



**Estonia – Latvia – Russia  
Cross Border Cooperation Programme within  
European Neighbourhood and Partnership Instrument  
2007-2013  
EC decision No C (2008) 8332**

**Practical Guidelines for project Beneficiaries and Partners of the Calls for Proposals to ensure proper management during project implementation**

**Approved by the JMC of the Programme and takes precedence over other language versions**

List of acronyms, abbreviations and terms .....	4
Introduction .....	6
1. Provisions of the Grant Contract .....	6
2. Support to the Beneficiaries .....	7
3. General provisions of eligibility of expenditure .....	8
3.1. Budget Heading "Human Resources" .....	8
3.2. Budget Heading „Travel costs“ .....	9
3.2.1. General requirements for Estonian Beneficiaries and the project partner(s) .....	10
3.2.2. General requirements for Latvian Beneficiaries and the project partner(s) .....	10
3.2.3. General requirements for Russian Beneficiaries and the project partner(s) .....	12
3.3. Budget Heading „Equipment and supplies“ .....	14
3.4. Budget Heading „Direct local office costs“ .....	15
3.5. Budget Heading "Other costs and external services" .....	15
3.6. Budget Heading „Infrastructure“ .....	16
3.7. Budget Heading „In –kind“ costs .....	17
3.8. Budget Heading „Administrative costs“ .....	17
4. Project documentation .....	17
5. Project accountancy and exchange rates .....	20
5.1. Accounting requirements .....	20
5.2. Exchange Rates .....	20
6. Methodology of calculation of the costs .....	21
6.1. Calculation of the staff costs. ....	21
6.2. Calculation of the „per diem“ amount for Beneficiaries and the project partner(s) which are small and medium enterprises or NGOs from Russian Federation. ....	22
6.3. Calculation of the in-kind costs .....	23
7. Project reporting .....	24
7.1. Why reporting and to whom to submit the reports? .....	24
7.2. Practical arrangements and tips for effective reporting .....	24
7.3. What is to be reported? .....	24
7.4. When to submit the reports? .....	25
8. Payments to the project .....	26
8.1. Possible payments from the Programme .....	26
8.2. An example of the financial management model .....	27
8.3. Payment schemes .....	28
9. Procurement (tendering) .....	33
9.1. General information on procurement according to EU procedures .....	33
9.2. General rules of procurement .....	35
9.3. The rules of nationality and origin .....	<del>36</del> 37
9.4. Other essential points .....	<del>40</del> 41
10. Budget relocations, changes in the project, contract amendments .....	<del>41</del> 42
10.1. Notifications to Contract: Minor Changes .....	<del>42</del> 43
10.2. Addendum: Major modifications .....	45
10.3. Preparing an addendum .....	46
11. Information and visibility .....	48
12. Monitoring of the projects by JMA, JTS and other possible checks .....	49
12.1. Monitoring Framework .....	49
12.2. Monitoring Tools .....	49
12.3. Verification of expenditure .....	50
12.4. Responsibilities of the Beneficiary in on the spot visits .....	51
13. Revenue in the project .....	51
14. Recovery of ineligible expenditure .....	52
15. Important deadlines .....	53
Annex 1 .....	54
Timesheet for Project Staff, External Experts and volunteers .....	54

Annex 2 .....	56
Examples of the Payment schemes .....	56
Annex 3 .....	58
Notification Letter (for minor changes) .....	58
Annex 4 .....	60
Request for Addendum.....	60

## LIST OF ACRONYMS, ABBREVIATIONS AND TERMS

Addendum	A document modifying the terms and conditions of a Grant Contract.
Auditor	Audit company contracted by the Beneficiary and/or by the project partner who meets the specific conditions of the Terms of Reference and is responsible for performing the expenditure verification and issues Expenditure Verification Report submitting a report of actual expenses.
Beneficiary	A body which signs a Grant Contract with the Joint Managing Authority and which assumes full legal and financial responsibility for implementation of the project vis-à-vis that authority; it receives the financial contribution from the Joint Managing Authority and ensures it is managed and distributed, where appropriate, in accordance with the agreements drawn up with its partners; it alone is responsible to the Joint Managing Authority and it is directly accountable to the authority for the operational and financial progress of activities.
Branch Offices	Regionally based bodies under the Joint Technical Secretariat established in the Republic of Estonia (Tartu and Jõhvi) and the Russian Federation (St Petersburg and Pskov) with the purpose to inform the target groups concerned in these countries of the activities envisaged under the Programme.
Communication	Communication during implementation of the project means telling a wider audience about the project and its results and about the EU funding the project has received. This may be by means of events, e-letters, press coverage, etc. It also means internal communication among the project partners, fostering implementation of the project. The Beneficiaries and the project partners must refer to Communication and Visibility Manual for EU External Actions.
Contracting Authority	The Joint Managing Authority, signing the Grant Contract with the project Beneficiary. The Beneficiary is fully legally responsible to the Joint Managing Authority under the Grant Contract.
Daily allowance	Flat rates of daily subsistence allowances paid to persons during the missions in order to cover meals and sundry expenses. Usually, in particular for public institutions, daily allowances are legislated by national legal acts and should be respected when calculated the daily allowance rate.
EC	European Commission
EU	European Union
Expenditure verification	Examination of the costs and the revenue (if any) of the project declared by the Beneficiary/the project partner(s). The auditor examines whether the costs declared by the Beneficiary and the project partner(s) are real, accurately recorded and eligible in accordance with the Grant Contract, as well as the revenue of the project and issues an Expenditure Verification Report.
Expert	A person engaged to provide the expertise required for the proper performance of a contract.
General conditions	The general contractual provisions setting out the administrative, financial, legal and technical clauses governing the execution of all contracts of a particular type.
Grant	A direct payment of a non-commercial nature by the Joint Managing Authority to a specific recipient to implement an operation (or in some cases to finance part of its budget) in order to promote an EC policy aim.
Grant Contract	An agreement, between the Beneficiary and the Joint Managing Authority, with specific terms and an undertaking to implement the project in return for EU grant.



Ineligible costs	The costs incurred while implementing the project, which do not fall under the list of eligible costs provided in the Programme documents and national and/or EU legal acts, and in particular in Article 14 of Annex II to the Grant Contract and may not be funded by the Programme.
Joint Managing Authority (JMA)	Executive body having overall responsibility for managing the Programme and implementing decisions taken by the JMC; body responsible for efficient and correct management and implementation of the Programme. The JMA is acting as the Contracting Authority and signing Grant Contracts with the Beneficiaries of approved projects, approves project Implementation reports and initiates payments.
Joint Technical Secretariat (JTS)	The JTS is in charge of the day to-day operational follow-up and financial management of the projects. The JTS shall inform and support Beneficiaries of the Programme in the country where activities are envisaged.
Monitoring	The regular collection and analysis of information about the project (usually at least financial, technical and institutional) in order to check performance compared with its stated objectives, outputs, budget and work plan.
Per diem	Per diems cover accommodation, meals, local travel within the place of mission and sundry expenses. It is calculated per overnight stay on mission.
Practical Guide to Contract Procedures for EC External Actions (PRAG)	The first sole working tool, which explains the contracting procedures applying to all EC external aid contracts financed from the European Communities general budget and the 10 <sup>th</sup> European Development Fund (EDF). See <a href="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</a>
Practical Guidelines	Practical Guidelines for project applicants for proper financial management during project implementation
Procurement	The purchase of goods, supplies, services and works shall allow the provisions of section 2.1 and 2.2 of the Annex IV to the Grant contract, the PRAG rules or the national public procurement regulations as set in Annex IV.
Programme	Estonia – Latvia – Russia Cross Border Cooperation Programme within European Neighbourhood and Partnership Instrument 2007-2013
Project	Is used as a synonym to the term "action" as used in Practical Guide to Contract Procedures for EC External Actions.
Partner	Participant in the project, responsible for implementation of part of the activities, in accordance to the Application and to the Partnership Agreement signed with the Beneficiary.
Special Conditions	The special conditions laid down by the Contracting Authority as an integral part of the call for proposals dossier, including amendments to the General Conditions, clauses specific to the Grant contract.
Tender	A written or formal offer to supply goods, perform services or execute works for an agreed price.
Tender procedure	The overall process of putting a contract out for tender, starting with the publication of a procurement notice and ending with the award of the tendered contract. The tender procedure should strictly follow the provisions of section 2.1 and 2.2 of Annex IV to the Grant contract and national public procurement rules when applicable.

## INTRODUCTION

These Practical Guidelines explain the implementation procedures applied to all contracts concluded by Beneficiaries, contractual obligations of the Beneficiaries, monitoring framework of implementation of Grant projects approved within Open Calls for Proposals in the Programme.

The purpose of Practical Guidelines is to provide the Beneficiaries and their project partners with all information necessary for successful implementation of the approved project. This document explains how to manage the Grant Contract, signed between the Contracting Authority (the Joint Managing Authority) and the Beneficiaries from the award of the contract until the final report and payment and up to the obligations beyond the project implementation.

Practical Guidelines pay particular attention to the issues of eligibility of costs, calculations to be used for financial reporting under different budget headings; it gives information about supporting documents for the different types of expenditures, payments to the projects, visibility and other important rules to be observed.

Information in the Practical Guidelines is supplemented with the examples, which are coloured in light blue boxes  ; important notices are provided in the framed boxes and highlighted in light orange boxes .

### 1. PROVISIONS OF THE GRANT CONTRACT

Please note that:

**The Guidelines contain rules, formats and templates, which should be used to fulfil the European Commission's requirements for Grant Contracts. Please pay attention that this document does not substitute or modify provisions set in the Programme document, the General and Special Conditions of your Grant Contract and Guidelines for Grant Applicants, Practical Guide 2008:**

[http://ec.europa.eu/europeaid/work/procedures/implementation/practical\\_guide/previous\\_versions/2008/index\\_en.htm](http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/previous_versions/2008/index_en.htm)

**Beneficiary is generally responsible for the implementation of the whole project as well as activities carried out by project partners.**

**The Grant Contract stipulates the main provisions applicable to the projects, and it consists of several parts and annexes, which are compulsory:**

- **Special Conditions**-specifies the project duration, total project cost and the grant amount, reporting and payment schedule.
- **General Conditions**-specifies the general obligations and financial provisions under the contract. This Annex describes the obligations on reporting, provision of information, visibility, accounts and technical and financial checks.
- **Request for Payment and Financial Identification Form**-standard templates which are to be used when applying to the Contracting Authority for payment request.

