

# **South East Europe (SEE) Implementation Manual**

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# GLOSSARY

## **IMIS 2007-2013**

The Monitoring and Information System of the SEE Programme

## **SEE Front Office**

The front webpage of the IMIS 2007-2013 to be used by the Lead Applicants to prepare and submit their applications and the related annexes for a Call for Proposal and by the Lead Partners of contracted projects to prepare and submit their regular progress report and application for reimbursement to the JTS. The SEE Front Office (**SEE FO**) can be accessed by individual usernames and passwords.

## **Progress Report**

A monitoring tool of the programme that the Lead Partner should submit regularly in order to provide up-to-date information about the progress of the project implementation as well as justify those expenditures that are claimed in the application for reimbursement submitted together with the report.

## **Application for Reimbursement**

Document submitted by the Lead Partner to Joint Technical Secretariat in order to claim ERDF contribution for the project on the basis of validated expenditure, it should always be submitted together with the progress report. The Application for Reimbursement (**AfR**) is an automatically generated document by the IMIS 2007-2013, on the basis of a complete Progress Report, which has to be signed by the Lead Partner and submitted in original as well.

## **Partner Report**

A tool to be used by the (ERDF) Project Partners that has two major functions. On the one hand the project partner provides via the Partner Report adequate information for the Lead Partner concerning the activity and financial progress of their project part, based on which the Lead Partner will prepare the regular progress report of the project. The partner report should be forwarded together with the related Declaration on validation of expenditure of the partner to the LP. On the other hand the project partner submits the Partner Report to its Controller at national level as well, and the financial part of this report serves as basis for the Declaration on validation of expenditures that the Controller will issue.

## **Declaration on validation of expenditure**

It is a document issued by the Controller to the Project Partner containing the amount of validated expenditure for the reporting period concerned. By signing this document, the Controller declares the legality and regularity of the expenditure according to Community and national rules. The issued Declaration on validation of expenditure should be forwarded by the project partner together with the related Partner Report to the Lead Partner and it is a supporting document for the application for reimbursement to be submitted to the JTS by the LP. The document is based on the Partner Report tool.

## **SEE Programme Manual**

The purpose of the SEE Programme Manual (**SEE PM**) is to provide stakeholders and potential project applicants with appropriate and high-quality information about the programme, the options and conditions for the development of their project ideas into full-fledged project proposals and the assessment and selection procedures for proposals.

## **SEE Control Guidelines**

The purpose of this document is to support the work of the Controllers to fulfil the verification of expenditure of the ERDF project partners in a harmonised way in each SEE Member State in accordance with the requirements set by the SEE Programme.

# **1 Purpose and content of the SEE Implementation Manual**

## **1.1 Purpose**

The purpose of the SEE Implementation Manual is to provide detailed guidance for Lead Partners (and project partners) of the approved projects in the implementation phase from contracting to project closure including reporting obligations, payment of ERDF Funds and other programme-related requirements set in the Subsidy Contract.

The SEE Implementation Manual is one of the main programme documents and considered as “second part” of the SEE Programme Manual, therefore the information given in the SEE Programme Manual are not duplicated in the present document.

The project implementation starting from the approval of the operation by the Monitoring Committee has to be executed according to the regulations and rules relevant for the financial instruments of the programme (ERDF, IPA and ENPI). This Manual describes the implementation rules for the ERDF partners and the joint requirements for all partners.

The main rules for IPA and ENPI partners are described in separate chapter of the SEE Implementation Manual, while the detailed implementation rules will be given by the Contacting Authorities of each Partner State.

For specific problems related to particular operations, the SEE Joint Technical Secretariat should be contacted for advice.

## 2 Contracting

### 2.1 Contracting procedure

Contracting is the procedure carried out in order to conclude a Subsidy Contract between the Lead Partner (ERDF) and the Joint Technical Secretariat (JTS) on behalf of the Managing Authority (MA) for the implementation of a project approved by the decision of the Monitoring Committee (MC). The procedure is different in terms of documents to be submitted and in timing as well, depending on, if a normal contracting can be followed (project approved without conditions), or certain conditions should be fulfilled beforehand (project approved with conditions or approved application changed before contracting).

Once the Lead Partner submitted the all necessary documents, the JTS prepares the Subsidy Contract. The Subsidy Contract is going to be signed first by the JTS on behalf of the MA and will be sent to the Lead Partner for signing in three originals, of which one original remains at the LP. The Lead partner has to send back to the JTS the remaining two signed originals within 21 days<sup>1</sup> from the reception.

The estimated timeframe of the contracting procedure is in general between one and three months, depending on the complexity of a conditionally approved project and the time needed for the LP to fulfil the conditions and send all necessary documents for contracting. In case the conditions are not fulfilled by the Lead Partner or the necessary documents for contracting are not provided within three months from the MC decision date, the JTS notifies the MA and MC, and on the basis of MC decision the MA is entitled to withdraw from the contracting.

#### 2.1.1 Normal contracting procedure

The normal contracting procedure applies in case the MC approves an application without conditions, or no substantial change affected the content of the approved, original application since its submission.

Following the JTS notification about the MC approval of the application, the LP has to submit the following documents to the JTS by the given deadline:

- “Statement on Project bank account”:
  - (a) document officially issued and signed by the Bank of the LP proving that **a separate EUR bank account** has been opened for the project by the LP (**Annex 1/a**)
  - or
  - (b) document officially issued and signed by the Bank of the LP proving that the **single EUR bank account** of the organisation is available for the project (**Annex 1/b**).  
This option shall be used only in case of public bodies or bodies governed by public law where according to specific national/internal rules of the organisation it is not possible to open a separate EUR bank account or sub-account. In this case a separate accounting code/ technical code/ budget line or other technical arrangement allowing to identify, track and report all financial transfers and expenditure related to the project shall be used;
- “Proof of signature of the legal representative of the LP”: document proving the authorised signature of the person(s) entitled to sign the Subsidy Contract and the application for reimbursement. The document has to contain the original authorised signature of the legal representative(s) countersigned according to national rules, e.g. countersigned by a notary/ legal department/ private individual, etc.);
- In case of changes in legal status of partners, the documents proving the legal status.
- Note on data changes (e.g. contact persons, contact details of partners)

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<sup>1</sup> max. 15 working days

The Lead Partner has to ensure that the Partnership Agreement, enclosed to the original Application Form, is signed by the entitled person on behalf of each project partner. In case there is a deviation, the affected Partnership Agreement should be replaced by a new one that is signed by the confirmed legal representatives of the project partners and one original version should be sent to the JTS as well as pre-condition of the signature of the Subsidy Contract.

### **2.1.2 Contracting projects approved with conditions**

It might be the case that the MC approves an application only with certain conditions and in order to be able to conclude a Subsidy Contract the LP has to fulfil these conditions.

The process will be the following in such case:

1. The LP will be informed by the JTS about the conditions to be fulfilled in order to conclude a Subsidy Contract;
2. The LP has to revise its Application Form according to the set conditions;
3. In case the Partnership Agreement is also affected, the LP has to readjust it and all the project partners should sign an Addendum to the Partnership Agreement (a template for an addendum to the Partnership Agreement can be downloaded from the SEE Programme website);
4. The LP has to submit all the requested documents to the JTS by the given deadline.
5. The JTS checks, if the project fulfils all the conditions set by the MC and based on that result the MA, or in specific cases the MC will decide, if a Subsidy Contract can be concluded.
6. Based on the final decision of the MA / MC either the normal contracting procedure will be followed, as described above, or the JTS informs the LP that the proposal could not comply with the set conditions therefore the Subsidy Contract can not be concluded.

### **2.1.3 Approved project changed before contracting**

Due to certain reasons it might happen that since its submission the content of the original application that was the basis for the approval, is by the time of contracting not completely valid any more. In case an approved application is affected by some substantial change, it must be re-examined by the programme bodies, if the modified proposal still fulfils those conditions that can be the basis for an approval and contracting.

Following the JTS notification about the MC approval of the application, the LP is obliged to inform the JTS immediately in written form about any change that affects its approved application.

1. The LP has to revise the Application Form, and in case it is affected, the Partnership Agreement as well, according to the changed situation and submit the modified documents (revised Application Form and the Addendum to the Partnership Agreement signed by all PPs) to the JTS;
2. The JTS examines, if the modified application is still sufficient for approval and based on that result the MA, or in specific cases the MC will decide, if a Subsidy Contract can be concluded between the LP and the JTS;
3. Based on the final decision of the MA / MC either the normal contracting procedure will be followed, as described above, or the JTS informs the LP that the changed conditions so substantially lowered the quality of the project proposal that the MA / MC has to withdraw its approval and no Subsidy Contract can be concluded.



## 2.2 The Subsidy Contract

The Subsidy Contract determines the rights and obligations of the Lead Partner and the MA/JTS. The approved Application Form and the Partnership Agreement signed between the Project Partners are integral part of the Subsidy Contract. The model Subsidy Contract can be downloaded at [www.southeast-europe.net](http://www.southeast-europe.net)

The rules related to the project implementation regulated by the Subsidy Contract are described in details in the different Chapters of this Manual, e.g. Reporting and Application for Reimbursement, information and publicity requirements, audit rights, etc. The main rules on the modification of the Subsidy Contract are regulated by *Article 8* of the Subsidy Contract, which are detailed in *Chapter 3. Project changes of this Manual*.

## 2.3 Starting up the project

The project implementation can start only after the Monitoring Committee approves the application, therefore the expenditures related to the project implementation are eligible from the date of the approval of the application, except for the preparation costs (*for more details see the Programme Manual chapter 3.4.2 – Eligibility in time and 3.4.8.a – Preparation costs*). The project implementation period, defined by its starting and end date, are explicitly given in the Subsidy Contract for each operation.

In case an application is approved with conditions it is advised that the affected LP and project partnership start the implementation only once they receive the confirmation from the JTS that all requested conditions are considered as fulfilled by the project and the contracting procedure is initiated. Nonetheless, even in case of the conditionally approved Applications, once they fulfil the conditions, the official project start date will be set in the Subsidy Contract to the first decision date of the MC on the project approval.

When starting the project, partnerships involving partners that applied for IPA or ENPI funds should also consider that the contracting procedure of the IPA / ENPI partners differ from those funded by ERDF and their expenditures will be eligible only after they can conclude a Grant Contract with the respective Contracting Authority. Therefore the involvement of the IPA / ENPI partners in the project starting phase may not be easily solved until they have their own Grant Contracts signed by both parties.

## 3 Project changes

During the project lifecycle, due to certain reasons some changes might be necessary in relation to the project implementation bases and conditions, defined in the Subsidy Contract, as well as in the approved Application Form and the Partnership Agreement that are integral parts of the Subsidy Contract. In all such cases the Lead Partner immediately has to contact the JTS to inform about the situation and the planned modification. The JTS, based on the type of modification necessary, in accordance with the procedures described below, will inform the Lead Partner about the procedure to be followed and the necessary documents to be submitted. Depending on the significance of these changes there are different types of project changes and procedures.

**Any substantial change** affecting the approved Application Form, as well as the Subsidy Contract (i.e. the partnership structure, the project objectives, activities, outputs and results, budget reallocation between work packages and/or budget lines exceeding 20% of the total budget of ERDF project partners, budget reallocation between partners, or the project duration) makes necessary that the LP requests modification of the Subsidy Contract, which **has to be approved by the MA, or in specific cases by the MC**. A modification requested by a project can be implemented only after it is approved by the responsible programme body (MA or MC). Although the expenditures related to the modified activities and outputs are eligible already from the date of the MA / MC decision those costs can be validated only after the amendment of the Subsidy Contract is signed by both contracting parties.

