be sent to journalists at the start of all projects. Beneficiaries (G1, G2 and/or their Partners) should never issue press releases and make any public statements without at least liaising with an CA press officer.

A press release should include elements such as the purpose of the project, the partnership between the EU and the beneficiaries, and also the results achieved so far. The release must incorporate the EU logo, mention that (a

part of the) funding was provided by the EU, mention the amount of EU funding in Euro and in the local currency. If a press conference is planned, the press release must include the name of a representative of the CA who has been invited to the press conference, if appropriate.

Press conferences

Press conferences are appropriate to mark major events on EU assistance projects or to announce important news. Invitations to the press conferences must bear an EU logo equal in size and prominence to that/those of the beneficiary institution(s). At the press conference itself, an EU flag must be displayed if other flags or symbols are being displayed.

The press conferences ought to be facilitated with an adequate Press Kit. Usually Press Kits contain a press release covering the main message(s) being communicated, relevant background material, relevant publications, brochures and handout versions of the presentation slides. The Press Officer of the country EU Delegation must be invited to and notified about each press conference taking place.

Printed publicity materials

All publications should incorporate the EU flag, the sentence 'This project is supported by the EU', the disclaimer (see visibility manual), project details and contact persons.

The printed matter usually falls under the categories of leaflets, brochures and newsletters:

- **Leaflets** can provide basic factual information and the address (such as a mailing address or website) where further information can be found;
- **Brochures** can go into greater detail, highlighting the context, including interviews with stakeholders, beneficiaries and so on;
- **Newsletters** are characterised by their regularity,

and can be issued to inform on the progress of the project. This is useful, for example for projects where the impact can be appreciated over time. E-newsletters are a lot cheaper and easier to produce than printed versions.

Promotional items

Before taking any decision on the production of these, the press and information officer at the CA should be consulted. They should bear the EU Flag, and if possible the words 'European Union'. A number of additional key recommended phrases are indicated in the communication and visibility manual.

Photos and audiovisual productions

Photos and copies of audio-visual productions should be provided to the CA.



Photos of traditional handicrafts of Zadrime area. Courtesy of project manager.

Visibility in Reports

Grantees and their partners should make sure that at least one section of their reports contains a detailed description and evaluation of their communication activities (with examples). If the report is to be made available to the public, the report cover template must be used.



Photo: Banners used during various events organized by Guri I Zi Commune under the IPA/CBC Project

10. EXPENDITURE VERIFICATION (AUDIT)

10.1. What is Expenditure Verification (Audit) 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 organize 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.

IMPORTANT REMARK!

All projects awarded a grant under the IPA Cross-Border Cooperation programme whose value of the grant requested (considering the European Union contribution alone, not including the co-financing) exceeds €100,000 are subject to an external audit.

Remember: Even if an audit or a monitoring is not required for projects whose value of the requested grant does not exceeds €100,000, **it may happen that the CA**, the European Commission, the European Court of Auditors or the European Anti-fraud Office or any external auditor authorised by the CA, select your project for an EX post Evaluation.

Audit costs are eligible costs.

It is the responsibility of the grantee to select an auditor, who checks and confirms that the financial and accounting statements are reliable and that the declared expenditure is eligible. The selected auditor has to be independent from operation's activities, decision-making, financial management and payment and control processes. The auditor must also verify that the EU contractual stipulations and guidelines (and were applicable, national legislation) in the field of financial management and controls, accountancy, sub-contracting and procurement have been observed and followed. The independent auditor shall also carry out on-the-spot checks and verify that the activities have actually taken place and that sub-contracted supplies have been delivered and works and services carried out. The auditor must examine all invoices and payments relat-

ing to the project and must certify that they are correct and acceptable.

The Expenditure Verification work is organized 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 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.