- **Contract Award Procedures**-describes the procedures that are to be followed in case the project awards contracts for services, supplies and works to external organisations. If the national legislation is applied, the rules of nationality and origin are still to be followed.
- **Model of Expenditure Verification Report** - contains Model report of factual findings and terms of reference for expenditure verification by an independent auditor of an EU funded Grant Contract for external actions. It is obligatory to obtain this **report** before requesting the further pre-financing instalments and balance payment.
- **Model narrative and financial report** - contains standard template for Interim and Final reports.
- **Model Financial Guarantee** - contains standard Financial Guarantee.

**Any modifications of the activities and results stated in the Application Form are subject to written communication in the project reports or notification letters to the Joint Technical Secretariat and Contracting Authority. Significant modifications of activities might require an Addendum to the Grant Contract.**

**Any modifications of the budget should be communicated to the Contracting Authority and the Joint Technical Secretariat in writing. Significant modifications of activities might require an Addendum to the Grant Contract.**

**For detailed explanations on request of changes in the Grant Contract, please refer to section 10 of these Practical Guidelines.**

## **2. SUPPORT TO THE BENEFICIARIES**

Joint Technical Secretariat (JTS) will proactively support the Beneficiaries and project partners throughout the lifetime of projects. The JTS acts as principal contacting point for the Beneficiaries during the implementation of their projects.

Please do not hesitate to contact your Project Manager or the Financial Manager in JTS or Information Managers in the JTS and its Branch Offices, if you need assistance or have further questions about project or financial management during project implementation.

**Project Manager** is responsible for dealing with project implementation (progress monitoring, changes within the project, finalisation of the projects, etc), project reporting.

**Financial Manager** is responsible for monitoring of the reports and providing assistance and information on reporting and budgetary issues to the project partner, eligibility of expenditure.

**Information Manager** is responsible for information and communication activities within the Programme and assistance for projects/actions.

### **3. GENERAL PROVISIONS OF ELIGIBILITY OF EXPENDITURE**

In general expenditure is eligible if it is/has been:

- actually incurred/paid and related to the project;
- incurred during the implementation period of the project as specified in the Grant contract Special conditions art. 2.2 and 2.3, with the exception of costs relating to final reports, expenditure verification and evaluation of the action, which can be incurred after the implementation period but not later than the submission of the final report;
- indicated in the approved project budget and directly linked to the project activities described in the approved application;
- recorded separately in the respective Beneficiary's or project partners' accounting system;
- not already claimed in this or any other EU co-financed programme or other donor programmes (to avoid double financing);
- compliant with the rules of the information and visibility;
- compliant with the rules of nationality and origin;
- compliant with the procurement rules;
- compliant with national legislation.

#### **Ineligible expenditure:**

- debts and provisions for losses or debts;
- interest owed;
- items already financed in another framework;
- purchases of real estate (land or buildings), except where necessary for the direct implementation of the project and if the costs are foreseen in approved Application form, in which case ownership must be transferred to the final Beneficiaries and/or partner(s), at the latest by the end of the project;
- currency exchange losses;
- taxes (except those listed in the description of the Budget Heading "Human Resources");
- credits to third parties;
- fines, own risk, financial penalties and expenses of litigation.

#### **3.1. Budget Heading "Human Resources"**

This Budget Heading includes personnel costs of the project staff directly involved into project implementation and employed by the Beneficiary and/or project partner(s) organization(s). The employment is based on the employment/labour contract in accordance with relevant legislation of respective country (in case of public servants and/or members of management/controlling bodies current contracts, orders, appointment acts etc are needed).

Salaries and costs must not exceed those normally borne by the Beneficiary or his project partners.



Each person working in the project must fill in timesheets, indicating the hours worked and tasks implemented, signed by the person and his/ her employer (see Annex 1 for Timesheet template).

Eligible costs	Ineligible costs
<ul style="list-style-type: none"> <li>▪ Salary;</li> <li>▪ Employment taxes;</li> <li>▪ Social security charges;</li> <li>▪ Health insurance;</li> <li>▪ Compulsory pension contribution.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Additional social security costs;</li> <li>▪ Additional unjustified payments or voluntary bonuses;</li> <li>▪ Costs not based on the employment/labour contract, orders, appointment acts etc.</li> </ul>

### 3.2. Budget Heading „Travel costs“

Travel costs can only be covered under this heading for Beneficiary and partners staff assigned to the project as well as seminar/conference participants when justified and to associates, if these expenditures are planned in the project budget.

The Latvian, Estonian Beneficiaries and the project partner(s) and Russian public authorities have to follow their usual practice in setting the daily allowance and accommodation rates based on the national legislation setting limits for the business trips. However, it should not exceed the rates outlined in the project budget and per diem rates published by the European Commission at the time of signing the Grant Contract.

Eligible costs	Ineligible costs
<ul style="list-style-type: none"> <li>▪ Cost of transportation to the place of mission:</li> <li>▪ Airplane, train, bus tickets;</li> <li>▪ Fuel for the car;</li> <li>▪ Rent or use of vehicle for travel;</li> <li>▪ Visa;</li> <li>▪ Travel insurance;</li> <li>▪ Daily allowance;</li> <li>▪ Accommodation (hotel expenses);</li> <li>▪ Local transportation within the place of mission;</li> <li>▪ Per diems (<i>applicable for Russian SMEs and NGOs only</i>).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Daily travels of project staff from home to office and back;</li> <li>▪ Travel in first or business class, unless it is clearly proved that there was no other option or that this was the most economic/less expensive option (documentation on the justification is required);</li> <li>▪ Unjustified use of taxi (e.g. if public transport is available);</li> <li>▪ Unjustified use of car (e.g. company car, private car) (e.g. if public transport is available or using of the Private Car/ Rental Car isn't proved to be more cost efficient than using of the public transport);</li> <li>▪ VAT, unless the Beneficiary and/or the project partner(s) cannot reclaim it. Please note that VAT that is recoverable by whatever means cannot be considered eligible, even if it is not actually recovered by the Beneficiary or the project partner(s) (i.e. the Beneficiary or the partner who could officially recover the VAT has decided not to do it).</li> </ul>

**Please note!!**

**Daily allowance**- daily allowances are defined by national legal acts and should be used for calculation of rates and it is calculated **per days**.

**Per diems** - Per diems cover accommodation, meals, local travel within the place of mission and sundry expenses. It is calculated **per overnight stay** on mission.

**Daily allowance costs together with accommodation costs and local transport costs for staff and other persons taking part in the Project can't exceed those normally borne by the Beneficiary or its partners and must not exceed the rates published by the European Commission at the time of signing Grant contract:**

- **to Estonia- 181.00 EUR;**
- **to Latvia – 211.00 EUR;**
- **to Russia – 361.00 EUR.**

### *3.2.1. General requirements for Estonian Beneficiaries and the project partner(s)*

NB! For the Estonian Beneficiaries and the project partner(s) daily allowance amount over tax-free limits, set by the national Income Tax Law (32 EUR), for business trips outside the country, is ineligible. Minimum compensation for accommodation costs for public servants is 13 EUR (domestic business trip) and 52 EUR (foreign business trip) per day. For public servants the tax exempt limit for accommodation costs is 77 EUR (domestic business trip) and 128 EUR (foreign business trip) per day. Daily allowance for business/official trip in abroad is paid if the destination is at least 50 km away from the border of the territory where his/her service/work place is located. Daily allowance will be paid if the transport abroad will start before 21.00. If the return transport from abroad will be over before 03.00 the daily allowance for this day will not be paid.

#### Clarification due to usage of automobile in Estonia

Regulation nr 164 by the Government of the Republic of Estonia dated 14 July 2006 "Order of record keeping and compensating expense for service or employment related use of a personal automobile"

In brief: if records are kept, compensation that is not charged with the income tax is up to 0,3 EUR per km but not more than 256 EUR per month. If no records are kept the tax exempt limit for compensation is 64 EUR per month.

The reimbursement of fuel costs possible, when the full tank car is rented and it is agreed that the full tank car must be returned. As well when the private automobile is used during the business/official trips.

### *3.2.2. General requirements for Latvian Beneficiaries and the project partner(s)*

NB! In case of travel of persons from Latvian organization (incl. small and medium enterprises or NGOs) or state/public institutions calculation of travel costs is made in accordance with Regulations issued by the Cabinet of Ministers of the Republic of Latvia. Regulations set for the details regarding accommodation and daily allowance (cover meals and other services) limits for each country, which must not be exceeded. Regulations describe how travel costs (travel from Latvia to country of mission, travel from airport/bus station/train station etc., local travel within the

place of mission, insurance) are paid. In accordance with Regulations, the limit of local travel costs is 30% of daily allowance for all travel days.

Example No.1 for Latvian partners. The Latvian Project partner business trip (project partners meeting) is planned for 2 days and organized in Estonia. The meeting will take place in Rakvere, so it requires 3 days (with 2 nights in hotel) travel, including time to get to the place of mission.

Person will go by bus from Riga to Tallinn and back, ticket price is 25 EUR and then by local bus with one way ticket price EUR 7 to Rakvere's (town of meeting) hotel. From hotel to the place of meeting there is a bus with one way ticket price EUR 1. Price for 1 night in hotel is 60 EUR. Price of Insurance for three days is 5 EUR

Calculation of Travel costs for 1 person			
Possible travel costs	Limit/price	Number	Total real costs
Daily allowance (for Estonia in accordance with Regulations)	20 LVL/0,702804=28,46 EUR	3	85,38 EUR
Return bus ticket from Riga to Tallinn	25 EUR	1	25EUR
Insurance	5 EUR	1	5 EUR
Return bus ticket from Tallinn to Rakvere	14 EUR	1	14 EUR
Local travel in Rakvere - return bus ticket from hotel to the place of mission	2 EUR	2	4 EUR (5% of daily allowance)
Hotel	Real price 60 EUR (limit is 100EUR)	2	120 EUR
<b>Total</b>			<b>253,38 EUR</b>

Example No.2 for Latvian partners:

The business trip (Project partners meeting) to Valmiera (Latvia) is planned for 2 days with 1 night in hotel.

Person will go by bus from Riga to Valmiera. Meeting will take place in hotel where made reservation for person as well. From Valmiera's bus station till hotel there is a bus with one way ticket price EUR 1.

Calculation of Travel costs for 1 person			
Possible travel costs	Limit/price	Number	Total real costs
Daily allowance (for Latvia in accordance with Regulations)	4 LVL/0,702804=5,69 EUR	2	11,38 EUR
Return bus ticket from Riga to Valmiera	10 EUR	1	10EUR
Insurance	Not applicable	-	0
Local travel from Valmiera's bus station to hotel	1 EUR	2	2 EUR
Local travel from hotel to the place of meeting	Not applicable	-	0
Hotel	Real price 30 EUR (limit is 30LVL/0,702804=42,69EUR)	1	30 EUR
<b>Total</b>			<b>53,38 EUR</b>

### 3.2.3. General requirements for Russian Beneficiaries and the project partner(s)

Daily allowance rates for the RF Beneficiaries and project partners are indicated in relevant national legislation.