**Less significant changes** (Reallocations between Budget Lines, Work Packages up to 20% of the total project budget of the ERDF project partners; administrative changes) **are possible without previous approval** of the MA, or MC and the modification of the Subsidy Contract. The LP has to communicate always these modifications in the regular progress report to the JTS for confirmation.

**Certain type of changes** (Budget reallocation between project partners; budget reallocation exceeding the 20% reallocation limit; and prolongation of the project duration) **can be requested only once** during the whole project implementation period per each type of modification. *More than one modification of these types of changes can be allowed by the MA only in case of an extraordinary event or circumstance not dependant the project or the partnership which prevents the LP and/or the project partners from implementing the project without the modification of the subsidy contract.*

The possibility of other type of modification requests are not limited in number, nonetheless the LP and project partnership should keep in mind that by signing the Subsidy Contract they are obliged to implement their project according to their approved original Application Form. None of the change requests will automatically be approved by the MA, or MC, as project changes will always be accepted only in well justified cases. The **last request for modification** of the Subsidy Contract can be submitted to the JTS **two months before the end date of the project** at the latest.

## 3.1 Types of project changes

### 3.1.1 Changes in the partnership

In case a partner intends to leave the project, or the partnership decides to debar one of the partners, the Lead Partner is obliged to inform immediately the JTS in written form and such change always needs the approval of the MA, or MC, as well as the modification of the Subsidy Contract.

#### Principles

The Lead Partner has to assure that following the change(s) in the partnership the project still fulfils the minimum requirement for the transnational partnership of the SEE Programme and does not alter the general character (objectives, outputs and results) of the original project.

The partner leaving a project will remain fully responsible and liable for all activities carried out and outputs delivered by them until the date of withdrawal.

The withdrawn partner can be replaced by a new partner, or the activities of the given partner (including the remaining budget) can be taken over, or distributed between the partners with condition that the existing partnership still fulfils the minimum requirement for the transnational partnership of the SEE Programme.

In case the withdrawn partner will be replaced, the new partner should comply with all partner eligibility criteria of the SEE Programme, should have equal relevance for the partnership as the one leaving, and bearing sufficient economic and organisational capacity to be able to complete its duties and responsibilities within the project.

The withdrawal, or change of an IPA, or ENPI partner is mainly regulated by the specific Grant Contract of the affected partner, but nonetheless the Lead Partner is responsible to inform the JTS about any such change including a clarification on the modified division of the work among the project partners and initiate a modification procedure in case that change affects also the Subsidy Contract (including the Application Form) of the ERDF partners as well.

The MA is entitled to withdraw from the Subsidy Contract and reclaim the ERDF contribution already transferred in case the project would not fulfil the minimum requirement for the transnational partnership of the SEE Programme due to the partnership change, unless the LP can demonstrate that at least 75% of project's budget of the ERDF partners had already been spent and a fair proportion of objectives, outputs and results had been already delivered before the withdrawal/debarring of a partner.

#### Necessary documents and procedure

The Lead Partner should immediately contact the JTS in case the project faces partnership problem and plans such change. Once the JTS confirms the LP that the partner change procedure is necessary it will request the submission of the following documents:

- "Request for project modification" (Annex 2) (*1 original version signed by the LP*);
- declaration of withdrawal of the partner leaving the project (*1 original version signed by the affected PP*), or the written decision of the partnership debarring a partner, including the exact date of withdrawal (until which date the expenditures of the leaving partner will be eligible for co-financing) (*1 original version signed by all PPs*);
- revised Application Form (defining the new division of work by the modification of the work plan and the budget accordingly) (*1 original version signed by the LP*);
- addendum to the Partnership Agreement of the modified partnership (template can be downloaded from the SEE Programme website) (*1 original version signed by all PPs*);
- new Co-financing Statement(s) in case of the affected partner(s) (*1 original version per each affected PP signed by the PP*)

The submitted "Request for project modification" will be evaluated by the JTS, involving also the relevant SCPs in case a new partner is introduced in the partnership, and will be put forward for decision to the Managing Authority, or the Monitoring Committee. The MA will take decisions concerning changes in the project partnership affecting less than 20% of the total project budget. The decision of the MC is necessary especially in the following cases:

- the partnership change affects more than 20% of the total project budget;
- change of the Lead Partner;
- the partner change affects the general character (objectives, outputs and results) of the original project

In case of approval, in accordance with the decision, an Addendum to the Subsidy Contract will be signed by the contracting parties.

The modification requested by a project can be implemented only after it is approved by the responsible programme body (MA or MC). Although the expenditures related to the activities and outputs of the modified partner are eligible already from the date of the MA / MC decision those costs can be validated only after the amendment of the Subsidy Contract is signed by both contracting parties.

### **3.1.2 Changes in the content of the project**

Normally the Lead Partner and the whole project partnership has to assure that all the objectives, outputs and results defined in the Application Form will be achieved and delivered by the project. The procedure to be followed in case of content change is depending on the significance of the modification.

#### **3.1.2.1 Minor changes in the content of the project**

Minor changes that do not affect the defined objectives, outputs and results (change of location of a certain event, changes in the time plan, etc.) and do not risk the full completion of the project by the end date do not need the previous approval of the MA / MC in advance, and the modification of the Subsidy Contract.

##### Necessary documents and procedure

The LP is advised to contact the JTS informally (by phone, or e-mail) before the change is implemented in order to clarify the situation and make sure that the right procedure is followed. The LP is obliged to clearly describe and justify each of such minor changes that were implemented in the following due progress report and it is considered as accepted in case the related Progress Report is accepted by the JTS.

#### **3.1.2.2 Significant changes in the content of the project**

Significant modification of the project content that would alter the objectives, or the outputs, or the results defined in the approved Application Form are considered to be substantial changes affecting the basis of the original approval of the project, therefore the Lead Partner is obliged to inform immediately the JTS in written form and such changes always need the decision of the Monitoring Committee.

##### Principles

None of those expenditures are eligible that are related to such activities, outputs, or results that were modified (in comparison to the approved Application Form), and also delivered before the Monitoring Committee would give its approval to those specific modifications. These costs can be validated only after the amendment of the Subsidy Contract is signed by both contracting parties.

While considering to substantially change the project content, the LP and the project partnership should also consider the Article 12 h) of the Subsidy Contract regarding the right of the MA to withdraw from the contract and reclaim the ERDF contribution in case the project cannot be fully implemented by carrying out the planned activities, the planned outputs and results and by achieving at least 75% spending of the Project budget of the ERDF partners.

##### Necessary documents and procedure

The Lead Partner should immediately contact the JTS in case the project faces problems that would affect the original objectives, outputs, or the results and plans such change. Once the JTS confirms the LP that this change procedure is necessary it will request the submission of the following documents:

- "Request for project modification" (Annex 2) clearly describing and well justifying the reasons for such a modification (*1 original version signed by the LP*);

- revised Application Form (*1 original version signed by the LP*)

The submitted “Request for project modification” will be evaluated by the JTS and will be put forward for decision to the Monitoring Committee. In case of approval, in accordance with the decision, an Addendum to the Subsidy Contract will be signed by the contracting parties.

### **3.1.3 Budget changes**

According to the type and scale of budget changes different procedures are applied.

#### **3.1.3.1 Budget reallocation between project partners**

Reallocation of the budget between project partners is affecting the financial balance of the partnership; therefore such a modification always needs the previous approval of the MA, or the MC, as well as the modification of the Subsidy Contract. The 20% budget reallocation limit cannot be applied for such case.

##### Principles

Budget reallocations between project partners are possible only in the following cases:

1. Reallocation between project partners due to changes in the partnership (distributing activities and related budget between the existing partnership) – as described in 3.2.1.
2. In justified case, without affecting the main objectives, results and outputs of the project.

The budget reallocation between project partners must not risk the transnationality of the project and cannot result that any of the affected partners will not be able to deliver all its planned outputs and results following the modification.

Besides the reallocations due to changes in the partnership, budget reallocation between project partners *can be requested only once* during the whole project period.

##### Necessary documents and procedure

The Lead Partner should immediately contact the JTS in case some project partners face financial problems and such change is planned. Once the JTS confirms the LP that this change procedure is necessary it will request the submission of the following documents:

- “Request for project modification” (Annex 2) clearly describing and well justifying the reasons for such a modification (*1 original version signed by the LP*);
- revised Application Form (with the modified budget) (*1 original version signed by the LP*);
- new Co-financing Statements of the affected partners (*1 original version per each affected PP signed by the PP*)
- new version, or the amendment of the Partnership Agreement of the modified partnership;

Reallocation of budget between project partners up to 20% of the total project budget for ERDF partners will be decided by the MA, reallocations above 20% have to be decided by the MC, as well as those modifications that affect also the project objectives, outputs, or results.

In case of approval, in accordance with the decision, an Addendum to the Subsidy Contract will be signed by the contracting parties.

The modification requested by a project can be implemented only after it is approved by the responsible programme body (MA or MC). Although the expenditures related to the modified partner budget are eligible already from the date of the MA / MC decision those costs can be validated only after the amendment of the Subsidy Contract is signed by both contracting parties.

#### **3.1.3.2 Budget reallocation between work packages**

There is a 20% reallocation limit that is decisive in respect of the procedure to be followed. The 20% limit is not considered separately for each single budget change, rather cumulatively. That means that the amount of each new reallocation between work packages are cumulated to the total amounts of previous WP reallocations and until the cumulated amounts of such reallocations do not reach 20% of the total project budget for ERDF partners the procedure is different from the one, once this 20% limit is exceeded.

As reference basis, the original division of expenditure between work packages, defined in the approved original Application Form, remains for the whole implementation period of the project. The calculation is based on adding always the positive (+) value of the reallocated amount to the total sum of previous reallocations in comparison to the original budget plan.

**a) Reallocation below the 20% limit**

Until the budget reallocation(s) between different work packages do not exceed the 20% of the total project budget for ERDF partners, neither previous approval of the MC, nor the change of the Subsidy Contract is necessary.

Necessary documents and procedure

The LP is advised to contact the JTS informally (by phone, or e-mail) before the change is implemented in order to clarify the situation and make sure that the right procedure is followed.

The LP is obliged to clearly describe and justify each of such changes in the following due progress report and it is considered as accepted in case the related Progress Report is accepted by the JTS.

**b) Reallocation exceeding the 20% limit**

Once the budget reallocation(s) between work packages reach the 20% of the Project budget of ERDF project partners a modification of the Subsidy Contract should be requested and no more such type of modification can be requested during the whole project period afterwards. Such request is always decided by the MC.

Reallocating budget among the different work packages cannot alter the general character (objectives, outputs and results) of the approved project and cannot result that the affected work package would lose its relevance.

The modification requested by a project can be implemented only after it is approved by the responsible programme body (MA or MC). Although the expenditures related to the modified WP budgets are eligible already from the date of the MA / MC decision those costs can be validated only after the amendment of the Subsidy Contract is signed by both contracting parties.