10.1.1 Main steps during the audit:

1. The contact details of the selected Audit Company are already part of the signed grant contract;
2. You should inform the selected auditor on the Terms of Reference and required format of the audit report (Expenditure Verification Report- Annex C.3). In addition, the selected audit company should present you with a document proving that they are a member of the national Association of Accountants and Auditors;
3. In case the selected company cannot meet the requested requirements, you will have to select a new audit company and inform the CA (Notification letter - Annex F.1);
4. Prepare a copy of the grant contract, final narrative and financial reports for the auditor. They will also check your account and supporting documents, as well as physical assets/equipment purchased from the project;
5. Please note that the project manager and financial officer will have an important task in preparing for and during the auditor's visit;
6. Make sure that you double check information presented in the audit report (amount of eligible costs, list of equipment, amount of the final pay-

ment request);

7. Submit the audit report (Expenditure Verification report), with the final report to the Contracting Authority.

While sometimes viewed as an inconvenience, audits serve several important purposes. They provide official recognition of a project's effectiveness, and they document expenditure records and project activities. They also identify any practices or expenses not allowed under the provisions of your project.

It is strongly advised to meet auditors early in project implementation to discuss project finances, accounting, reporting modalities and audit methodology. In this way you can avoid many problems that otherwise only would surface far into the implementation phase and then might not be possible to be corrected any more. You can minimise disallowances if you follow award document provisions closely and maintain accurate records of all activities and expenditures. After the audit, it is useful (and common) to have an informal meeting with the auditor(s) to discuss observations and findings.

Remember that all projects funded or co-funded by the European Union can be subject to an audit at any stage, whether during the award process, during execution of the project or once the project has been completed. The beneficiaries must keep all the documents relating to the award of contracts for a period of seven years from payment. These documents must be made available for inspection by the European Union and the European Court of Auditors up to 7 years after the final payment.

Ownership of both project results and of equipment are described in Article 7 of your grant contract General Conditions.

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 Contracting Authority and JMC 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.

10.2. Final Payment and Recoveries

10.2.1. Final payments (Balance)

The final amount of financing by CA to IPA/CBC 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 CA

The example below involves the two scenarios:

	Special Conditions	Case 1	Case 2
Co-financing rate	85 %		
Total costs	100,000.00	105,090.00	95,780.00
Total approved costs		101,012.00	95,020.00
Amount of Grant	85,000.00	85,000.00	80.767.00

As stated in the paragraph 2.1 of this manual, 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, the Contracting Authority 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.

10.3. Recoveries

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

If grant beneficiary fails to implement the project as undertaken and agreed in the contract or irregularities have been discovered and proved in the implementation phases of the project then the CA reserves the right to interrupt payments and/or to terminate the contract. This includes any irregularities identified in the audit report(s).

In such cases, the CA's contributions may be reduced or

they may demand full or partial repayment of the pre-finance payments in proportion with the part of the contract that has not been executed.

This will be carried out with prior notification to you.

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'

10.4. Prior Termination of the Grant Contract

In accordance with the General Conditions, article 12, a party (beneficiary/CA) that believes that the grant contract can no longer be executed effectively or appropriately, should consult the other party (beneficiary/CA). Failing agreement on a solution, either party may terminate the grant contract by serving two months' written notice, without being required to pay compensation.

10.4.1. Termination of the grant contract by the grantee

Under duly substantiated circumstances, you may ter-

minate the Grant Contract at any time by serving a two months' written notice. In this event, you shall be entitled to payment of the grant only for the part of the project carried out (excluding costs connected with current commitments that would be implemented after termination). This does not affect the right of the CA, in cases of wrongful termination, to claim full or partial repayment of sums already paid out.

10.4.2. Termination of the grant contract by the CA

I. Termination of Contract with a notice

In exceptional and duly justified cases, the CA may decide to terminate the Contract by serving a two months' written notice.

In this event, you will be entitled to payment of the grant only for the part of the project carried out.