The amounts of daily allowances for state budget institutions are regulated by the RF Government Decrees;

The amounts of daily allowances for non-governmental institutions, i.e. SMEs and NGOs, are stipulated in collective agreement (or other local regulations, containing labour law). At the same time, the National legislation sets the maximum amount of daily allowances that is not subject to Personal Income Tax (NDFL):

- i. Business trips inside the Russian Federation - RUR 700,00 per day ~ EUR 17,50 per day;
- ii. Business trips abroad – RUR 2500, 00 per day ~ EUR 62,50 per day.

#### Example No. 1. "Per diem approach" (nights-based calculation)

*This approach is applicable for SMEs and NGOs only! State institutions must refer to Example #2 below in line with the national legislation.*

Event: project partners meeting

Venue: Hotel X, Valmiera, Latvia (NB: this is also the place of living for the person)

Duration: 2 days

Itinerary: St. Petersburg (SPB) – Riga – Valmiera – Riga - SPB

The person will travel by plane from SPB to Riga and back, and further on to Valmiera by bus.

#### **Calculation of travel costs per 1 person.**

*Exchange rate: EUR1.00 = RUR 40.00*

Possible travel costs	Limit/price	Number	Total real costs EUR
Per diem rate to Latvia ( <a href="#">EU Regulations</a> )	EUR 211	1 night	211.00
Plane ticket SPB-Riga-SPB	RUR 10 000 ~ EUR 250	1	250.00
Return taxi Riga-airport – Riga-bus station	NA*	–	0.00
Return bus ticket from Riga to Valmiera	EUR 10	1	10.00
Local travel from Valmiera's bus station to hotel	NA*	–	0.00
Local travel from hotel to the place of meeting	NA*	–	0.00
Foreign passport**	RUR 2500 Roubles ~ EUR 62,5	1	62.50
Visa	EUR 35	1	35.00
Insurance	RUR 27 per day ~ EUR 0,675 per day	2	1.35

Hotel	N/A*	-	0.00
<b>Total</b>			<b>569.85</b>
* Per diems cover accommodation, meals, local travel within the place of mission and sundry expenses and are calculated per overnight stay			
** Only if it is required for project participant's business trip within the project implementation and this expenditure is set forth in the project budget			

**Example No.2. "Daily allowance approach" (days-based calculation)**

*This approach is applicable both for SMEs, NGOs and state institutions. The amount of allowances will only depend on legislative regulations applicable to certain organization.*

Event: project partners meeting

Venue: Hotel X, Valmiera, Latvia (NB: this is also the place of living for the person)

Duration: 2 days

Itinerary: St. Petersburg (SPB) – Riga – Valmiera – Riga - SPB

The person will travel by plane from SPB to Riga and back, and further on to Valmiera by bus.

**Calculation of travel costs per 1 person.**

*Exchange rate: EUR1.00 = RUR 40.00*

Possible travel costs	Limit/price	Number	Total real costs EUR
Maximum <u>daily allowance</u> , which is not subject to tax	RUR 2500 ~ EUR 62,5	2 days*	125.00
Plane ticket SPB-Riga-SPB	RUR 10000 ~ EUR 250	1	250.00
Taxi in Riga: 1. airport – bus station; 2. bus station – airport	EUR 10	2 trips	20.00
Return bus ticket from Riga to Valmiera	EUR 10	1	10.00
Local travel from Valmiera's bus station to hotel	EUR 1	2 trips	2.00
Local travel from hotel to the place of meeting	NA	–	0.00
Foreign passport**	RUR 2500 Roubles ~ EUR 62,5	1	62.50
Visa	EUR 35	1	35.00
Insurance	RUR 27 per day ~ EUR 0,675 per day	2	1.35
Hotel (actual price)	EUR 30	1 night	30.00

<b>Total</b>	<b>535.85</b>
<p>* For calculation of number of days to be covered by daily allowance, please, consider national legislation. It sets forth the regulations on how the business trip days are calculated: while heading outside the Russian Federation the date of border crossing is included in the days stayed abroad with the respective compensation, on the way back to the Russian Federation the date of border crossing is included in the days to be covered according to domestic travel rules.</p> <p>** Only if it is required for project participant's business trip within the project implementation and this expenditure is set forth in the project budget</p>	

### 3.3. Budget Heading „Equipment and supplies“

Equipment means a tool or device which is purchased by the Beneficiary or the Project Partner and used in order to carry out project activities (e.g. photo camera, laptops, working place (table with chairs) etc).

Supply contracts cover purchase, leasing, rental or hire purchase of products regardless of option to buy. A contract for the supply of products and, incidentally, for sitting and installation shall be considered as supply contract (spare parts, cartridges and other).

Expenditure for purchase of new equipment is eligible under the following conditions:

- equipment should be specifically used for the implementation of the project;
- expenditure related to purchasing and installation of new equipment:
  - special equipment, software and application necessary for the implementation of the project (e.g. laboratory and special measurement equipment);
  - office equipment (e.g. computers, laptops, office furniture, etc.) related to the management of the project can be eligible in duly justified cases and only if clearly indicated in the Budget annexed to the Grant Contract.

Second hand equipment is eligible under three conditions:

- the provider of the second hand equipment shall provide a declaration stating its origin and confirm that at no point during previous seven years it has been purchased with the aid of national or Community grants;
- the price of the equipment shall not exceed its market value and shall be less than the cost of similar new equipment;
- the equipment shall have the technical characteristics necessary for operation and comply with applicable norms and standards.

<b>Eligible costs</b>	<b>Ineligible costs</b>
<ul style="list-style-type: none"> <li>▪ The purchase cost of equipment and supplies.</li> </ul>	<ul style="list-style-type: none"> <li>▪ VAT, unless the Beneficiary and/or the project partner(s) cannot reclaim it. Please note that VAT that is recoverable by whatever means cannot be considered eligible, even if it is not actually recovered by the Beneficiary or the project partner(s) (i.e. Beneficiary or partner, who can officially recover VAT, but decided not to do that)</li> </ul>

### 3.4. Budget Heading „Direct local office costs“

Costs are eligible only if a separate office is opened for the needs of the implementation of project activities; and costs are directly allocated for premises and vehicles rented, leased or used directly for the project and justified by receipted invoices. These costs have to be invoiced directly to the project by mentioning the project Index ELRI-XXX on the invoice.

Eligible costs	Ineligible costs
<ul style="list-style-type: none"> <li>▪ Office rent;</li> <li>▪ Internet and fax/phone calls and other running costs (electricity, heating, water, etc. for separate office, separate bills/invoices);</li> <li>▪ Vehicle costs (if applicable);</li> <li>▪ Office supplies (consumables) that are directly related to implementation of the project;</li> <li>▪ Other services (cleaning, security etc).</li> </ul>	<ul style="list-style-type: none"> <li>▪ The costs <u>cannot be</u> used for covering costs related to main/usual offices of the Beneficiary (and partners).</li> </ul>

### 3.5. Budget Heading "Other costs and external services"

All contracts for external services must be backed up by the necessary documentation required by the public procurement rules and shall comply with Annex IV of the Grant Contract "General Conditions Applicable to European Community Financed Grant Contracts for External Actions". All documents must be retrievable (e.g. tender documentation, documentation on delivery of outputs); the information and publicity rules are to be met.

The Beneficiary and the project partner(s) are not allowed to sub-contract each other or employees of their organisations in order to carry out project activities.

#### Please note

**Administration costs and travel costs of the external experts must be included into their service contracts and budgeted under this Budget heading.**

Eligible costs	Ineligible costs
<p><u>If procurement procedures are met:</u>  <b>External expertise:</b></p> <ul style="list-style-type: none"> <li>▪ professional expertise (e.g. feasibility studies, impact and land studies, planning documentation, researches), etc.;</li> <li>▪ experts for management of the project;</li> <li>▪ costs for expenditure verification.</li> </ul> <p><b>Organization of meetings and events and publicity activities:</b></p> <ul style="list-style-type: none"> <li>▪ expenses for organization of conferences, seminars, meetings, workshops, events, etc.:               <ul style="list-style-type: none"> <li>○ renting of premises and equipment for events;</li> <li>○ interpretation at events;</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Separate payments to the external experts/consultants for per diems/travel costs. These costs must be included in the agreement/contract;</li> <li>▪ Costs for publicity activities, where information and visibility requirements are not taken into account.</li> <li>▪ VAT, unless the Beneficiary and/or the project partner(s) cannot reclaim it. Please note that VAT that is recoverable by whatever means cannot be considered eligible, even if it is not actually recovered by the</li> </ul>

<ul style="list-style-type: none"> <li>○ coffee breaks/ lunch;</li> <li>○ printing of materials directly related to events, etc.</li> <li>○ coffee break, lunch during event;</li> <li>▪ translation of materials;</li> <li>▪ information and publicity costs: <ul style="list-style-type: none"> <li>○ costs of brochures and leaflets;</li> <li>○ press releases, inserts in newspapers;</li> <li>○ newsletters;</li> <li>○ the design and maintenance of web page for the project;</li> <li>○ other publication costs related to the project but not linked to specific events or seminars, etc.</li> </ul> </li> </ul> <p><b>Financial services:</b></p> <ul style="list-style-type: none"> <li>▪ charges for national and transnational financial transactions;</li> <li>▪ bank charges for opening and administering the account/s;</li> <li>▪ the cost of guarantees provided by a bank or other financial institution to the extent to which the guarantees are required by national or Community legislation.</li> </ul> <p><b>Other services</b> concerning costs not linked to specific budget lines, but necessary for the implementation of the project, such as costs deriving directly from the requirements of the Grant Contract (e.g. audit, evaluation, etc.).</p>	<p>Beneficiary or the project partner(s) ((i.e. Beneficiary or partner, who can officially recover VAT, but decided not to do that)).</p>
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### 3.6. **Budget Heading „Infrastructure“**

All costs of works and services related to construction, renovation, installation of infrastructure and their supervision, necessary for the project implementation. All services and works sub-contracted to an external service provider have to strictly follow procurement procedures described in the Contract Special Conditions art. 7.3.1 and in Annex IV.

In case infrastructure investments (actual construction and reconstruction works) are planned in the project, the relevant project partner has to be owner of the land and/or have building rights on the land.