Necessary documents and procedure

The Lead Partner should immediately contact the JTS in case some project partners face financial problems and such change is planned. Once the JTS confirms the LP that this change procedure is necessary it will request the submission of the following documents:

- “Request for project modification” (Annex 2) clearly describing and well justifying the reasons for such a modification ( *1 original version signed by the LP*);
- revised Application Form (with the modified budget) ( *1 original version signed by the LP*);

The submitted “Request for project modification” will be evaluated by the JTS and will be put forward for decision to the Monitoring Committee. In case of approval, in accordance with the decision, an Addendum to the Subsidy Contract will be signed by the contracting parties.

**3.1.3.3 Budget reallocation between budget lines**

The procedure applied in case of budget reallocation between budget lines is similar to the case of reallocations between the work packages. The 20% limit is also considered cumulatively and the calculation basis is the same as described under article 3.1.3.2 of this Implementation Manual.

**a) Reallocation below the 20% limit**

Until the budget reallocation(s) between different budget lines do not exceed the 20% of the total project budget for ERDF partners, neither previous approval of the MC, nor the change of the Subsidy Contract is necessary.

Necessary documents and procedure

The LP is advised to contact the JTS informally (by phone, or e-mail) before the change is implemented in order to clarify the situation and make sure that the right procedure is followed.

The LP is obliged to clearly describe and justify each of such changes in the following due progress report and it is considered as accepted in case the related Progress Report is accepted by the JTS.

#### **b) Reallocation exceeding the 20% limit**

Once the budget reallocation(s) between budget lines reach the 20% of the Project budget of ERDF project partners a modification of the Subsidy Contract should be requested and no more such type of modification can be requested during the whole project period afterwards. Such request is always decided by the MC.

Reallocating budget among the different budget lines cannot alter the general character (objectives, outputs and results) of the approved project. Certain budget lines cannot be reduced to the extent that it would alter the relevance of the involved project partner (i.e. extreme reduction of staff costs – BL1), or affect core deliverables (i.e. considerably reducing the costs of equipments – BL5, or the small scale investments – BL6).

The modification requested by a project can be implemented only after it is approved by the responsible programme body (MA or MC). Although the expenditures related to the modified BL budgets are eligible already from the date of the MA / MC decision those costs can be validated only after the amendment of the Subsidy Contract is signed by both contracting parties.

##### Necessary documents and procedure

The Lead Partner should immediately contact the JTS in case some project partners face financial problems and such change is planned. Once the JTS confirms the LP that this change procedure is necessary it will request the submission of the following documents:

- “Request for project modification” (Annex 2) clearly describing and well justifying the reasons for such a modification (*1 original version signed by the LP*);
- revised Application Form (with the modified budget) (*1 original version signed by the LP*);

The submitted “Request for project modification” will be evaluated by the JTS and will be put forward for decision to the Monitoring Committee. In case of approval, in accordance with the decision, an Addendum to the Subsidy Contract will be signed by the contracting parties.

#### **3.1.4 Deviation from the spending forecast**

The project spending forecast is fixed in Article 4.12 of the Subsidy Contract that will not be modified during the whole project implementation period. The LP has the possibility to deviate from the spending forecasts considering that in case of under-spending in comparison to the spending forecasts – based on the decision of the Monitoring Committee – the MA is entitled to decommit the project by reducing the original project budget and the corresponding ERDF contribution. (see also 5.3. of this Manual for further details)

##### Necessary documents and procedure

In case of MC decision on the decommitment of the project, the MA initiates the modification of the Subsidy Contract. For the modification of the Subsidy Contract, the LP has to submit the following documents:

- revised Application Form (modifying the budget and the activities accordingly) (*1 original version signed by the LP*);
- new Co-financing Statements of the affected partners (*1 original version per each affected PP signed by the PP*)
- Addendum to the Partnership Agreement of the modified partnership;

The Addendum to the Subsidy Contract will be signed by the contracting parties. The LP should provide the affected project partners the copy of the amendment of the Subsidy Contract.

#### **3.1.5 Prolongation of the project duration**

Prolongation of the project duration can be requested *only once during the whole project implementation period*.

In case the prolongation of the project period affects also the spending forecast of the project, the LP should consider also the risk of decommitment for the project (see *article 3.1.4* and *article 5.3* of this Manual and Subsidy Contract *article 4.13.*).

When requesting the prolongation of the project duration, the Lead Partners have to take into consideration that according to the SEE Programme's eligibility rules, all activities within the projects must be completed before the end of 2014.

#### Necessary documents and procedure

The Lead Partner should immediately contact the JTS in case the project implementation is in such delay that the prolongation of the project duration might be necessary. Once the JTS confirms the LP that the change procedure of prolongation is necessary it will request the submission of the following documents:

- "Request for project modification" (Annex 2) clearly describing and well justifying the reasons for such a modification (*1 original version signed by the LP*);

The submitted "Request for project modification" will be evaluated by the JTS and will be put forward for decision to the appropriate programme body. Project duration prolongation requests up to 6 months will be decided by the MA, while requests beyond 6 months will be decided by the MC.

In case of approval, in accordance with the decision, an Addendum to the Subsidy Contract has to be signed by the contracting parties before the original end date of the project.

### **3.1.6 Other changes**

Administrative changes in the project do not require the approval of the MA, or MC and the amendment of the Subsidy Contract.

#### Necessary documents and procedure

The LP has to inform the Joint Technical Secretariat about the administrative changes as soon as possible, especially in case of change of the separate bank account and the contact details of the LP, in other cases in the following due progress report at the latest.

### **3.1.7 Summary table of types of project changes and related procedures**

Type of project change	Procedure	
	No previous approval; No change of Subsidy Contract	Previous approval and Addendum to Subsidy Contract
<b>Partnership change</b>	<b>X</b>	Always need MA, or MC decision
<b>Project content change</b>	<b>X</b>	Always need MC decision
<b>Budget reallocation between Project Partners</b>	<b>X</b>	<ul style="list-style-type: none"> <li>• Need MA, or MC decision;</li> <li>• Can be requested <b>only once</b></li> </ul>
<b>Budget reallocation WP</b>	<ul style="list-style-type: none"> <li>• Until cumulated amount of reallocation(s) remain below 20% of the Project budget of ERDF project partners;</li> <li>• JTS to be informed in Progress Report</li> </ul>	<ul style="list-style-type: none"> <li>• In case cumulated amount of reallocation(s) exceed 20% of the Project budget of ERDF project partners;</li> <li>• Need MC decision</li> <li>• Can be requested <b>only once</b></li> </ul>
<b>Budget reallocation BL</b>	<ul style="list-style-type: none"> <li>• Until cumulated amount of reallocation(s) remain below 20% of the Project budget of ERDF project partners;</li> <li>• JTS to be informed in Progress Report</li> </ul>	<ul style="list-style-type: none"> <li>• In case cumulated amount of reallocation(s) exceed 20% of the Project budget of ERDF project partners;</li> <li>• Need MC decision</li> <li>• Can be requested <b>only once</b></li> </ul>
<b>Project duration prolongation</b>	<b>X</b>	<ul style="list-style-type: none"> <li>• Need MA, or MC decision;</li> <li>• Can be requested <b>only once</b></li> </ul>
<b>Administrative changes</b>	JTS to be informed in Progress Report	<b>X</b>



## 4 Reporting

### 4.1 Reporting obligations

According to its contractual obligation the Lead Partner regularly has to report about the project progress proving that the implementation is in accordance with the approved application form and justifying the reported, validated expenditures in connection to the application for reimbursement of the ERDF contribution. Therefore the LP has to submit a progress report - with each application for reimbursement - describing the activities carried out and the outputs, results delivered during the reporting period, as well as presenting the financial progress of the project.

### 4.2 Characteristics of the reporting

#### 4.2.1 The reporting tool

The progress report of the SEE Programme has not a “traditional” file format, but it is an electronic tool that is part of the Monitoring and Information System of the Programme (IMIS 2007-2013), which can be accessed by the Lead Partner through the Internet, via the so called “*SEE Front Office*”. After signing the Subsidy Contract, each Lead Partner receives its own username and password from the JTS for accessing its own part of the SEE Front Office.

The Lead partner can fill in and submit the progress report online in its SEE Front Office. The progress report can be saved, stored and printed at any stage of the preparation in the SEE FO.

The User's guide for reporting including technical guidance, how to handle the reporting tool on the SEE Front Office is available at the Programme's website to download.

#### 4.2.2 Main parts of the progress report

The progress report focuses on the followings:

- In the **activity report** parts, on the one hand the Lead Partner should give account of the general progress of the whole project, what has been achieved and delivered, how the partnership developed and if there is any kind of deviation from the original plans, on the other hand, focusing only on the ERDF project partners, more detailed description is needed concerning the activities carried out, outputs and results delivered within the different work packages in comparison to the initially envisaged programme and project indicators. The specific descriptions of the activities and outputs should at the same time justify the reported expenditures of the different project partners that are claimed in the connected application for reimbursement.
- The **financial report** part presents the expenditure incurred, paid and validated by the ERDF project partners during the reporting period in relation to the reported activities of the project. Based on this part of the report the reporting tool will generate the actual Application for Reimbursement document of the project (see *chapter 5*. of this manual).
- In a specific part of the report should the LP summarise the activities of the IPA and ENPI partners of the project reporting also briefly the status of their contractual and reporting procedures, as well as their reported expenditures.

#### 4.2.3 The Partner Report

In general, every single Project Partner must contribute to the compilation of each Progress Report. This is valid also for Project Partners without financial contribution and Project Partners from non-EU member states. The ERDF project partners should help the LP in the preparation of the regular progress report by filling in and forwarding of their *Partner Report* to the LP (at least in electronic version) well on time. The project partner provides via the Partner Report adequate information for the Lead Partner concerning the activity and financial progress of their project part concerning a certain reporting period.

On the other hand the Partner Report contains the financial data necessary for issuing the Declaration on validation of expenditures by the Controller at national level. In this respect the project partner has to submit the Partner Report to its designated Controller also by the deadline defined by the respective Controller. (More information on the validation procedure is provided in article 5.1.1 of this manual.)

The Partner Report (ERDF) tool can be downloaded from the SEE Programme website.

#### 4.2.4 Language of reporting

The language of reporting is **English**: the progress report, the application for reimbursement and the declaration on validation of expenditure shall be prepared in English.

#### 4.2.5 Reporting deadlines

As a general rule, the Lead Partner has to submit the progress report and the application for reimbursement **twice a year**, on a **six-month basis**, with the exception of the first reporting period that can be less than 6 months from the approval date of the project, and the last reporting period which may be longer than 6 months depending on the time plan of the project. The first reporting period starts with the start date of the project, therefore in case the approval date of the project and the start date of the project do not coincide, the first reporting period will be less than 6 months. The last reporting period always ends by the end date of the project: in case the project period ends less than 2 months after the end of a standard reporting period, the last reporting period of the project is prolonged and will be longer than 6 months accordingly. Additional deadlines over the two obligatory deadlines per year may be set by the MA according to Article 4. (3) of the Subsidy Contract in order to avoid decommitment of ERDF Funds at programme level. The additional deadlines may be set explicitly in the Subsidy Contract and/or communicated at least 2 months in advance to the Lead Partners.

The progress report and the application for reimbursement have to be submitted by the Lead partner to the Joint Technical Secretariat **within 3 months from the end date of each reporting period**.

The deadlines for submission of progress reports and applications for reimbursement will be set by the SEE Programme for each call for proposals separately, which means that the Lead partners of a same call for proposals will have the same reporting deadlines. These deadlines will be defined explicitly in the Article 4. (12) of the Subsidy Contract.

The first progress report and application for reimbursement have to cover the *preparation costs* of the project and the project expenditure incurred and paid within the first reporting period.