II. Termination of Contract without a notice

The CA may terminate the contract, without giving notice and without paying compensation of any kind, where the Grant beneficiary:

- fails, without justification, to fulfil any of the obligations imposed on you and you do not provide a satisfactory explanation within 30 calendar days from the date in which the CA sends you a notice by letter to comply with those obligations;
- organisation is declared bankrupt, is wound up or is the subject of any similar proceeding;
- changes legal personality, unless an Addendum acknowledging that fact is drawn up;
- does not undertake all precautions necessary to avoid conflict of interests and you fail to inform the CA and the JTS/A of any situation giving rise to or likely to give rise to such conflict;
- transfers or assigns the Grant Contract and the payments attached to it to any third party without

- prior written consent of the CA;
- does not keep accurate and regular records as well as separate and transparent accounts of the implementation of the contract;
- indulges in corrupt practices (the same applies also to your partners, your subcontractors and agents);
- fails to comply with the fundamental obligations concerning financial and technical checks of the project;
- makes false or incomplete statements to obtain the grant provided for in the Grant Contract or you provide reports that do not reflect reality,
- has not fulfilled your obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which you are established;
- Commits financial irregularities.

In that event, the CA may demand full or partial repayment of the sums already paid out under the Grant Contract. Prior to, or instead of, terminating the Contract as described above, the CA may suspend payments as a precautionary measure, without prior notice.

10.5. Archiving documents

As explained before, you must archive all the relevant documentation relating to your project and its tendering process for 7 years from the date of the final payment for expenses incurred and activities carried out during the implementation of the contract (i.e. the project). This rule applies also to all the partners in the project. In addition to the documentation mentioned in the section on the Record keeping it is advisable to keep mail correspondence with all project partners, representatives of CA, JTS/A/A staff and all other project stakeholders.

FINAL CONSIDERATIONS FOR PROJECT CLOSURE!

Before formally closing your project, be sure that:

- > **Your organization 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 partner.** Even 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 organized in a way that anyone with no knowledge of the project can ensure a smooth control by the relevant bodies.

FINAL REMARKS

Dear Reader

By the end of this manual, we hope you have become well acquainted with management rules of grant contracts. This process needs time and a serious approach and preparations. It may be challenging, especially for novices, but as you work through it all, you and your organization, institution or company will gain invaluable experience, skills and knowledge.

The other important and key issues are that through your project management you have fulfilled a change in the community you belong to. The implementation of the projects usually brings local, regional and, sometimes, even national acknowledgment and credibility.

Applying and successfully managing EU funds is just like learning anything new in life. Never be discouraged, the more you develop and manage projects, the better you get at it, the more project you will get funded!

13. LINKS TO EU DOCUMENTS RELEVANT FOR IMPLEMENTATION (ANNEXES)

General links:

EC exchange rate:

- <http://ec.europa.eu/budget/inforeuro/index.cfm?fuseaction=countries&Language=en>

PRAG:

- http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/documents/2008new_prag_final_en.pdf

Contract and Annexes:

General Conditions:

- http://ec.europa.eu/europeaid/work/procedures/implementation/grants/documents/e3_h_2_gencond_en.pdf

Procurement by grant Beneficiaries in the context of European Community external actions:

- http://ec.europa.eu/europeaid/work/procedures/implementation/grants/documents/e3_h_3_awardproc_en.doc

Request for Payment (template):

- http://ec.europa.eu/europeaid/work/procedures/implementation/grants/documents/e3_h_4_requestpay_en.doc

Interim Narrative Report (template):

- http://ec.europa.eu/europeaid/work/procedures/implementation/grants/documents/e3_h_5_interreport_en.doc

Final Narrative Report (template):

- http://ec.europa.eu/europeaid/work/procedures/implementation/grants/documents/e3_h_6_finalreport_en.doc

Financial Report (template):

- http://ec.europa.eu/europeaid/work/procedures/implementation/grants/documents/e3_h_7_financialreport_en.xls

Expenditure verification/audit:

- http://ec.europa.eu/europeaid/work/procedures/implementation/grants/documents/e3_h_8_expendverif_en.doc

Procurement procedures:

- <http://ec.europa.eu/europeaid/work/procedures/implementation>

Visibility:

Communication and Visibility Manual for EU External Actions:

- http://ec.europa.eu/europeaid/work/visibility/documents/communication_and_visibility_manual_en.pdf

Templates

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

Project management:

EC Project Management Cycle:

- http://ec.europa.eu/europeaid/reports/pcm_guidelines_2004_en.pdf