<b>Eligible costs</b>	<b>Ineligible costs</b>
<ul style="list-style-type: none"> <li>▪ Works and services related to construction;</li> <li>▪ Costs related to renovation works;</li> <li>▪ Costs for installation services;</li> <li>▪ Supervision of infrastructure works and services;</li> <li>▪ Preparation of the technical documentation.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Costs, not foreseen in the Project budget and in the Technical documentation;</li> <li>▪ VAT, unless the Beneficiary and/or the project partner(s) cannot reclaim it. Please note that VAT that is recoverable by whatever means cannot be considered eligible, even if it is not actually recovered by the Beneficiary or the project partner(s)</li> </ul>



	(i.e. Beneficiary or partner, who can officially recover VAT, but decided not to do that).
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### 3.7. Budget Heading „In –kind” costs

In-kind costs are eligible only if it is an unpaid voluntary work and usage of the Beneficiary’s and/or the project partner’s own premises for implementation of the project activities. The coverage of costs related to main office running of Beneficiary and/or project partners calculated as in-kind is ineligible.

### 3.8. Budget Heading „Administrative costs”

Indirect administrative costs are related to office running for the purposes of the project. They are calculated on percentage or pro rata basis according to justified and clear method, which has to be presented before signing the contract with JMA.

A percentage (max 7 %) of the final approved total direct eligible (i.e. project budget) costs may be claimed as indirect costs to cover the administrative overheads incurred by the Beneficiary.

Indirect costs are eligible if they do not include costs assigned to another heading of the budget (for example, under the Budget heading “Direct local office costs”). If partners used their own premises for project implementation, they put those office rent, supplies, communication costs, vehicle costs and other costs in this Budget Heading. Accounting documents should have an equivalent probative value.

The costs are eligible if:

- They do not exceed the rate stated in the budget;
- They do not include costs assigned to another heading of the budget.

## 4. PROJECT DOCUMENTATION

The project must keep supporting documents for all expenditure (receipts, invoices etc.). Originals of these documents must be kept in the project's accountancy files for **at least seven years** after receiving of the balance payment.

The format of the supporting evidences depends on the type and nature of expenditure and underlying actions or transactions. The table below summarizes the main supporting documents that the Beneficiaries/project partners should retain and provide in case of expenditure verification.

The amount for each budget item must be expressed in Euros and clearly identified.

<b>Expenditure</b>	<b>Documents</b>
<b>All expenditure</b>	<ol style="list-style-type: none"> <li>1. Proof of <b>purchase</b> such as invoices and receipts.</li> <li>2. Proof of <b>payment</b> such as bank statements, debit notices, proof of settlement by the contractor.</li> <li>3. Proof of <b>delivery of services</b> such as approved reports, proof of attending seminars, conferences and training courses (including relevant documentation and material obtained, list of attendees, certificates), etc.</li> <li>4. The Beneficiary and project partner separate <b>Accounting records</b> (computerised or manual) such as general ledger, sub ledgers and payroll accounts, fixed assets registers and other relevant accounting information.</li> </ol>

<b>Expenditure</b>	<b>Documents</b>
<i>Additional – specific to particular budget headings</i>	
<b>1.Human Resources</b>	<ol style="list-style-type: none"> <li>1. Labour (employment) contracts ( in case of public servants and/or members of management/controlling bodies current contracts, orders, appointment acts etc) and other documents (instructions, orders etc.) mandatory for particular employment relationships, which legally defines and clearly identifies the employment relationship between the staff of the project and the partner’s organization;</li> <li>2. A clear assignment including information on the extent of involvement with the project, job description;</li> <li>3. documents that justify the calculation of the monthly rates of the staff of the project, with identifiable Net salary, social security costs and other compulsory taxes related to the staff costs;</li> <li>4. Timesheets which prove the overall working time and the time spent on carrying out activities for the project (name of the employee, date, time and detailed description of the activity); the timesheet must be signed by the project’s assigned employee and by the employer;</li> <li>5. Documents that justify payment of holiday pay – order on granting of leave, and calculation of holiday pay;</li> <li>6. Documents that justify payment of sickness leave - calculation of sick-pay;</li> <li>7. Documents that terminate employment relationship – order on terminating employment relationship with employee and calculation of sum that is due to the redundancy of employee (for instance compensation of unused annual holiday etc.).</li> </ol>
<b>2.Travel costs</b>	<ol style="list-style-type: none"> <li>1. Orders issued by the institution regarding business trip of particular employee;</li> <li>2. Agendas or programmes of events;</li> <li>3. Invitations to the events, if applicable;</li> <li>4. Business trip report of the employee;</li> <li>5. Invoices related to the business trip (invoice from hotel etc.);</li> <li>6. Supporting documents (tickets, boarding passes, receipts etc.);</li> <li>7. Copy of passport page with visa and originals of payment documents for visa processing;</li> <li>8. Originals of insurance documents;</li> <li>9. In case of using company car or private car, partner organisation internal order on use of the respective car for Project</li> <li>10. In case of renting the car – renting agreement and supporting documents (invoices, receipts etc.)</li> <li>11. Reports on mileage/petrol and documents that set out the average consumption (if applicable);</li> <li>12. Payment documents (payment orders, bank print-outs, receipts etc).</li> </ol>
<b>3.Equipment and supplies</b>	<ol style="list-style-type: none"> <li>1. Public procurement documents or sufficient audit trail in case no procurement procedure was organized;</li> <li>2. For equipment, supplies and vehicles with the cost over EUR 5 000 per unit – the certificate of origin; with costs below EUR 5000 per unit – tenderer can submit its own declaration;</li> <li>3. Value assessment for second hand equipment;</li> <li>4. Documents approving services supplied - supplies (delivery) agreement;</li> <li>5. Invoices from suppliers;</li> </ol>

<b>Expenditure</b>	<b>Documents</b>
	<ul style="list-style-type: none"> <li>6. Payment documents (payment orders, bank statements, etc);</li> <li>7. Delivery acceptance acts.</li> </ul>
<b>4.Direct local office costs</b>	<ul style="list-style-type: none"> <li>1. Orders on expenditure limits spent by project staff for telecommunication;</li> <li>2. Invoices from suppliers of goods, services;</li> <li>3. Payment documents (payment orders, bank statements, receipts etc);</li> <li>4. Delivery acceptance acts;</li> <li>5. A copy of the office rental contract/agreement;</li> <li>6. Public procurement documents or sufficient audit trail in case no procurement procedure has been organized;</li> <li>7. Reports on car petrol/mileage and documents that set out the average consumption (orders, lending or lease agreements, etc).</li> </ul>
<b>5.Other costs and external services</b>	<ul style="list-style-type: none"> <li>1. Public procurement documents or sufficient audit trail in case no procurement procedure was organized;</li> <li>2. Service (works) agreement;</li> <li>3. Documents approving services supplied, works done, for example, developed documents (researches, translations, etc.), reports etc.;</li> <li>4. Payment documents (payment orders, bank statements, etc);</li> <li>5. Delivery acceptance acts;</li> <li>6. Invoices from suppliers;</li> <li>7. Copies of publications;</li> <li>8. For seminars, conferences, working meetings- agenda, list of presentations (participant list with signatures) shall be provided in each case of "catering expenses", conference reports, handouts, list of participants, list of speakers, Minutes (if applicable), press clippings, feed-back questionnaires (if applicable);</li> <li>9. For external experts- activity reports, service acceptance acts.</li> </ul>
<b>6.Infra-structure</b>	<ul style="list-style-type: none"> <li>1. Public procurement documents or sufficient audit trail in case no procurement procedure was organized;</li> <li>2. Environmental impact assessment, if required by national legislation;</li> <li>3. Service/works agreement;</li> <li>4. Documents approving services provided, works done, delivery acceptance acts;</li> <li>5. Payment documents (payment orders, bank statements, etc);</li> <li>6. Invoices from suppliers;</li> <li>7. Documentation that proves ownership rights of the land and/or long term rental agreement of land, if it is required by national legislation;</li> <li>8. Certificate of origin, if applicable;</li> <li>9. Documentation that proves building rights on the land in case of building.</li> </ul>
<b>In-kind contribution</b>	<ul style="list-style-type: none"> <li>1. In case of unpaid voluntary staff: (i) Written agreement; (ii) Timesheets indicating the hours worked for the Project and description of performance; (iii) Calculation method of in-kind contribution.</li> <li>2. In case of own premises are used (can be calculated only in case of use of own premises for implementation of the project activities not daily office running): (i) Copy of the rental agreement or ownership justification; (ii) Renting price list, if applicable; (iii) Calculation method of in-kind contribution (for example, organisation order).</li> </ul>

## 5. PROJECT ACCOUNTANCY AND EXCHANGE RATES

### 5.1. Accounting requirements

To ensure traceability for interested third parties, the Beneficiary and project partners should keep accurate and regular accounts of the project implementation using an appropriate accounting system and double-entry book-keeping system. This system should be run in **accordance with the accounting and bookkeeping policies and rules that apply in respective countries.**

Accounts and expenditure relating to the project must be easily identified and verified. This can be done by using separate accounting system for the action concerned or by ensuring that expenditure for the action concerned can be easily identified and tracked within the Beneficiary's and project partner's accounting and bookkeeping systems. Accounts must provide details of interest accruing on the pre-financing payments.

The Financial Report should be properly and easily reconciled to the Beneficiaries accounting and bookkeeping system and to the underlying accounting and other relevant records. For this purpose, appropriate reconciliations, supporting schedules, analyses and breakdowns for inspection and verification should be prepared and kept.

### 5.2. Exchange Rates

Where actual expenditure is incurred and paid in national currency (or any other currency other than Euro) the conversion into Euro of the real costs borne in other currencies shall be done at the rate made up by the average of the rates published in InforEuro for the reporting period. These rates referred to on the InforEuro rates can be found on the following web address: <http://ec.europa.eu/budget/inforeuro/>.

**Please note that it is the reporting period in which the Beneficiary/project partner have actually incurred costs that determines the exchange rate to be used; and not the reporting period in which the supplier/contractor issued its invoice.**

For converting non-Euro amounts into Euro always use the exchange rate with four decimals. The resulting Euro amount is to be included into the financial report with two decimals. The use of two decimals also applies for all expenditures incurred directly in Euro, i.e. no rounding is allowed.

**Important Recommendation:** Expenditures are recommended to be made in Euro to the possible extent. This minimises the risks incurred by currency fluctuations and eases financial reporting (if it is allowed by the national legislation).