The final progress report and final application for reimbursement have to be submitted to the Joint Technical Secretariat within 3 months after the end date of the project.

The deadline for Lead Partners means the **receipt** of progress report with all requested documents **through the Monitoring and Information System of the Programme**. The documents requested in **original officially signed copies** have to be received by the JTS **within 15 days after the electronic submission**. Progress report, or original copies received after the deadlines may automatically be rejected. In this case, the progress report can be submitted in the next reporting period. The Lead Partner should take into account that **the SEE Programme will reimburse the requested ERDF contribution for a LP only in case its connected progress report is accepted by the JTS**.

As the Lead Partner can submit progress report only on the basis of information received and expenditure validated on partner level, the deadline for submission of the progress report affects also the time schedule for preparing Partner Reports, validation of expenditure at partner level, and verification of expenditure and preparation of progress report by the LP. The LPs have to consider that generally about 2 months are needed for the Controllers to issue the Declaration on validation of expenditure from the end date of each reporting period. This means that about 1 month will be available for the Lead partners to collect the declarations on validation of expenditure and to finalise the Progress Report and Application for Reimbursement for the whole project.

## 4.3 Preparation and submission of the progress report

### 4.3.1 How to prepare an appropriate report

It is the task and the interest of the Lead Partner to prepare the progress report so that it provides the appropriate information needed for the acceptance of the report that is the condition for further processing the Application for Reimbursement. The following part of the manual clarifies what the LP should focus on, when filling in the different parts of the report.

#### 4.3.1.1 Overview

Opening up a new progress report in the SEE Front Office the *Overview* of the report will appear that is automatically generated once the LP inserted the necessary information in other parts of the report, summarising the main financial features of the report.

#### 4.3.1.2 Main Data

- Under the *Activities and expenditures summary* part, in case of each project partner it should be indicated, whether any activity, or expenditure is reported in that report;
- It should be indicated, if the implementation is in accordance with the original time plan;
- In case it is relevant, the estimated delay should be given in month(s);
- In the *Project changes table* the budget reallocations below the 20% limit should be listed for each affected PP, providing clear justification for any of such deviation, describing also, if and how these deviations affect the planned activities, outputs and results of the project. The administrative changes of the partners that take place in the period should be described also in this section.

#### 4.3.1.3 Summary of project activities

##### a) Summary of the project activities

A brief, coherent, summary article should be provided about the overall project implementation from the start of the project till the end of the latest reported period. The description should have an overview on the main project activities, achievements and results so far and the links between them; the implementation status of the project, to which level the objectives of the operation have been achieved so far; and if the project has already managed to improve the situation, or solve a specific problem in the field of the project-subject by the achieved results.

The gained experience of co-operating in a transnational environment; the added value and common benefits derived from working within the partnership; the lessons learnt at this stage of the project; and any innovative processes or outputs developed should also be described.

In this part of the Progress Report *the Lead Partner should focus the description not only on the reporting period in concern, but on the overall implementation, from the starting date till the end of the latest reporting period.*

Since the description will be used also to report about the project implementation for the Monitoring Committee of the Programme, it should be *coherent, easy-to-read, self-explanatory*, without referring to other parts of the report.

It is advised to fill in this field only after the rest of the Progress Report has been completed.

##### b) Operation of the partnership

The state of the art of the partnership should be described shortly in this part, reporting about both positive and negative developments, clarifying also the reasons. The report should focus mainly on the following issues:

How much are the different project partners contributing to the implementation of the project. Clear information, which partners are active and which are not or only poorly contributing to the implementation;

Why the partnership has improved and which kind of measures lead to the improvement;

In case of a partnership problem (non-active partner, change of partners etc.) the reasons and the consequences should be stated, as well as the activities to be undertaken to prevent further problems and delays.

**c) *Project implementation timeframe***

It should be briefly described, how much the implementation is in line with the timeframe planned in the AF, describing which parts of the project are, or may be in the future in delay; how much it affects the overall implementation, providing also the reasons and the proposed solutions for these deviations.

**d) *Spending targets***

It should be briefly described, if the financial part of the implementation is in line with the spending target defined in the Subsidy Contract and in case of deviation clear justification is necessary, as well as an estimation, if and when the project would be able to catch up with the delay, or in case some further problems, affecting the spending plans can be foreseen.

**e) *Other issues***

All other matters, problems that are not addressed in any other section of the progress report can be described in this section.

**4.3.1.4 *Activities per Work Packages***

- The actual implementation status of each WP should be selected;
- All those Activities of a certain WP should be selected for reporting in which some action was carried out, output delivered, or related costs claimed in the respective period. Concerning these Activities all the related actions carried out in the period should be reported by describing briefly the taken steps and the role of each involved partner. The description should provide evidence that the implemented activities and their reported and claimed costs are in line with the planned ones (i.e. as defined in the approved AF). The description of the activities must also be in relation with each reported output. In case of deviation from the original plan a justification is needed;
- In case a partner reports in a period only activities, but the related expenditures, for some reason, will be claimed only in the following period, this should also be clarified in this part of the report;
- When a partner claims expenditures that are connected to actions carried out already in the previous period, a clear reference to those actions should be reported in this part of the report in order to justify those costs;
- The location(s) of the actions should be defined for each reported Activity. In case of deviation from the original plan a justification is needed in the description field;
- The status of the Activities should be updated in comparison to the previously reported;
- The *Actual Value* of each quantified outputs, or results of a Work Package should be updated according to its status at the end of the reporting period;

**4.3.1.5 *Implementation of IPA and ENPI Grant Contracts***

- The status of contracting of each IPA, or ENPI project partner should be reported by selecting the Lead beneficiary of the contract, stating the contracted total amount, the signing and end date of the contract;
- Based on the information collected from the IPA / ENPI PPs the LP should summarise the activities carried out and outputs delivered by each IPA / ENPI PP;
- The role of these PPs in the reported activities should also be defined;
- In case of modification of the Grant Contract of an IPA / ENPI PP the date of that approval and the core content of that modification should be reported;

- Based on the information collected from the IPA / ENPI PPs the LP should state, if in the relevant period the IPA / ENPI PP submitted a report to its Contracting Authority, the reported amount, as well as when that report was approved, and for what amount;

#### **4.3.1.6 Indicators**

The *Actual Value* of each relevant programme, as well as project specific indicator should be updated according to its status at the end of the reporting period;

#### **4.3.1.7 Declarations in Progress Report & AfR**

For each project partner that claims expenditures in the Application for Reimbursement, the ID number of the related and annexed Declaration and Validation of Expenditures, issued by its National Controller should be given, as well as the date of its issue;

#### **4.3.1.8 Expenditure in Progress Report & AfR**

In this section can the LP prepare the financial report for the ERDF project partners, as well as create the Application for Reimbursement of that project part;

- Only validated expenditure of PPs shall be inserted that are supported also by the *Declarations on Validation* of expenditure issued by the Controllers of the Project Partners;
- The financial figures should be inserted along the different Work Packages and their relevant Budget Lines for each PP in concern;
- Deviations from the original budget plan on WP and / or BL level should be reported and justified for each affected PP in the *Project Changes Table* of the *Main data* sheet of the report.

#### **4.3.1.9 Common activities and costs**

In case the project partnership applies Common costs for a certain work package, under the *Current report* field should be the financial amount updated according to its actual status at the end of the reporting period.

#### **4.3.1.10 In kind contribution**

In case it is relevant the LP should report the in kind contribution(s) of the project partner(s) updating the *Current report* field.

#### **4.3.1.11 Flexibility rules**

In case some project partner(s) apply the 10% or 20% flexibility rule for certain activities, or the involvement of certain partner(s), under the *Current report* field should be the financial amount updated according to its actual status at the end of the reporting period.

#### **4.3.1.12 Revenues**

In case during the implementation some revenue is generated by a project partner it should be stated by a tick, if that revenue has already been foreseen in the approved AF, as well as the actual amounts updated under the *Revenues* and *Net revenues* fields according to its actual status at the end of the reporting period.

#### **4.3.1.13 Previous Applications for Reimbursement**

In relation to the previously submitted and approved Application(s) for Reimbursement the LP should only confirm when the reimbursed ERDF funds were further transferred to the different ERDF PPs by stating the date and amount of transfer(s) as the date of transfer of the ERDF contribution to the LP by the Programme is given automatically by the IMIS 2007-2013. The data provided by the LP should be coherent with the content of the *bank statement of the single project bank account*, enclosed to the progress report.

#### **4.3.1.14 Financial progress**

Once the LP filled in the *Expenditure in Progress Report & AfR* part of the report, the reporting tool generates the financial overview tables in this section. These tables can also be used by the LP during the filling in process to control the overall amounts.

### 4.3.2 Submission of progress reports

The progress report has to be submitted online to the JTS, via the SEE Front Office (SEE FO). The submission of a progress report is possible only in case it is fully completed.

Modification of a submitted progress report is possible only in case the JTS makes it available for modification and resubmission.

The status of each progress report is indicated in the SEE Front Office for information of the Lead partner under "View Progress Reports" (e.g. in process, submitted, approved, rejected).

### 4.3.3 Documents to be submitted with the progress report

In order to prove the progress of the project, the following documents have to be submitted with the progress report:

No.	Type of the document	Form of submission a) through SEE FO b) electronic (e-mail, CD, DVD, other) c) original paper version
1	Progress report	SEE FO
2	Application for reimbursement	SEE FO and 2 originals, officially signed
3	Declaration on validation of expenditure	SEE FO (scanned version of the original) and 1 original, officially signed
4	Bank statements confirming the reimbursed amounts transferred from the separate project bank account to the PPs by the LP (all bank statements for the given reporting period)	SEE FO (scanned version of the original)
5	Project deliverables, outputs (English version).	Original hard copy and /or electronic (CD, DVD)
6	Project communication plan with the first progress report	Original hard copy and /or electronic (CD, DVD)

## 4.4 Completion of the progress report

When the JTS detects some problem in the reporting, or in the application for reimbursement document(s) the JTS requests the completion of the Progress Report and the application for reimbursement from the Lead Partner. In such case the JTS will technically release the already submitted report on the SEE Front Office and the Lead Partner will have the opportunity to revise the document(s) according to the request of the JTS and re-submit to the given deadline.

Completion of the Progress report and application for reimbursement, clarifications and missing documents has to be submitted maximum within 10 days after the notice sent by the JTS.

As exception, in case a declaration on validation of expenditure needs to be reissued, the Corrective version should be submitted to the JTS 30 days from the notification of the LP by the JTS. The given partner's costs will be deducted from the amount of the application for reimbursement in case it is not possible to reissue the declaration on validation of expenditure by the designated controller within 30 days from the notification of the LP by the JTS.

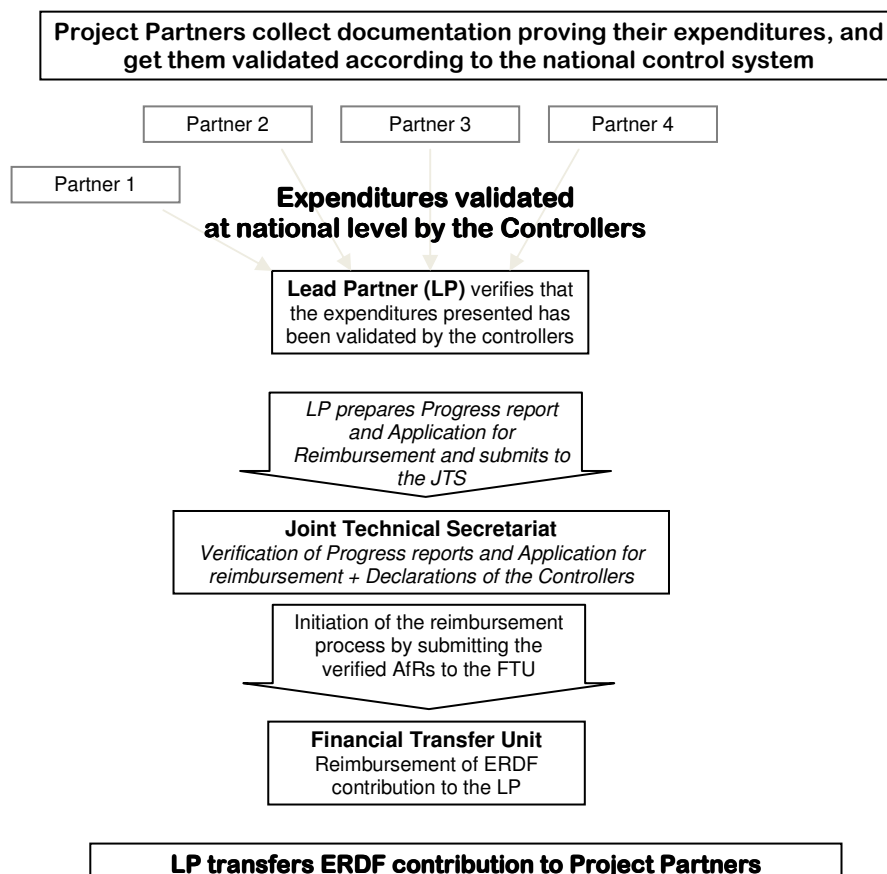
After the second unsuccessful request for completion of the JTS, the application for reimbursement and the progress report will be rejected. A rejected application for reimbursement and the progress report can be resubmitted only once and for the reporting deadline following the reporting period concerned.

## 5 Financial management of the project

### 5.1 Main steps of the financial management of the project

The financial management of the project is based on the Lead partner principle. It means, that the Lead partner is responsible to collect and summarise the validated expenditure of each ERDF partner, responsible for submitting the Application for Reimbursement for the whole project to the JTS, and receiving the ERDF contribution and transferring the relevant ERDF contribution parts to its project partners.

The different steps of the financial management of the project are presented on the following flowchart, and then detailed explanations are given to each steps of the procedure under this chapter.



### 5.1.1 Validation of project expenditure

Validation of expenditure means the output of the verification process performed by the controllers at national level for each ERDF Project partner involved in the project. Only validated expenditure can be reported by the Project partners to the Lead partner. The process is the following in details:

1. Each Project Partner as well as the Lead Partner has to submit its expenditure relevant for a reporting period for validation to the designated Controller in its Member State. **Each project partner – including the Lead Partner – is responsible separately for having its expenditure validated by the designated Controller in its Member State.**

**The designated controllers and the control requirements for each Member State are available at the Programme's website ([www.southeast-europe.net](http://www.southeast-europe.net)).**

Each Project Partner as well as the Lead Partner has to prepare a Partner Report referred in 4.2.3 of this Manual (Annex 4 of the SEE Control Guidelines), describing the activities fulfilled and the expenditure incurred and paid in the given reporting period. The Partner Report is a simplified version of the Progress Report of the Lead Partner, as it is relevant for one Project Partner only. This form is prepared at programme level and is obligatory to use by the Project Partners in the Member States of the SEE Programme. The Partner report includes activity report and financial report, and shall contain the full list of expenditure for the reporting period concerned.

The SEE Control Checklist, as Annex 5 of the SEE Control Guidelines contains the minimum requirements for the supporting documents to prove project expenditure.

2. The **Controller verifies the expenditure** submitted by the Project Partner on the basis of the invoices or accounting documents of equivalent probative value, verifies the delivery of the products and services co-financed, the soundness of the expenditure declared, and the compliance of such expenditure with Community rules and relevant national rules. After verification, the Controller **issues the Declaration on validation of expenditure** to the Project Partner (see Annex 7 of SEE Control Guidelines - standard form of the Declaration on validation of expenditure).
3. Each project partner has to submit the declaration on validation of expenditure to the Lead partner.
4. **The Lead Partner is responsible to verify that the expenditure of its Project Partners is validated by the designated Controllers for the SEE Programme.** The Lead Partners are not requested to appoint a controller for checking the expenditure declared by the project partners, thus the Controller of the Lead Partner is responsible **only** for the validation of the Lead Partner's expenditure.
5. The Lead Partner has to submit an **Application for Reimbursement** to the Joint Technical Secretariat supported by the original declarations on validation of expenditure of its Project Partners **within a period of three months from the end of each reporting period.** (see 5.1.2 for further details)

### 5.1.2 Submission of Application for Reimbursement

As described in Chapter 4. Reporting, the Lead Partner can request the reimbursement of ERDF contribution for the project expenditure validated for the given reporting period by submitting an Application for Reimbursement to the JTS together with the Progress Report.

The application for reimbursement submitted by the LP shall contain only validated expenditure and shall be supported by the declarations on validation of expenditure issued by the Controllers of the Project Partners.

The Application for Reimbursement is automatically generated on the SEE FO, when the progress report is fully completed. The data of the Application for reimbursement is based on the "Expenditure in Progress Report & AfR" and "revenues" parts of the Progress Report. These data have to be in line



with the Declarations on validation of expenditure submitted by the Project Partners. Therefore, the LP has to fill in carefully these parts of the Progress Report in order to submit the correct Application for Reimbursement.

In case the declarations on validation of expenditure are not received from each project partner for a given reporting period, the LP shall submit the application for reimbursement on the basis of the declarations on validation of expenditure available for the reporting deadline. The expenditure of the project partners not validated for the given reporting period within the deadline can be requested only for the following reporting deadline to the reporting period concerned.

Before submitting the Application for Reimbursement, in compliance with the Article 20(1) c) and d) of the Regulation (EC) No. 1080/2006, the LP shall verify the followings:

- the expenditure declared by the Project Partners participating in the Project has been incurred only for the purpose of implementing the Project and corresponds to the activities agreed between those Project Partners in the frame of the approved Application;
- the expenditure declared by the Project Partners and included in the present Application for reimbursement had been validated by the designated controllers at national level;
- All declaration on validation of expenditure presenting the expenditure of the Project Partners in this Application for reimbursement are attached in original paper version officially signed by the designated controllers;
- The expenditure declared in the present Application for Reimbursement has not been included in any other previous Application for Reimbursement;
- The information included in the Application for Reimbursement, the related Progress Report and its Annexes are true and correct.

The Application for Reimbursement has to be printed from the SEE Front Office, and **submitted to the JTS in two originals, signed and stamped** by the legal representative of the Lead Partner, at the latest **within 15 days after the electronic submission of the Progress Report**.

In case of any correction on the amount of the application for reimbursement related to the completion of the Progress Report, the LP has to reissue and sign the application for reimbursement in order to ensure that the LP is aware of the accepted amount of the ERDF contribution to be reimbursed.

### **5.1.3 Reimbursement of ERDF Funds to the Lead Partners**

When submitting the Progress Report and the Application for Reimbursement, the LP has to be aware of the steps and the estimated timeframe of the reimbursement of ERDF Funds. The following procedure applies for the reimbursement of the ERDF contribution to the Lead partners:

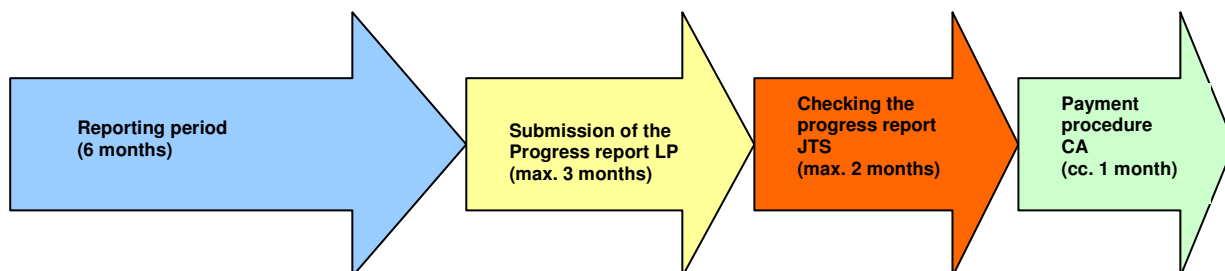
1. The LP submits the Progress Report and the Application for Reimbursement to the JTS for the deadlines given in the Subsidy Contract.
2. The reimbursement of ERDF contribution to the LP will be initiated only after the JTS verifies and accepts the Progress Report and its annexes, the Application for Reimbursement and the Declarations on validation of expenditure.
3. The LP may be requested to complete the progress report, application for reimbursement and declaration on validation of expenditures during the verification process by the JTS. After the second unsuccessful request for completion of the JTS, the application for reimbursement (and the progress report) will be rejected. A rejected application for reimbursement can be resubmitted only once and for the reporting deadline following the reporting period concerned.
4. The reimbursement of ERDF contribution will be authorised by the Certifying Authority after the verification process of the JTS. In case the ERDF balance of the programme single bank account handled by the Certifying Authority does not cover the amount to be reimbursed, the reimbursement process will be suspended till the transfer of the ERDF contribution from the EC is credited to the programme single bank account. In this case, the JTS notifies the LPs of the projects concerned on the suspension and the estimated timeframe.
5. Reimbursement of ERDF contribution will be executed only on the separate EUR bank account of the LP opened exclusively for the project. The LP is responsible to transfer the

ERDF contribution of each project partner according to the approved Application for Reimbursement and within the deadline given in the Partnership Agreement.

6. Bank statements proving the management of the separate project bank account have to be presented to the JTS with each Application for Reimbursement.

#### 5.1.4 Timeframe of reimbursement of Funds

The Lead partner and the project partners have to consider the timeframe of the reimbursement of Funds when preparing the time plan of their project activities. The following flowchart presents the procedures described in the previous chapters with the indicative timeframes.



## 5.2 Special financial issues

### 5.2.1 Reporting eligible project expenditure

The sound financial management of the project is based on the eligibility of expenditure. The rules on the eligibility of expenditure are detailed in the SEE Programme Manual (3.4.) and have to be respected during the project implementation period by each project partner participating in the project. The eligibility of expenditure will be verified by the Controllers for each Project Partner at national level according to the requirements of the SEE Programme and the relevant Community and national rules.

The requirements on the verification of expenditure set by the SEE Programme are described in the SEE Control Guidelines for the Controllers of the Member States. The SEE Control Checklist, as part of this Guidelines contains the main eligibility rules and the documentary evidence needed to prove project expenditure, therefore it can be used as self-assessment by the Lead Partners /Project Partners before submitting the project expenditure to validation their Controllers.

It should be taken into consideration that the documentary evidence given in the SEE Control Guidelines presents the minimum requirements of the SEE Programme which can be completed by each Member State. As the requirements can be different in each Member State and even stricter than the rules set at programme level, each project partner has to respect the national level control guidelines.

The SEE Control Guidelines is available for downloading at SEE Programme's website.

### 5.2.2 Currency exchange

The LP shall submit the application for reimbursement **in Euro**, based on the declarations on validation of expenditure **in Euro** issued by the designated controller of the PPs.