<i>Example - reporting period 1st April-30th September (included)</i>					
Expenditure incurred during April 2010	Sum in local currency	Euro rate (average 1st April-30th September 2010)	Calculation result, EUR	Sum reflected in the report	

Monthly salary paid	7555,00 LVL	0,7087	10660,3640	10660,36 EUR
Administrative costs (office maintenance)	6530,00 EEK	15,6466	417,3431	417,34 EUR
External expertise	80000,00 RUB	38,8219	2060,6925	2060,69

## 6. METHODOLOGY OF CALCULATION OF THE COSTS

### 6.1. Calculation of the staff costs.

The following **three elements** must be met in order to calculate the total staff costs that can be charged to the project:

- **Working time** charges must be recorded ("timesheets") throughout the project lifetime. Daily records of all project hours worked must be kept for each person working for the project. The records should be certified at least once a month by the person in charge of the work (supervisor). Approximate number of hours worked is not acceptable – the exact number of working hours must be shown.
- **Personnel costs** charges should be taken from the payroll account and should present total gross remuneration plus the employer's portion of social charges (e.g. holiday pay, pension contributions, health insurance and social security payments). Remuneration costs must be calculated individually for each employee.
- **Productive time** is the total hours worked, excluding holidays, sick leave, or other allowances like personal leave, training. Productive hours include all working activities of the personnel of the beneficiary/partners related to the project.

In order to obtain an hourly rate for a given period, the salary costs related to that period must be divided by the productive time calculated for that period. Total productive hours can be obtained either on the basis of actual hours recorded in time sheets or on the basis of standard hours. In the latter case they should represent the total workable hours based on the contract of employment less a provision for allowances such as holidays, training and sick leave (these must correspond to the actual situation of the staff).

An example on how to calculate the total productive hours per year on the basis of standard hours would be as follows:

Days/per year	365 days
Minus 52 weekends (Saturdays and Sundays)	-104 days
Subtotal	261 days
Minus annual vacation	-28 days
Minus statutory holidays	-15 days
Sick leave	-5 days
Trainings organized by Organisation (annual trainings)	-4 days
<b>Total - Productive days</b>	<b>209 days</b>
Productive hours/per year (209 days x 8 hrs/day)	1672 hrs
Productive hours/per month (1672 hours/12 months)	139 hrs

Please note that the time charged by the staff should not exceed the actual productive time. Staff cannot report more than the actual personnel costs.

Project staff can work for the project also on part-time basis. Part-time in this context means employees who spend only part of their working time on the project and have been assigned also some other tasks not related to the project. Someone working only half-days for the Beneficiary's and/or Project Partner(s)' organization(s), but all this time is allocated to the project, is not considered as a part-time employee in this context as he/she is 100% working for the project (although only half-days). Such salary costs must comply with the actual work time allocated to the project. The calculation must be based on "per-hour" rate resulting from the actual salary of the employee divided by the total number of hours worked. The time spent for the project has to be registered as project work in the time recording system of the partner institution. This "per-hour" rate is then multiplied to number of hours actually spent for project activities.

<i>Example Calculation of part-time staff costs</i>	
Personnel costs per month	600 EUR
Hours worked not related with the project (basic work contract outside the project)	100 hours
Hours worked for the project	60 hours
Hours worked in total	160 hours
Hourly rate (600EUR/160 hrs.)	3,75 EUR per hour
Project related personnel costs (60 hours x 3.75 EUR) (that is included in the report)	225 EUR

The same calculation method is to be used for calculating "holiday pay" and "sickness allowance".

NB! Beneficiaries and Project Partners from Latvia upon calculating "holiday pay" and "sickness allowance" have to take into consideration provisions set by Regulations Cabinet of Ministers.

The financial report is to be submitted together with the interim/final report on the action. It should represent actual costs incurred and therefore use the actual rates calculated on the basis of the real staff costs paid. These actual costs need to be proved by the evidence which might be requested by the JTS, auditors etc.

**6.2. Calculation of the „per diem” amount for Beneficiaries and the project partner(s) which are small and medium enterprises or NGOs from Russian Federation.**

In the framework of EU-funded external aid contracts and in case of missions requiring an overnight stay away from the base of operations, the applicable per diem rates must not exceed the scales detailed in the [http://ec.europa.eu/europeaid/work/procedures/implementation/per\\_diems/index\\_en.htm](http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm). Per diems cover accommodation (hotel costs), meals, local travel within the place of mission and sundry expenses.

Determine the per diem rate for your employee.

For instance, the current per diem rate for business expenses for Russian partners is 180 EUR per night.
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Identify the number of days the employee is travelling for business. Make sure to count only those days on which the employee is working for employer. Let's say he/she spends five days away on business travel for the employer (with overnight stay for four nights).

Calculate per diem business expenses: Multiply the per diem amount by the number of nights for which you incur business expenses. For a per diem rate of 180 EUR on a business trip lasting five days (with overnight stay for four nights), you have **4 x 180 EUR = 720 EUR**.

**Please note - Where accommodation, meal and/or local travel within the place of mission is paid by beneficiary or one of the Project partners, the subsistence allowance of the participants is to be reduced accordingly when claiming the per diems (to avoid double funding) and must not exceed the rates published by the European Commission at the time of signing Grant contract.**

Per diems/daily allowance are allowed only for staff assigned to the project as envisaged in the project budget and seminar/conference participants and with specific rules to associated partners and are calculated on overnight basis

Per diems are subject to change by the European Commission:

- in case EU reduces per diem rate for respective country, scales published by the European Commission at the time of signing this contract' apply as a rate for Beneficiary.
- in case EU increases per diem rates, scales published by the European Commission at the time of signing this contract' apply as a maximum rate for Beneficiary.

### 6.3. Calculation of the in-kind costs

#### **Unpaid voluntary work:**

Persons who work on a voluntary basis can participate in the project. Respective costs must comply with the actual work time allocated to the project. The calculation must be based on the rate resulting from the minimum monthly or hourly official national net salary level. The time worked for the project has to be registered in the timesheets. Then, the "per- hour" rate is multiplied by the number of hours actually spent for project activities.

<i>Example Calculation of in-kind costs for voluntary work</i>	
Minimum monthly official national net salary level	250 EUR
Hours worked for the project	60 hours
"Per-hour rate" (250 EUR/ 60 hours)	1.50 EUR per hour
Project related personnel costs (60 hours x 1.50 EUR) – included in the report	90 EUR

#### **Use of own premises for the implementation of the project activities:**

For example, you have planned to use the conference hall for organising the seminar during the Project implementation, which is located in the building of your organisation. You have internal order (or other document) by your organization, which states that renting costs for this hall is 300 EUR per hour.

Your seminar duration is planned for 6 hours. Calculate expenses - multiply the hour rate for renting of the premises by the number of hours which you plan for the seminar. The cost, which you can include in the report is **6 x 300 EUR = 1800 EUR**

## 7. PROJECT REPORTING

### 7.1. *Why reporting and to whom to submit the reports?*

Each project receiving a grant under the Programme is required to produce the project interim reports and the final report at the end of the project. **All partners must give their input to project reporting.** The reports inform the Contracting Authority on the progress of the projects and help to monitor them during implementation phase. For the contracting parties the reports are designed as an active communication tool, which the project Beneficiaries and project partners should use to report on achieved results and highlight changes and possible problems that may have arisen during project implementation.

Please, note that reports are not only the means of providing the Contracting Authority with information on the implementation of the Project; interim reports are also the grounds to receive further instalments of pre-financing and balance payments.

Reports shall be drafted in English and shall be submitted in paper version to the postal address: **Joint Technical Secretariat Estonia – Latvia – Russia Cross Border Cooperation Programme 2007-2013 within European Neighbourhood and Partnership Instrument, Ausekļa street 14-3, Riga, LV-1010, Latvia**; and in electronic version to the email address of your Project manager at the JTS: [name.surname@estlatrus.eu](mailto:name.surname@estlatrus.eu).

### 7.2. *Practical arrangements and tips for effective reporting*

To ensure effective reporting, it is important to collect the necessary information to be included into the Reports throughout the project implementation. It is important to keep in mind that though the **Beneficiaries are responsible for submission of the reports**, they have to include information from all project partners and cover the entire project implementation. This is why timely communication and effective internal reporting system is of utmost importance in order to ensure timely submission of the reports and respectively receipt of payments to the project.

One month before the end of the Reporting period (or end of the project), the Project Manager at the JTS will forward to the Beneficiary the pre-filled template of the current report generated by the database. This report is to be filled in and returned together with the Annexes to the JTS within the deadlines set forth in the Annexes below.

### 7.3. *What is to be reported?*

After the projects have been approved, the implementation of activities must be carried out in accordance with the conditions of the Grant Contract. The Beneficiary must draw up Interim Reports and a Final Report as a contractual obligation. These reports are declarations of the Beneficiaries to the Contracting Authority on the progress in their projects and fulfilment of contractual obligations.

There are three types of reports possible during the implementation of the project, and information requested therein is as follows:



- (1) **Interim Report without the Expenditure Verification Report** consists of a narrative report and financial report. Each Interim Report must provide a full account of all aspects of project implementation for the reporting period and contain detailed description of the conditions, in which the project was carried out, information on the steps taken to ensure the visibility of EU funding, information allowing to evaluate the project's impact, a statement of all the eligible costs of the project.
- (2) **Interim Report with the Expenditure Verification Report** consists of a narrative report, financial report and an Expenditure Verification Report. Each Interim Report must provide a full account of all aspects of the project's implementation for the period covered and shall contain a detailed description of the conditions in which the project was carried out, information on the steps taken to ensure the visibility of EU funding, information with which to evaluate the project's impact, a statement of all the eligible costs of the project.
- (3) The **Final Report** consists of a narrative report and a financial report and an Expenditure Verification Report for the project. The Final Report shall contain detailed description of the conditions in which the project was carried out, information on the steps taken to ensure the visibility of EU funding, information allowing to evaluate the project impact, the proof of the transfers of ownership and a final statement of all the eligible costs of the project, plus full summary statement of the project income and expenditure and payments received.

**Please note:**

**The EU finances precise percentage of the total eligible costs rather than a particular part of the project. If at the end of the project, the actual eligible cost is lower than expected, the funding will be reduced proportionately.**

The Contracting Authority/JTS may request additional information at any time; in this case the information must be provided within 30 days after request.

**7.4. When to submit the reports?**

The reporting scheme applied to particular Project is stipulated in the Special Conditions of the Grant Contract, namely in the Article 7.3.4.

There are two possible schemes of reporting within the Programme depending on the size and duration of the Project and the payment scheme stipulated in the Article 4.2 of the Special Conditions:

- (1) If payments are made in accordance with Option 1 (for projects with the implementation period not exceeding 18 months and grant not exceeding EUR 300,000):
- **an Interim Report without the Expenditure Verification Report** must accompany every Request for Payment.
  - **the Final Report** accompanied by the **Expenditure Verification Report** shall be forwarded no later than three months after the implementation period as defined in Article 2 of the Special Conditions, and these documents are prerequisite for request of the balance payment.