The method of exchanging currency to Euro is regulated in the Subsidy Contract, and is obligatory to use for each project partner. It means that no other methods are accepted by the SEE Programme to exchange the expenditure incurred in national currencies.

All conversation into Euro has to be made at partner level; therefore the exchange rate risk is borne by the project partner concerned.

In case Project Partners from Member States, which have not adopted the Euro as their currency, are participating in the project, the Project Partners shall convert into Euro the amounts of expenditure incurred in national currency before submission of the expenditure for validation to the controller.

The same rule shall be applied for the expenditure incurred in the non-EU Partner States of the programme area.

The expenditures shall be converted into Euro using *the monthly accounting exchange rate of the Commission in force in the last month of the reporting period*. The average monthly exchange rates of the Commission are available at the following website: <http://ec.europa.eu/budget/inforeuro/>

### 5.2.3 Management of common costs within a project

According to the SEE Programme Manual (3.4.5) the SEE Programme allows the use of “common costs” within the projects. As common costs planned in the project have to be presented already in the Application Form, the practice of splitting costs between partners should be – as far as possible – avoided for the approved projects, or if it necessary, it will be subject of project change according to 3.1.3.1.

Costs associated with the project’s activities normally related to the project’s common management and coordination and to common communication and dissemination activities can be shared among ERDF Project Partners.

For each common activity, a responsible partner is to be selected. This partner is in charge of the implementation or the subcontracting of the activity and following the relevant National Public Procurement Law on behalf of the whole partnership. Partners can choose between two ways of proceeding:

Common costs are advanced, accounted and validated by the responsible partner. The responsible partner will secondly ask the involved partners for reimbursement of their shares;

Each involved partner will directly relate to the subcontractor for the payment of their shares within the common activity, in case the national public procurement law of the responsible partner allows this option.

Common activities and related budgets are outlined in the approved Application Form with the partners who are involved in the common activity, and indicate their share of the costs in the related tables provided. **Partners should understand that the budget assigned to the common activities is not an additional budget, but a part within the partners’ total budget.**

The budget commitment of the partners and their responsibility within the common activities will be detailed in a specific section of the Partnership Agreement.

Procedures for the eligibility of common costs can be different in each Member State. **Partners will always have to ask their national Controller in the respect of the method accepted for sharing costs before the submission of the Application Form.**

Costs cannot be shared between an ERDF and an IPA Project Partners.

For the management of common costs within the project, the following rules have to be respected by the Project partners involved in common activities, **depending on the method accepted by the national Controllers and agreed between the partners in the Partnership Agreement**. The project partners have to be aware that not all the three procedures are accepted by the Controllers of each Member State (e.g. Austria favours methods which foresee centralising the management, control and liability of common costs at the responsible partner (most-likely the Lead partner).

#### **Important!**

In each case described below, partners should understand that

- the budget assigned to the common activities is not an additional budget, but a part within each PPs’ budget participating in the common activity. Therefore **the relevant share of the common cost has to be submitted for validation by each PP participating in the common activity separately to its Controller**.
- the proportions of sharing common costs (%) given in the approved Application Form have to be applied during the project implementation even if the amount subcontracted is lower or higher than the planned budget for the common activity in the Application Form.

- As in each case only one partner is responsible for the public procurement and/or the contracting **additional “Confirmation on common costs”** has to be issued by the responsible partner’s Controller to ensure the compliance with national rules.
- only expenditure paid by the project partner can be validated by its controller.
- **deductions** by the Lead Partner/responsible partner **from the ERDF contribution of the Project Partners are not allowed.**

(1) **Sub-contracting common activities** („external expertise and services”)

It is recommended by the SEE Programme, to use common costs **only for sub-contracted activities** („external expertise and services”) for the transparency of the financial management of the project. In case of sub-contracted activities, the responsible partner is in charge of the subcontracting of the common activity according to the relevant rules on public procurement in its country on behalf of all PPs involved in the common activity. Project Partners can choose between two ways of proceeding for public procurement and sub-contracting.

a) **Common costs are advanced by the responsible partner to the sub-contractor. The involved PPs will transfer their shares to the responsible partner.**

1. The responsible partner is the only responsible partner for the procedure of the public procurement. The rules on public procurement in the country of the responsible partner have to be followed.
2. The responsible partner is the only responsible partner for signing the contract with the sub-contractor of the common activity.
3. Only the responsible partner will receive the original invoice.
4. The total amount(s) of the invoice(s) - costs of the common activity - are advanced by the responsible partner to the subcontractor.
5. The responsible partner is obliged to submit the total amount of expenditure to be declared as common costs for a given reporting period to its Controller for verification. A “Confirmation on common costs” (see Annex 10. of the SEE Control Guidelines) will be issued by the responsible partner’s Controller to ensure the compliance with national rules.
6. The responsible partner has to send the copy of the contract, copy of the invoice, proof of payments (bank statements), “Confirmation on common costs” and all supporting documents as requested by the controllers to each partner involved in the common activity.
7. The responsible partner has to ask the involved partners to transfer the relevant share of the common costs.
8. The involved partners have to transfer their relevant share of the common costs in full to the responsible partner before submitting their expenditure for validation to their controllers.
9. The relevant share of the common cost has to be submitted for validation by each PP participating in the common activity separately to its Controller. It has to be ensured that only the relevant share of common costs is included for each PP in the Declaration on validation of expenditure (Annex 7. of the SEE Control Guidelines). Therefore the total amount of common costs should not be included the Declaration on validation of expenditure of the responsible partner, in order to avoid double declaration of costs.
10. Each involved partner is responsible for accounting its share of common costs according to its national rules. In addition, the responsible partner has to account the related transfers as well in a transparent way.

b) **Each involved project partner will directly relate to the subcontractor for the payment of their shares within the common activity**, in case the relevant rules on public procurement of the responsible partner's country allows this option.

1. The responsible partner and the involved partners are responsible together for the procedure of the public procurement (in the call for offers each PPs involved are listed). The rules on public procurement in each country of the involved partners have to be checked, but the rules in the responsible partner country have to be followed.
2. The responsible partner and each PPs involved will sign the contract with the subcontractor of the common activity.
3. The responsible partner and each PPs involved will receive original invoice separately, only up to their relevant share of common costs.
4. The total amount(s) of the invoice(s) – relevant shares of the common costs - are paid separately by the responsible partner and each PP involved to the subcontractor directly.
5. The relevant share of the common cost has to be submitted for validation by each PP participating in the common activity separately to its Controller.
6. In addition, the responsible partner is obliged to submit the total amount of expenditure to be declared as common costs for a given reporting period to its Controller for verification. A "Confirmation on common costs" (see Annex 10. of the SEE Control Guidelines) will be issued by the responsible partner's Controller to ensure the compliance with national rules.
7. It has to be ensured that only the relevant share of common costs is included for each PP in the Declaration on validation of expenditure (Annex 7. of the SEE Control Guidelines). Therefore the total amount of common costs should not be included the Declaration on validation of expenditure of the responsible partner, in order to avoid double declaration of costs.
8. The responsible partner and each PPs involved are responsible for accounting their share of common costs according to their national rules.

(2) **Common activity implemented directly by the responsible partner** ("staff costs" are used), the following procedure has to be applied:

1. The responsible partner is the only responsible partner for the employment of the staff for common activity.
2. The responsible partner is the only responsible partner for signing the working contract with the staff for the common activity. The working contract shall contain at least:
  - i. that the staff is employed in full time to implement the concerned common activity for the project;
  - ii. the description of the common activity to be fulfilled by the person;
  - iii. the amount of the real salary (e.g. the amount on monthly basis or on yearly basis) according to national rules.
3. The real staff costs with the social charges according to the national rules of the responsible partner has to be paid (advanced) in full to the staff of the common activity by the responsible partner.
4. The responsible partner is obliged to submit the total amount of expenditure to be declared as common costs for a given reporting period to its Controller for verification. A Confirmation on common costs (see Annex 10. of the SEE Control Guidelines) will be issued by the responsible partner's Controller to ensure the compliance with national rules.
5. The responsible partner has to send the copy of the working contract, copy of the payslips, timesheets, proof of payments (bank statements), Confirmation on common costs and all supporting documents as requested by the controllers to each partner involved in the common activity.

6. The responsible partner has to ask the involved partners to transfer the relevant share of the common costs.
7. The involved partners have to transfer their relevant share of the common costs in full to the responsible partner before submitting their expenditure for validation to their controllers.
8. The relevant share of the common cost has to be submitted for validation by each PP participating in the common activity separately to its Controller. It has to be ensured that only the relevant share of common costs is included for each PP in the Declaration on validation of expenditure (Annex 7. of the SEE Control Guidelines). Therefore the total amount of common costs should not be included in the Declaration on validation of expenditure of the responsible partner, in order to avoid double declaration of costs.

**Each involved partner is responsible for accounting its share of common costs according to its national rules. In addition, the responsible partner has to account the related transfers as well in a transparent way.**

### **5.3 Financial progress and decommitment of the project**

The LP has to ensure that each ERDF Project Partner strictly follows its spending forecast according to the approved Application Form.

For each project, the spending forecasts are fixed in the Subsidy Contract, which remain unchanged during the whole project period. This means, that the LP can not request the modification of the spending forecasts through Subsidy Contract modifications. The LP has the possibility to deviate from the spending forecasts considering that in case of underspendings compared to the spending forecasts, the MA is entitled to decommit the project by reducing the original project budget and the corresponding ERDF contribution.

The MA is entitled to initiate the decommitment of the projects, which deviated negatively from the spending forecasts as follows:

Based on the fact that payment of ERDF contributions by the European Commission to the SEE Programme will only be made in accordance with the corresponding yearly budget commitments, the SEE programme will revise the deviations from the project spending forecasts also on yearly basis.

Every year, after comparing the reported amounts of the projects and their spending forecasts, the Monitoring Committee may decide on the decommitment of the projects on case by case basis. The total amount to be deducted from the project budget and the related ERDF contribution, and distribution of this deduction between partners are also part of the MC decision. The distribution of the decommitment related to partners within the project is calculated taking into consideration the reported amounts at partner level, thus the partners will be affected by the decommitment according to their performance within the project.

In case of MC decision on the decommitment of the project, the MA initiates the modification of the Subsidy Contract (see 3.1.4. of this Manual for the details of the Subsidy Contract modification).

### **5.4 Irregularities and repayments of ERDF contribution**

Definition of “irregularity”: any infringement of a provision of Community law resulting from an act or omission by an economic operator which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure to the general budget.

An irregularity might be suspected on different stages of the project implementation, i.e. before submission of Application for Reimbursement to the JTS, during the verification of the Application for Reimbursement and before the reimbursement of ERDF contribution and after reimbursement of the ERDF contribution to the project by the Controllers and the programme management bodies (JTS, MA, AA, CA).

Independently the stage of the project implementation, the body which suspected the irregularity (Controller, JTS, MA, AA, etc.) reports it to the responsible body for handling of irregularities at the given Member State whose territory the partner concerned is located.

The detection of the irregularity and the decision on the sanction is made at national level by the responsible body at Member State level, and then reported to the European Commission (OLAF report) and to the JTS/MA (Verification Report, Summary Report).

In case the irregularity affects partly the project (one partner of the given Member State), and the decision on sanction by the responsible body of the Member State is the recovery of ERDF contribution unduly paid, the JTS/MA initiates the recovery procedure.