Size of Grant and duration	During project implementation	Final Report
EUR 10,000 – 300,000 and Max 18 months	<b>Interim Report without the Expenditure Verification Report</b> to be submitted with the <b>Request for Payment.</b>	<b>Final Report</b> accompanied by the <b>Expenditure Verification Report</b>

(2) If payments are made in accordance with Option 2 (for projects with an implementation period exceeding 18 months or grant exceeding EUR 300,000):

- **an Interim Report** must be submitted no later than one month after each six month period, it can be either Interim Report with the Expenditure Verification Report (if it is submitted together with the Request for Payment) or Interim Report without the Expenditure Verification Report (if no Request for Payment is submitted);
- **the Final Report** accompanied by the **Expenditure Verification Report** shall be forwarded no later than three months after the implementation period as defined in Article 2 of the Special Conditions, and these documents are prerequisite for request of the balance payment.

Size of Grant and duration	During project implementation	Final Report
Over EUR 300,000 – 2,000,000 or duration over 18 months; max 36 months	<b>Interim Report</b> with <b>Expenditure Verification Report</b> and <b>Payment Request</b>	<b>Final Report</b> accompanied by the <b>Expenditure Verification Report</b>
	<b>Interim Report</b> without <b>Expenditure Verification Report</b> every 6 months	

## 8. PAYMENTS TO THE PROJECT

### 8.1. Possible payments from the Programme

**Advance payment** – initial pre-financing instalment that can be requested after the Grant Contract is signed by both parties (Contracting Authority- JMA and the Beneficiary). The date of the request for payment must fall under period of the contract (i.e. on or after the date of signature). Initial pre-financing instalment will be made within 45 days after signing of the Grant Contract.

Request for an initial pre-financing instalment should be prepared in accordance with the template provided in the Grant Contract. The invoice must bear the stamp of the Beneficiary's organisation (if applicable) and be signed by the head of the beneficiary organisation or by the authorised person.

**Interim Payment** – the request for further pre-financing instalment may only be submitted if the part of the expenditures financed by Joint Managing Authority (see Article 3.2. of Special Conditions) that have been actually incurred stand at least at 70% of the previous payment (and at 100% of any previous payments). Please

note further pre-financing instalments can only be made during the implementation period of a project and within 45 days after approval of the interim report.

**Balance Payment** - the request for balance payment is submitted after the end of the project together with the final narrative and financial reports (see Section 7 of Practical Guidelines) and the Expenditure Verification Report. It covers the balance between total Programme contribution to the project and the advance/interim payment(s) that have been already received. Please note that the contribution of the Programme is calculated in accordance with Article 17.2 of General Conditions and Article 3.2 of the Special Conditions, i.e. it is based on real accepted costs of the project. The amount of balance payment will therefore depend on the real cost of the project after verification of final financial report and will be made in 45 days after approval of the final report.

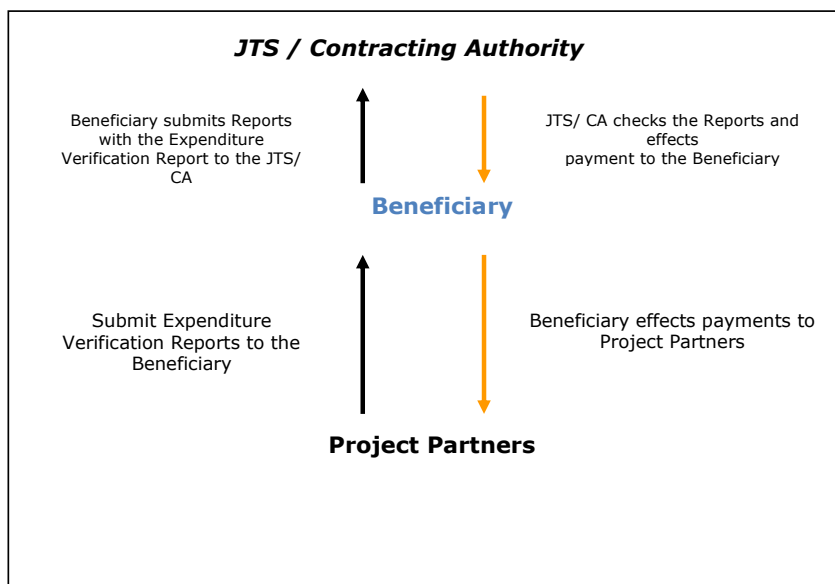
**Please note:**

**Only originals of requests for payments, reports and Expenditure Verification reports shall be accepted**

**8.2. An example of the financial management model**

An example of the financial management model for the project is illustrated below and in the Annex 2 of Practical Guidelines. Please, note that this model is a general example, and each project may establish its own model that would best suit the objectives of the project and its partnership and prove to be the most efficient and effective.

*Example of Financial Management Model*



Explanation of the model:

- Partners, including the *Beneficiary*, implement their part of activities of the project, cover related costs and retain the accounting documents constituting the audit trail (contracts, invoices, time sheets, calculation and

payment evidence, etc.), as well as output documents showing the implementation of the project's activities (minutes of meetings, studies, manuals, policy documents, training materials, etc.)

- Partners report to the *Beneficiary*, who prepares the joint Report. When reporting, the *Beneficiary* and other project partners have to ensure that an independent auditor's verification is performed on their part of the reported activities and expenditure. The *Beneficiary's* auditor performs the checks on the *Beneficiary's* activities and expenditure, and also verifies that the information provided by the partners is accompanied with the auditor's statements and that it has been accurately reflected in the Report. For the audit trail, the *Beneficiary* retains the input to the Report received from the partners.
- The *Beneficiary* submits the project Report to the JTS.
- The JTS and the Contracting Authority check the report within 30 days. They may request clarification, alteration or additional information, which must be produced within 30 days of the request. The countdown for submission of clarifications starts again on the date when requirement from the JTS/Contracting authority is received.
- Any report shall be considered approved if there is no written reply from the JTS/Contracting Authority within 45 days of its receipt accompanied by the required documents, but JTS will inform Beneficiary on status of project report. Approval of the reports shall not imply recognition of their regularity nor of the authenticity, completeness and correctness of the declarations and information do they contain. The Contracting Authority executes payment to the Beneficiary in 45 days after reports have been approved by the JTS.
- The *Beneficiary* transfers the funds to the Project Partners.

### 8.3. Payment schemes

There are two schemes of payments possible within the Programme depending on the size of the Project, its duration and the payment scheme stipulated in the Article 4.2 of the Special Conditions:

- (1) If payments are made in accordance with Option 1 (for projects with the implementation period below 18 months and Grant amount not exceeding EUR 300,000), the following scheme should be considered:

Size of Grant and duration	Initial pre-financing instalment payment	Further pre-financing instalment during the project implementation	Balance payment
EUR 10,000 – 300,000 and duration up to 18 months	Max 40% of the Grant (in 45 days after signing of the Grant Contract and submission of the Request for Payment)	One payment of max 40% of the Grant (in 45 days after approval of the previous report by the JTS and submission of the Request for Payment that can be submitted at once when expenditures actually	<b>Balance payment</b> In 45 days after approval of the <b>Final Report</b> accompanied by the <b>Expenditure Verification Report</b> and

		incurred stands at least 70% of the previous payment and 100% in any other payments)	submission of the Request for payment
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### Scenario 1: with further pre-financing instalment

Project duration-12 months, project partners are Public and non-governmental organizations:	
Total cost of the project according to the Special Conditions	120 000 EUR
Programme contribution according to the Special Conditions: 90% of the total cost	108 000 EUR
Initial pre-financing instalment (maximum 40% of the total Grant)	43 200 EUR
Accepted costs made during the 1 Reporting period (Request for Payment can be submitted at once when expenditures actually incurred stands at least 70% of the previous payment and 100% in any other payments)	60 000 EUR
Grant amount for the 1 <sup>st</sup> report	54 000 EUR
Further pre-financing instalment (can be maximum 40% of the total Grant)	43 200 EUR
Accepted costs made during the 2 Reporting Period (Final Report)	60 000 EUR
Grant amount for the 2 <sup>nd</sup> report	54 000 EUR
Total Programme contribution in the Project (54 000+54 000)	108 000 EUR
<b>Balance Payment (108 000 - 43 200 - 43 200)</b>	<b>21 600 EUR</b>

### Scenario 2: without further pre-financing instalment

Project duration-12 months, project partners are Public and non-governmental organizations:	
Total cost of the project according to the Special Conditions	120 000 EUR
Programme contribution according to the Special Conditions: 90% of total cost	108 000 EUR
Initial pre-financing instalment (maximum 40% of the total Grant)	43 200 EUR
Accepted costs by all periods	120 000 EUR
<b>Balance payment(108 000 - 43 200)</b>	<b>64 800 EUR</b>

- (2) If payments are made in accordance with Option 2 (for projects with an implementation period exceeding 18 months or grant amount over EUR 300,000), the following scheme is to be considered:

Size of grant and duration	Initial pre-financing instalment payment	Further pre-financing instalments during the project implementation	Balance payment
Over EUR <b>300,000 – 2,000,000</b> Duration <b>over 18 months</b> ; max 36 months	Max <b>40%</b> of the 1st year's Grant (in 45 days after signing of the Grant Contract and submission of the	1 to 3 further pre-financing instalments, total sum of initial/further pre-financing instalments cannot exceed <b>80%</b> of the Grant on the basis of the <b>Interim Report</b> with the <b>Expenditure</b>	<b>Balance payment</b> In 45 days after approval of the <b>Final Report</b> accompanied by the <b>Expenditure Verification Report and the Request for</b>

	<b>Request for Payment)</b>	<b>Verification Report and the Request for Payment</b> (in 45 days after approval of the previous report by the JTS that can be submitted at once when expenditures actually incurred stands at least 70% of the previous payment and 100% in any other payments)	<b>Payment.</b>
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### Scenario 1: consumption of the first pre-financing 100%