When the irregularity reported by the MS affects the whole project, the Monitoring Committee is also entitled to make a decision about the irregularity. The decision can be termination of the contract, reduction of the ERDF contribution to the project, or lock out of the project partners from financing under the SEE Programme.

In case of repayment, the Managing Authority sends a request for repayment on the amount of ERDF contribution paid unduly and the corresponding interest chargeable to the LP.

At the same time the letter is sent to the Lead Partner about the necessary repayment, the Member State on whose territory the project partner concerned is located is also informed by the MA about the potential repayment of ERDF contribution by a preliminary notice.

The LP is obliged to secure repayments from the ERDF PPs concerned and repay the amount specified by the Managing Authority before the due date.

Based on the request for repayment of the MA, the LP has to ask the ERDF PP(s) concerned to repay the amount of ERDF contribution to the LP's project bank account in due time, considering the deadline given by the MA for the repayment. The LP has to transfer this amount to the programme bank account specified in the request for repayment of the MA.

If a project partner commits an irregularity and the Lead Partner cannot recover the ERDF contribution unduly paid to a project partner on the basis of the partnership agreement existing between them, the Lead Partner shall inform the Joint Technical Secretariat in written form within the deadline for the repayment.

The repayment of by the LP is due within two months following the receipt date of the request for repayment. The rate of such interest shall be one-and-a-half percentage points above the rate applied by the European Central Bank in its main refinancing projects on the date at which the breach of this contract emerged.

**The Managing Authority has the right to recover the amounts specified in the request for repayment by deducting them from the application for reimbursement submitted by the LP.**

In case of any delay in the repayment, the amount to be recovered shall be subject to interest on late payment, starting on the due date and ending on the actual date of repayment. The rate of interest on late payment shall be one-and-a-half percentage points above the rate applied by the European Central Bank in its main refinancing projects on the due date.

## **6 Information and publicity requirements**

### **6.1 Introduction**

This chapter has been developed with the purpose of clarifying and streamlining the new requirements in the field of information and publicity to be fulfilled by the projects in the programming period 2007 – 2013.

During the new programming period it has often been emphasized the need for better communication and enhanced visibility at both programme and project level, as well as for better capitalization and promotion of projects' results. The SEE Programme communications will focus on the flagship projects, the concrete measures taken by them, the results obtained and how they reflect upon the SEE region. Communication must become an integral part of the projects' development and implementation, and a very important one, to be integrated in their strategy from the very beginning.

## **Legal Basis**

The basic measures to be taken in this field are detailed in the Commission Regulation (EC) no. 1828/2006, which represents the legal basis for the information and publicity measures. The regulation contains a set of general, compulsory measures, but each Programme can develop additional requirements, which can be inserted in the Subsidy Contract and the Partnership Agreement.

## **Communication: a shared responsibility**

The responsibility for communicating about the SEE Programme is shared by the Programme management (which ensures general communication about the Programme) and the beneficiaries, who are responsible for promoting the projects and their results. Communication at programme level is delivered by the Managing Authority (MA), respectively the Joint Technical Secretariat (JTS), with the help of the national contact points. Communication at project level is the responsibility of the beneficiaries. All project partners must be involved in communicating the project results.

## **Transparency**

Full transparency of the activities implemented by the projects and of how the EU funds have been used must be guaranteed. The Managing Authority is responsible for the publication, electronically or otherwise, of the list of beneficiaries, the names of the operations and the amount of public funding allocated to the operations. Beneficiaries shall be informed that acceptance of funding is also an acceptance of their inclusion in the published list of beneficiaries. The MA/JTS shall also be authorised to publish other information about the project, if considered relevant.

## **6.2 Information and publicity requirements**

### **6.2.1 Basic information and publicity requirements included in the Regulation (EC) no. 1828/2006**

Articles 8 and 9 of Regulation (EC) no. 1828/2006 detail the basic responsibilities of beneficiaries relating to information and publicity measures for the public.

1. The beneficiary shall ensure that the public and those taking part in the operation are informed of the fact that the operation receives funding under the EU funds (ERDF, IPA, ENPI);
2. The beneficiary shall ensure the correct display of the EU logo, the name of fund(s) and the Programme slogan (as described in Annex 3- visual identity guidelines).
3. Display of an explanatory plaque or of a billboard (subject to specific conditions detailed in the visual identity guidelines<sup>2</sup>).

### **6.2.2 Additional information and publicity requirements included in the Subsidy Contract and in the Partnership Agreement of the SEE Programme**

Each Programme can set its own information and publicity requirements, in addition to the ones included in the Regulation (EC) no. 1828/2006. In the case of the South East Europe Programme, these requirements can be found in Article 7 of the Subsidy Contract and in Chapter 12 of Partnership Agreement. They are not meant as an additional burden for the projects, but as a means to enhance projects communication, visibility and value. Good communication will work for the benefit of all the parties involved. This will help the promotion of important results and outcomes, which will facilitate further the sharing of knowledge and experience and future collaboration between projects.

#### **6.2.2.1 Development of a communication plan (strategy)**

The project communication plan is a strategic tool with the purpose of raising awareness about the project and to disseminate its results as well as to ensure an efficient communication among the project partners. The communication activities included in the plan should intensively promote the fact

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<sup>2</sup> See the visual identity guidelines



that project financing is provided from the European Union funds in the framework of the South East Europe Transnational Cooperation Programme and ensure the adequate presentation of the project, the programme and the European cooperation. The Communication Plan should also make provisions to ensure the dissemination of the results and their capitalization by policy makers and stakeholders in South East Europe area. In addition, each project should set its specific objectives, activities and target groups, according to the project's characteristics, potential and financial capabilities. The communication plan should be developed as soon as the project starts and must include (but is not limited to) the following mandatory elements:

- a. creation of a project logo, to be used together with the Programme logo and the EU logo
- b. development of the project website, which should be available to the public at least two years after the project closure
- c. publication of at least one publication (brochure, booklet) detailing the results of the projects
- d. organization of one final public event

***The communication plan should be submitted to the JTS with the first progress report.***

#### **6.2.2.2 Visual identity elements**

Proper display of the EU logo, the SEE programme logo and slogan and the name of the funds concerned on all project official communications (e.g. on any notice, publication, promotional material, website or during a project event, including conferences or seminars) is of outmost importance.

The main visual elements of the programme are the SEE Programme logo, The EU logo including the reference to the EU funding and the Programme slogan.

***Please check the visual identity guidelines (Annex 3) for further details regarding the visual identity elements!***

### **6.2.3 General guidelines**

#### **6.2.3.1 Internal project communication**

- Think strategically: integrate communication in the project strategy from the very beginning and throughout the entire project life and plan accordingly;
- Appoint a member in charge of communication activities.
- Involve all the project partners! The project partners are the promoters of the project in their region, so involve all of them in the communication activities, as well in the general activities.
- Lead partners should maintain good communication with all project partner and keep them regularly informed about the progress of the project

#### **6.2.3.2 Communication with the JTS and other Programme management structures**

- Read attentively all Programme documents, before submitting any forms, applications and / or inquiries to the JTS, but do ask for advice and clarifications when things are still not very clear;
- Participate, whenever requested, in LP trainings organized by the JTS;
- participate, whenever requested, in other events organised by the Programme with the purpose of presenting/discussing/developing/sharing project results and creating synergies with other projects and relevant organisations
- Feed relevant, newsworthy, interesting information to the Programme, regarding the project development, evolution and results. Do not wait for the others to “discover” the project, make the project known and “sell” its best features. A “project news” section will be made available in both the SEE newsletter and SEE Website.
- provide a visible link on the project's website to the Programme website – [www.southeast-europe.net](http://www.southeast-europe.net) in order to share project level results and information
- Provide one contact on matters related to communication.

### **6.2.3.3 External communication**

- Make it interesting: when communicating about the project focus, whenever possible, on the story, on the people and on the added value of your actions. Provide attractive and interesting project descriptions that would be meaningful to people unaware of Territorial cooperation issues and would help increase interest in the Programme for other categories of public
- Collaborate: In order to give more impetus to their communication measures and obtain as well economies of scale, the projects are recommended to unite their forces and collaborate whenever it is possible in organising their communication activities.
- Evaluate: try to obtain useful data to assess the impact and the efficiency of the activities.

#### **Important!**

- New information and publicity requirements and new approach to communication – project communication is emphasized!
- The legal basis: Commission Regulation (EC) no. 1828/2006.
- Additional requirements, specific to SEE Programme, can be found in Article 7 of the Subsidy Contract and in Article 12 of the Partnership Agreement.
- Acceptance of funding means automatic inclusion in the published list of beneficiaries!
- The visual identity guidelines contain a detailed description regarding the correct use of visual identity elements.

## **7 Monitoring and audit of the project**

### **7.1 Monitoring visits by the JTS**

The major source of the JTS to monitor the implementation and progress of the contracted projects is the progress report. Further to that, in order to have more direct contact between the programme management bodies and the management of the individual projects and to get a closer, more real view on the project implementation, the carried out work and the achievements, the JTS intends to visit all contracted projects at least once during their implementation period. These visits give also good opportunity for the whole project partnership to get direct information from the programme level, to clarify uncertainties, or try to find appropriate solutions for problems that the project implementation and partnership may face with.

The monitoring visit is not considered as an audit, but it contains checking criteria related to the implementation of the project. Therefore, the JTS can propose specific actions including withdrawal from the Subsidy Contract in case the project implementation is significantly different from the objectives indicated in the Subsidy Contract or irregularity is suspected.

### **7.2 Audit of the project**

As it is defined in the Subsidy Contract the LP is obliged to guarantee fulfilment of the project audit in relation to all other PPs of the project, to be carried out by any of such responsible auditing bodies of the EU, the participating EU Member States as well as the Audit Authority, Managing Authority, JTS and Certifying Authority of the SEE Programme. The aim of these audits is to audit the proper use of funds by the LP or by the project partners.

The audits performed by the Audit Authority or by external auditors on behalf of the Audit Authority are the so called “second level audits”. In general, these audits include sample checking of the declarations on validation of expenditure already issued by the Controllers (at the “first level control”) against the supporting documents and other relevant information at the premises of the Lead Partner and / or Project Partners in order to verify the accuracy and validity of the declaration on validation of expenditure, checking of the project documentation and audit trail, the accounting of project expenditure. In the interest of a successful auditing the LP have to make available all documents required, provide necessary information and give access to its business premises.

## 8 Project closure

### 8.1 Project closure

The SEE Programme does not require additional report with the final progress report. The final progress report has to be submitted according to the same rules as regular progress reports during the project implementation period, e.g. the final progress report should be submitted **within three months from the end date of the project**.

The expenditure included in the final progress report have to be **incurred and paid before the end date of the project** set in the Subsidy Contract, **with exception of the control costs related to the Final Progress Report**, which have to **be incurred and paid within 60 days from the end date of the project**. This exception does not affect the obligation that the final Progress Report and final Application for Reimbursement have to be submitted to the Joint Technical Secretariat within three months after the end date of the project.

The Lead Partner has to include in the last progress report and last application for reimbursement all expenditure related to the last reporting period, and if relevant the expenditure of the project partners not submitted in the previous reporting period. It means that after the submission of the final progress report and application for reimbursement, the Lead Partner can not submit further application for reimbursement.

While project closing, the JTS verifies the final progress report submitted and checks if all the activities are fulfilled according to the approved application form, and all the requirements arising from the Subsidy Contract are fulfilled (e.g. the project has been fully implemented by carrying out the planned activities, the planned outputs and results and by achieving at least 75% spending of the Project budget of the ERDF partners, the project is realized in due time, etc.)

In case the project is completed and the final progress report is accepted by the JTS, the JTS carries out the financial closing of the project in order to calculate the amount of the final ERDF contribution to be paid to the Project. After approval of the final payment to the Lead Partner, the project is considered closed and the Lead partner is informed about the closure.

Project closing can not be initiated in case other processes related to the project are not closed such as irregularity and recovery procedures. In those cases the final payment to the Project is suspended until the closing of other processes.

### 8.2 Retention of project documents

The LP is obliged to retain for audit purposes all files, documents and data about the project for at least until 31 December 2022.

The following documents have to be retained as the project's audit trail:

No.	Document	Lead Partner	Project Partner
1.	Approved Application Form	original	copy
2.	Partnership Agreement (and its amendments)	original	original
3.	Subsidy Contract	original	copy
4.	Amendments of the Subsidy Contract	original	copy
5.	Progress Reports	original	Not relevant
6.	Applications for Reimbursement	original	Not relevant

7.	Partner Reports	copy	original
8.	Declarations on validation of expenditure	original	original
9.	Each invoice and accounting document of probative value related to project expenditure (originals to be retained at the premises of the project partner concerned)	only the LP's invoices in original	only PP's invoices in original
10.	All supporting documents related to project expenditure (e.g. payslips, bank statements, public procurement documents, etc.) to be retained at the premises of the project partner concerned	only the supporting documents of the LP in original	only the supporting documents of the PP in original
11.	All project deliverables (materials produced during the project period)	all project deliverables in original	only the project deliverables of the PP in original
12.	If relevant, documentation related to on the spot checks of the Controllers (to be retained at the premises of the project partner concerned)	only LP's on the spot check documentation in original	only PP's on the spot check documentation in original
13.	If relevant, documentation of monitoring visits of the JTS	original	copy
14.	If relevant, audit reports	All audit reports, LP audit report in original, all other reports in copy	PP's audit report in original

### 8.3 Sustainability of the project

In accordance with the Article 57(1) of Regulation (EC) No 1083/2006, the project retains the contribution from the Funds only if that project does not, within five years from the completion of the project, undergo a substantial modification:

- affecting its nature or its implementation conditions or giving to a firm or a public body an undue advantage; and
- resulting either from a change in the nature of ownership of an item of infrastructure or the cessation of a productive activity

### 8.4 Ownership of project results

Ownership, title and industrial and intellectual property rights in the outputs of the project and the reports and other documents relating to it shall vest in the LP and PPs.

The use of the results of the projects will be agreed by the LP and the Joint Technical Secretariat in order to guarantee a widespread publicity of such results and to make them available to the public.

The LP and the Joint Technical Secretariat shall find individual arrangements in those cases where intellectual property rights (such as for data acquired for the project, which do not belong to public domain) already exist.

## 9 IPA and ENPI partners in the project

Funding for **non EU Member States** comes from other EU sources than ERDF:

- **Instrument for Pre-Accession Assistance – IPA** (candidate and potential candidate countries to EU membership - Croatia, the former Yugoslav Republic of Macedonia, Albania, Bosnia and Herzegovina, Montenegro and Serbia, Kosovo under UN Security Council Resolution 1244)
- **The European Neighbourhood and Partnership Instrument - ENPI** (which is not available for the first Call for Proposals, applicable to Ukraine and the Republic of Moldova).

This chapter is meant to give brief information to Lead Partners about the IPA project procedures, since IPA PPs are obliged to undertake quite different contracting and procurement procedures to ERDF rules. There are strict rules governing the way in which the grants and contracts (procurement of service, supply or work) are awarded and the above mentioned procedures under the relevant EC external aid programmes are consolidated in **PRAG**.<sup>3</sup>

## 9.1 Awarding grant and starting up the project

In case of decentralised management, the IPA funds allocated to each country for the participation in SEE shall be managed by the accredited Implementing Agency. In case of centralised management, grants awards (or tendering and contracting) and payments are carried out by the EC Delegation. In other words, it means that for the time being only Croatia manages IPA in decentralised mode which means that the responsibility for concluding grant agreements or for tendering, contracting and payments will rest on the Croatian national authorities with ex-ante control by the EC Delegation, where applicable, and in the rest of IPA countries it will rest on the respective EC Delegations.

Once the ranking list is approved by the SEE Monitoring Committee, the Contracting Authorities will endorse the final list of IPA grants to be awarded. Lead Partners should take into consideration that contract preparation and signature (according to the point 6.4.10.2 of PRAG) might take certain time, as the budget proposed for the action by IPA PP at the call for proposal stage must be corrected to remove any arithmetical errors or ineligible cost prior to the signing of the contract. The description of the actions is corrected accordingly as well, if needed. The timeframe of contracting depends also on the efficiency of the IPA PPs, how fast they can provide the Contracting Authorities with additional supporting documents and respond to the budget clarification requirements.

In case in one project there is more than one partner from the same IPA country, an IPA Financial Lead Partner at the call for proposal stage was selected among them, who submitted one general budget. The Financial Lead Partner will sign the contract with the Contracting Authority on behalf of all IPA PPs from that country and submits the Request for Payment<sup>4</sup>, as well.

The Lead Partners are asked to take into consideration the following:

According to the point 6.2.8. PRAG, Grants may, as a rule only cover costs after the date on which the grant contract is signed. Expenditures incurred prior to the signature of grant contract will not be eligible for financing.

*Therefore, if the signature of IPA grant contract is in delay and you plan joint activity that requires IPA financing, please have in mind the non-eligibility of the costs prior to the signature of IPA grant contract.*

## 9.2 Payment procedures for IPA PPs

IPA PPs will receive the first pre-financing payment, after both parties have signed the contract and IPA PP (or IPA Financial LP in case of more than one IPA PP from the same country) has submitted the request for payment. Payment procedures are set and correspond to one of the options below. It is linked to duration and amount of the contract:

<sup>3</sup> Practical Guide for Contract procedures for EC External Actions. The document can be found on [http://ec.europa.eu/europeaid/work/procedures/implementation/practical\\_guide/index\\_en.htm](http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm)

<sup>4</sup> Request for Payment is Annex V to the grant contract. All annexes as templates can be found on [http://ec.europa.eu/europeaid/work/procedures/implementation/grants/index\\_en.htm](http://ec.europa.eu/europeaid/work/procedures/implementation/grants/index_en.htm)

**Option 1:** Actions with an implementation period not exceeding 12 months or where the financing provided by the Contracting Authority does not exceed **EUR 100 000**.

The Contracting Authority will pay the grant to the Beneficiary in the following manner:

- **pre-financing of 80%** of the sum referred to in Article 3.2 of the Special Conditions following the provisions in Article 4.3 of the Special Conditions.<sup>5</sup>

**Option 2:** Actions with an implementation period of more than **12 months** and where the financing provided by the Contracting Authority is more than **EUR 100 000**

The Contracting Authority shall pay the grant to the Beneficiary in the following manner:

- an **initial pre-financing instalment** of 80% of that part of the estimated budget for the first 12 months financed by the Contracting Authority, as specified in Article 4 of the Special Conditions, following the provisions in Article 4.3 of the Special Conditions.
- further pre-financing instalments of the amount specified in Article 4 of the Special Conditions.

In case of the second option an interim report (narrative and financial) and payment request must be sent once a year as soon as 70% of the previous payment (and 100% of earlier ones) has been used up. A new payment of pre-financing is made on that basis.

- The final balance payment is paid on approval of the final report.

Please note that all payments (advance, interim and final balance) will be made within 45 days from the date of receipt of request for payment by Contracting Authority.

## 9.3 Implementation of IPA project

### 9.3.1 Reporting

The ERDF LP is obliged to prepare and submit progress reports along with payment claims on a regular basis (every 6 months).

IPA PPs will be responsible for reporting project progress to the respective Contracting Authorities in line with the reporting requirements outlined in the grant contract. In case there is more than one IPA partner in the same country, the IPA Financial Lead Partner will submit the reports that include the activities and incurred costs of all IPA PPs from that country. The IPA Financial Lead Partner has to draw up the following reports: Interim reports (during the project implementation), which consists of interim narrative report and interim financial report and final report, drafted after finishing of the project. The final report consists of final narrative report and final financial reports. The templates will be provided as annexes to the contract.

On the other hand, besides their obligatory reporting to the Contracting Authority, IPA partners periodically have to provide information for the LP on the progress of the IPA project part, concerning the activities carried out, outputs delivered, in case of any deviation from the original timeframe, financial plan, or if a project change is necessary for a certain reason.

### 9.3.2 Procurements

Project partnerships should take into account that there are strict rules for IPA partners governing the procurement procedures (procurement of supply, service and work) consolidated in PRAG.

At the very beginning of the implementation the project partnership should work out in detail the procurement plan with their IPA PPs, so that they can plan well in advance the tendering procedures. Some of the procedures require more than a month to be done and in case of failure the procedure must be re-launched. Therefore, in order to avoid any kind of delays, the LP should consult its IPA PPs

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<sup>5</sup> The grant contract of “Special Conditions” and the annexes

concerning the tendering procedures, the thresholds, and time required to undertake certain activity, especially in case of purchase of a higher value.

### **9.3.3 Audits**

The projects implemented within the Programme (in the case of a grant of more than EUR 100 000) shall be subject to audit of an independent external auditor who checks the accounting of the project and its adherence to the Grant Scheme procedures. The Beneficiary must select an external auditor approved by the Contracting Authority who will carry out verifications in accordance with Article 15.6 of the General Conditions (Annex 2 to the contract).

The Beneficiary will also allow the European Commission, the European Anti-Fraud Office and the European Court of Auditors to carry out verifications to verify, by examining the documents or by means of on-the-spot checks, the implementation of the Action and conduct a full audit, if necessary, on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the Action. These inspections may take place up to **7 years** after the payment of the balance.

### **9.3.4 Project changes and modification of the grant contract**

Grant contracts may need to be modified during their lifetime, if the circumstances of project implementation have changed since the initial contract was signed. Substantial modifications to the contract must be made by means of an addendum. Such addenda must be signed by the contracting parties (and, under a decentralized ex-ante system, approved and endorsed by the European Commission).

However, the following general principles must always be respected: a request for contract modifications should not automatically be accepted by the Contracting Authority. There must be justified reasons for modifying a contract. The Contracting Authority must examine the reasons given and reject requests which have little or no substantiation.

Contracts can only be modified within the execution period of the contract. The purpose of the addendum must be closely connected with the nature of the project covered by the initial contract. Major changes, such as a fundamental alteration of the Terms of Reference/Technical Specifications, cannot be made by means of an addendum as the addendum must not alter the competition conditions prevailing at the time the contract was awarded.

Requests for contract modifications must be made (by one contracting party to the other) well in advance and in any case before the end of the implementation period to allow for the addendum to be signed by both parties before the expiry of the execution period of the contract.<sup>6</sup>

Therefore, if you plan any substantial change please take into consideration the above mentioned things, so that your IPA PPs could have time to prepare and get approved addenda.

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<sup>6</sup> Section 2.10.1 of PRAG, version 2008.

## **10 Annexes**

- 1. a) Statement on project bank account (separate bank account)**
- 1. b) Statement on project bank account (single bank account)**
- 2. Request for project modification**
- 3. SEE Visual Identity Guideline**