<u>Project duration-36 months, project partners are Public and non-governmental organizations:</u>	
Total cost of the project according to the Special Conditions	120 000 EUR
Programme contribution according to the Special Conditions: 90% of the total cost	108 000 EUR
Total costs of the project 1 <sup>st</sup> year budget	40 000 EUR
Initial pre-financing instalment (maximum 40% of the 1st year's Grant 36 000 EUR)	14 400 EUR
<i>Amount received with initial and further pre-financing instalment can not exceed 80% of the Grant</i>	86 400 EUR
Accepted costs made during the 1 <sup>st</sup> Reporting period (Request for Payment can be submitted at once when expenditures actually incurred stands at least 70% of the previous payment and 100% in any other payments)	40 000 EUR
Grant amount for the 1 <sup>st</sup> report	36 000 EUR
<i>As previously paid amounts (initial and further pre-financing instalments) do not exceed 80% and accepted costs are higher than 70% of the previous payment</i>	
Planned costs for the next period	50 000 EUR
Requested amount (grant amount)	45 000 EUR
Further pre-financing instalment	45 000 EUR
Accepted costs made during the 2 <sup>nd</sup> Reporting Period (Request for Payment can be submitted at once when expenditures actually incurred stands at least 70% of the previous payment and 100% in any other payments)	50 000 EUR
Grant amount for the 2 <sup>nd</sup> report	45 000 EUR
<i>As previously paid amounts (initial and further pre-financing instalment) do not exceed 80% and accepted costs are higher than 70% of the previous payment</i>	
Planned costs for the next period	30 000 EUR
Requested amount (grant amount)	27 000 EUR
Further pre-financing instalment	27 000 EUR
Accepted costs made during the 3 <sup>rd</sup> Reporting Period (Final Report)	30 000 EUR
Grant amount for the 3 <sup>rd</sup> report	27 000 EUR
<b>Balance Payment (108 000-14 400-45 000-27 000)</b>	<b>21 600 EUR</b>
Total Programme contribution in the Project (14 400 + 45 000 + 27 000 +21 600)	108 000 EUR

### Scenario 2: consumption of first pre-financing higher than 70%, previously paid amounts not exceed 80%

<u>Project duration-36 months, project partners are Public and non-governmental organizations:</u>	
Total cost of the project according to the Special Conditions	120 000 EUR
Programme contribution according to the Special Conditions: 90% of the total cost	108 000 EUR

Total costs of the project 1 <sup>st</sup> year budget	40 000 EUR
Initial pre-financing instalment (maximum 40% of the 1st year's Grant 36 000 EUR)	14 400 EUR
<i>Amount received with initial and further pre-financing instalment can not exceed 80% of the Grant</i>	86 400 EUR
Accepted costs made during the 1 <sup>st</sup> Reporting period (Request for Payment can be submitted at once when expenditures actually incurred stands at least 70% of the previous payment and 100% in any other payments)	31 000 EUR
Grant amount for the 1 <sup>st</sup> report	27 900 EUR
<i>As previously paid amounts (initial and further pre-financing instalment) do not exceed 80% and accepted costs are higher than 70% of the previous payment</i>	
Planned costs for the next period	43 000 EUR
Requested amount (grant amount)	38 700 EUR
Further pre-financing instalment	38 700 EUR
Accepted costs made during the 2 <sup>nd</sup> Reporting Period (Request for Payment can be submitted at once when expenditures actually incurred stands at least 70% of the previous payment and 100% in any other payments)	34 000 EUR
Grant amount for the 2 <sup>nd</sup> report	30 600 EUR
<i>As previously paid amounts (initial and further pre-financing instalment) do not exceed 80% and accepted costs are higher than 70% of the previous payment</i>	
Planned costs for the next period	37 000 EUR
Requested amount (grant amount)	33 300 EUR
Further pre-financing instalment	33 300 EUR
Accepted costs made during the 3 <sup>rd</sup> Reporting Period (Final Report)	32 000 EUR
Grant amount for the 3 <sup>rd</sup> report	28 800 EUR
<b>Balance Payment (87 300 - 14 400 - 38 700- 33 300)</b>	<b>900 EUR</b>
Total Programme contribution in the Project (14 400 + 38 700 + 33 300 + 900)	87 300 EUR

**Scenario 3: consumption of first pre-financing higher than 70%, previously paid amounts exceed 80%**

<u>Project duration-36 months, project partners are Public and non-governmental organizations:</u>	
Total cost of the project according to the Special Conditions	120 000 EUR
Programme contribution according to the Special Conditions: 90% of the total cost	108 000 EUR
Total costs of the project 1 <sup>st</sup> year budget	30 000 EUR
Initial pre-financing instalment (maximum 40% of the 1st year's Grant 27 000 EUR)	10 800 EUR
<i>Amount received with initial and further pre-financing instalment can not exceed 80% of the Grant</i>	86 400 EUR
Accepted costs made during the 1 <sup>st</sup> Reporting period (Request for Payment can be submitted at once when expenditures actually incurred stands at least 70% of the previous payment and 100% in any other payments)	32 000 EUR
Grant amount for the 1 <sup>st</sup> report	28 800 EUR
<i>As previously paid amounts (initial and further pre-financing instalment) do not exceed 80% and accepted costs are higher than 70% of the previous payment</i>	
Planned costs for the next period	60 000 EUR
Requested amount (grant amount)	54 000 EUR
Further pre-financing instalment	54 000 EUR
Accepted costs made during the 2 <sup>nd</sup> Reporting Period (Request for Payment can be submitted at once when expenditures actually incurred stands at least 70% of the previous payment and 100% in any other payments)	50 000 EUR
Grant amount for the 2 <sup>nd</sup> report	45 000 EUR
<i>As previously paid amounts (initial and further pre-financing instalment) exceed 80%</i>	
Planned costs for the next period	30 000 EUR

Requested amount (grant amount)	27 000 EUR
Further pre-financing instalment (86 400 – 10 800 – 54 000)	21 600 EUR
Accepted costs made during the 3 <sup>rd</sup> Reporting Period (Final Report)	37 000 EUR
Grant amount for the 3 <sup>rd</sup> report	33 300 EUR
<b>Balance Payment (107 100 - 10 800 - 54 000 - 21 600)</b>	<b>20 700 EUR</b>
Total Programme contribution in the Project (10 800+54 000+21 600+20 700)	107 100 EUR

#### Scenario 4: consumption of first pre-financing lower than 70%

<u>Project duration-36 months, project partners are Public and non-governmental organizations:</u>	
Total cost of the project according to the Special Conditions	120 000 EUR
Programme contribution according to the Special Conditions: 90% of the total cost	108 000 EUR
Total costs of the project 1 <sup>st</sup> year budget	40 000 EUR
Initial pre-financing instalment (maximum 40% of the 1st year's Grant 36 000 EUR)	14 400 EUR
<i>Amount received with initial and further pre-financing instalment can not exceed 80% of the Grant</i>	86 400 EUR
Accepted costs made during the 1 <sup>st</sup> Reporting period (Request for Payment can be submitted at once when expenditures actually incurred stands at least 70% of the previous payment and 100% in any other payments)	8 000 EUR
Grant amount for the 1 <sup>st</sup> report	7 200 EUR
<i>As accepted costs are less than 70% of the previous payment</i>	
Under consumption (14 400*70% - 8 000*90%)	2 880 EUR
Planned costs for the next period	45 000 EUR
Requested amount (grant amount)	40 500 EUR
Further pre-financing instalment (40 500 - 2 880)	37 620 EUR
Accepted costs made during the 2 <sup>nd</sup> Reporting Period (Request for Payment can be submitted at once when expenditures actually incurred stands at least 70% of the previous payment and 100% in any other payments)	42 300 EUR
Grant amount for the 2 <sup>nd</sup> report	38 070 EUR
<i>As previously paid amounts (initial and further pre-financing instalment) do not exceed 80% and accepted costs are higher than 70% of the previous payment</i>	
Planned costs for the next period	35 000 EUR
Requested amount (grant amount)	31 500 EUR
Further pre-financing instalment	31 500 EUR
Accepted costs made during the 3 <sup>rd</sup> Reporting Period (Final Report)	25 000 EUR
Grant amount for the 3 <sup>rd</sup> report	22 500 EUR
<b>Balance Payment (67 770-14 400 – 37 620 – 31 500)</b>	<b>-15 750 EUR</b>
<b>The Beneficiary should repay EUR 15 750</b>	
Total Programme contribution in the Project (14 400 + 37 620 + 31 500 – 15 750)	67 770 EUR

#### Scenario 5: consumption of first pre-financing higher than 70%, one SME participate in the project

<u>Project duration-36 months, 4 Project partners. One project partner is SME with budget 30 000 EUR:</u>	
Total cost of the project according to the Special Conditions	120 000 EUR
Programme contribution according to the Special Conditions: (90 000 * 90% + 30 000 * 50%)	96 000 EUR
Total costs of the project 1 <sup>st</sup> year budget	40 000 EUR
Incl. SME costs	10 000 EUR
Initial pre-financing instalment (maximum 40% of the 1st year's Grant	12 800 EUR



32 000 EUR)	
<i>Amount received with initial and further pre-financing instalment can not exceed 80% of the Grant</i>	76 800 EUR
Accepted costs made during the 1 <sup>st</sup> Reporting period (Request for Payment can be submitted at once when expenditures actually incurred stands at least 70% of the previous payment and 100% in any other payments)	40 000 EUR
Incl. SME costs	10 000 EUR
Grant amount for the 1 <sup>st</sup> report (30 000 * 90% + 10 000 * 50%)	32 000 EUR
<i>As previously paid amounts (initial and further pre-financing instalment) do not exceed 80% and accepted costs are higher than 70% of the previous payment</i>	
Planned costs for the next period	35 000 EUR
Incl. SME costs	10 000 EUR
Requested amount (grant amount)	27 500 EUR
Further pre-financing instalment	27 500 EUR
Accepted costs made during the 2 <sup>nd</sup> Reporting Period (Request for Payment can be submitted at once when expenditures actually incurred stands at least 70% of the previous payment and 100% in any other payments)	30 000 EUR
Incl. SME costs	7 500 EUR
Grant amount for the 2 <sup>nd</sup> report (22 500 * 90% + 7 500 * 50%)	24 000 EUR
<i>As previously paid amounts (initial and further pre-financing instalment) do not exceed 80% and accepted costs are higher than 70% of the previous payment</i>	
Planned costs for the next period	45 000 EUR
Incl. SME costs	10 000 EUR
Requested amount (grant amount)	36 500 EUR
Further pre-financing instalment	36 500 EUR
Accepted costs made during the 3 <sup>rd</sup> Reporting Period (Final Report)	40 000 EUR
Incl. SME costs	10 000 EUR
Grant amount for the 3 <sup>rd</sup> report (30 000 * 90% + 10 000 * 50%)	32 000 EUR
<b>Balance Payment (88 000-12 800-27 500-36 500)</b>	<b>11 200 EUR</b>
Total Programme contribution in the Project (12 800 + 27 500+36 500+11 200)	88 000 EUR

## 9. PROCUREMENT (TENDERING)

### 9.1. General information on procurement according to EU procedures

Procurement is the timely acquisition of goods, works and services, which respects the following conditions in accordance with the **art. 1. And 2 of Annex IV to the Grant contract**:

- the objectives of the organisation are concerned;
- fairness, integrity and transparency through competition;
- economy and effectiveness;
- best value for money;
- avoid any conflicts of interest.

Strict rules should be followed in each procurement procedure in order to acquire best price-quality ratio. Therefore the following principles must be taken into account for a good procurement;

**No discrimination** - there should be no discrimination against products, services, suppliers, contractors or service-providers on grounds of nationality, as long as the rules of origin and nationality are respected (details in 9.3 of Practical Guidelines).

However, thorough yet impartial assessment is required for technical grounds and quality or safety factors.

**Fair competition** - there should usually be a competition for the award of contracts, unless there is a strong and objective reason for not holding a competition, or the amounts are below the required thresholds by Annex IV or national legislations (as applicable). All tenderers must be given the same information and the same opportunities to come up with winning bids.

Any firm or expert that have participated in the preparation of a project or in drafting the tender file must be excluded from participating in tenders based on this preparatory work, as this would constitute unfair competition.

**Clear specifications** - tenderers cannot compete effectively unless they know precisely the requirements of the purchaser. Therefore, specifications of requirements ("Technical Specifications" in case of supplies or works tenders, "Terms of Reference" in case of service tenders) should be by reference to recognised technical specifications and, where required, quality assurance standards, with appropriate levels of certification.

**Effective publicity (announcement)** - any tendering process is unlikely to be successful if the best potential tenderers do not get to hear of requirements. This is particularly important for publicly funded procurement where, typically the purchasers are not experts in the field. This is where use of the internet is increasingly important, but it is vital that tenderers know where to go for their information.

It is also necessary to publish details of decisions on contracts awarded. Further, to improve the skills and efficiency of tenderers, those who request it should be debriefed on why they were, or were not, selected to bid, and why they were successful or unsuccessful in winning the contract.

For publications in the national or regional press the EU guidelines on visibility should be followed.

**Adequate timescales** - another vital principle is that bidders are given sufficient time to respond to advertisements expressing an interest in the purchaser's requirement, to respond to invitations to participate in the bidding and to prepare and submit their offers. Under EU PRAG, for example, local open tenders require at least 30 calendar days between the date of publication of the advertisement and the submission deadline for tenders.

**Use of relevant objective criteria** - it is crucial that the criteria used for the elimination of unsuitable candidates, the selection of participants in contract award procedures and the award of contracts on the basis of the offer(s) economically most advantageous to the purchaser are both objective and relevant to the requirement. These requirements are defined in the "Terms of Reference" (in the case of service contracts) or the "Technical Specifications" (for supply or works contracts). Evaluation criteria are included in the tender dossier.

**Adequate records**- it is essential to be able to justify decisions later on if there are any challenges or doubts about the decisions that were made. Therefore,

keeping those records (reporting, financial, etc) in order to show the reasons behind decisions is obligatory. Contracts subject to the EU PRAG rules require records to be kept for at least 7 years following settlement of balance payment.

## **9.2. General rules of procurement**

The following selection criteria are to be applied in every procurement procedure:

- the eligibility check of the tenderer or candidate to take part in the procedure needs to be carried out in order to identify possible grounds for exclusion in advance;
- criteria for assessing its financial, economic, technical and professional capacity.

Beneficiary and/or Project partner may lay down minimum capacity levels below which the candidates cannot be selected. Any tenderer or candidate may be asked to prove that it is authorised to perform the contract under national law, as evidenced by inclusion in a trade or professional register, or a sworn declaration or certificate, membership of a specific organisation, express authorisation, or entry in the VAT register.

Beneficiaries and/or Project partners shall specify the references chosen to test the status and the legal capacity of tenderers/candidates in the procurement notice or in the invitation to tender. The information requested by the Beneficiary and/or Project partner as proof of the financial, economic, technical and professional capacity of the candidate/tenderer as well as minimal capacity level set forth in selection criteria may not go beyond the subject of the contract; it will also take into account legitimate interests of the economic operators, particularly those related to protection of technical and business secrets of the company.

Basic steps in procurement process (depending on the contract amount and type of contract):

- Development of Procurement Plan;
- Development of technical specifications or Terms of Reference (if necessary);
- The Call Forwarding / Publication/ Request for offers;
- Receiving tenders from potential suppliers/ service providers/ contractors;
- Making the decision on the offers;
- Notification of the decision to the responsible bodies and possible contractors;
- Document issued by the responsible authority/authorities confirming that procurement documentation is in compliance with the requirements set in the national legislation (if applicable);
- Contract procedure with the winner of the procurement.

### **Last important remarks**

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

The procurement process is not transparent:

- Ensure that the tender documents are clear

- Establish clear selection and award criteria beforehand and ensure that they are known by the relevant stakeholders
- Ensure that the entire procurement process is clearly documented and keep minutes of all evaluation sessions

The procurement process does not obey the principles of non-discrimination and equal treatment:

- Ensure that the bidding process is as open as possible and is accessible to all potential suppliers and that tender specifications are not restrictive to avoid competition
- Dispatch invitations or publish notices early enough to give sufficient time to respond
- Ensure the same information is given to all participants at the same time
- Ensure that all offers are open at the same time in a 'controlled environment'

The evaluation process is not objective or impartial:

- Make sure that none of the evaluators has a conflict of interest
- Ensure that the selection and award criteria are correctly applied
- Ensure that the offers are evaluated only after the date set for their submission

The wrong procedure is used:

Check that the procedure is correct according to the applicable rules before it is launched. In case of doubt, consult with your programme JTS/JMA.

### 9.3. The rules of nationality and origin

There are strict rules regulating the way in which contracts are awarded. They help to ensure that suitably qualified contractors are chosen without bias, the best value for money is obtained, and full transparency appropriate to the use of public funds is achieved.

The rule of nationality (Annex IV of Grant Contract) stipulates that service, work and supply contracts can only be signed with natural or legal persons from the eligible countries listed below. Experts working for a service provider can however be of any nationality, as long as the service provider is from the eligible countries.

The rule of origin (Annex IV of Grant Contract) stipulates that the supplies and materials purchased (incl. the materials to be used for the construction, but it does not apply to Contractor's equipment to be used during the construction) must originate from one of the eligible countries.

Please note that:

The national rules of nationality and origin of the co-financing Member State can be applied under the following conditions:

- the national rules in question do not restrict the conditions of eligibility and origin as defined in Article 21.1 of the ENPI Regulation [Regulation (EC) No 1638/2006];
- the project in question is co-financed by a public entity in an EU Member State. Evidence of this co-financing is to be submitted by the JMA to the Commission upon request.

If there is an EU Member State public entity co-financing in the project, all partners of the project in question (including partners from the Russian Federation) can extend Rule of origin to their national legislation.

Beneficiaries and partners of projects that are not co-financed by a public entity in an EU Member State must respect art. 1 to 7 of Annex IV to the Grant contract. It is recommended to use PRAG (chapters 2 to 5 and templates) as a model of 'best international practice' (art. 3 of Annex IV).

In accordance with the Legal Service position, DG BUDG considers that, "in the framework of interest on pre-financing, the notion of Member State included in article 5bis of the Financial Regulation has to receive a wide interpretation, under the reservation of eventual specific provisions in the legal basic act. Under these conditions, the "Member State" refers not only to its central structures, but equally to the regional and local authorities, comprising the bodies and administrative and instrumental structures under their control, as long as they are performing their functions under the responsibility of the Member State in front of the Community".

**Example:**

1) Further to Rules of Cabinet of Ministers of the Republic of Latvia No.890 5% national co-financing of project partner total Project budget is provided for municipalities and their established organizations, municipality and state enterprises, and non-governmental organizations. If Project partnership includes a partner from Latvia that has received the above mentioned financial support, all Project partners apply national rules of nationality and origin of the co-financing Member State.

2) If the partnership of a Project consists of public body(-ies)/ public equivalent body(-ies) of Estonia and public entity/-ies from the Russian Federation, all Project partners apply their national legislation concerning rules of nationality and origin.

3) If the partnership of a Project consists of one partner from Estonia which is an NGO and partners from the Russian Federation to understand if rules of nationality and origin apply in accordance with art. 1 to 7 of Annex IV to the Grant contract, it must be determined whether the Estonian NGO in question receives any financing from a public entity and uses for its own co-financing in the project. In case the NGO receives funding only from private resources all Project partners apply rules of nationality and origin in accordance with art. 1 to 7 of Annex IV to the Grant contract.

If rules of nationality and origin must be observed in accordance with art. 1 to 7 of Annex IV to the Grant contract, then while making any purchases of goods or equipment as part of a project co-financed by the Programme, even for the goods that are not covered by the EC co-financing in the project's accounts (Programme rules apply to the entire project budget presented, regardless the type of co-financing).

If rules of nationality and origin applies in accordance with art. 1 to 7 of Annex IV to the Grant contract, any deviations set out above are subject to proper justification and formal derogation from the JMA. It can never be justified for the reason that a product would be cheaper. It can only be justified if the products are unavailable in the markets of the eligible countries, for reasons of extreme urgency

**Comment [IS1]:** According to the EC Note from 12.05.2011 on Rule of origin, it is the JMA who can award a derogation from the rule of nationality

or if the realisation of a project/action would become impossible or exceedingly difficult due to the eligibility rule.

For audit purposes, the Beneficiary/Partner must be able to demonstrate the nationality of its suppliers, contractors and service providers and have proof of the origin (e.g. invoices, certificates of origin, etc.) of all products.

With regards to Nationality and Origin Rules eligible countries are:

- Member States of the European Union: Austria, Belgium, Bulgaria, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.
- ENPI countries: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestinian Authority of the West Bank and Gaza Strip, Russian Federation, Syria, Tunisia, Ukraine.
- Countries that are the beneficiaries of an Instrument for Pre-Accession Assistance set up by Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA): Croatia, The former Yugoslav Republic of Macedonia, Turkey, Albania, Bosnia, Montenegro, Serbia, including Kosovo.
- Member States of the European Economic Area: Iceland, Lichtenstein, Norway.

a) Rules of Nationality

If the Rule of Nationality applies in accordance with art. 1 to 7 of Annex IV to the Grant contract:

- Participation in the procurement procedures is open on equal terms to all natural and legal persons only from above mentioned eligible countries. Tenderers must state, in the tender, the country of which they are nationals by presenting the usual proof of nationality under their national legislation.
- The nationality rule applies to the contractor (also service provider). It does however not apply to the experts proposed by contractor taking part in tender procedures or service contracts financed by the grant. This means that when an expert is proposed by a contractor, the nationality rule does not apply to the expert but to the contractor but if the expert is contracted individually, then this person has to be from one of the eligible countries listed above.

Participation is also open to international organisations.

b) Rules of Origin

If the Rule of Origin applies in accordance with art. 1 to 7 of Annex IV to the Grant contract:

Goods originating from a country shall be those wholly obtained or produced in that country. Goods whose production involved more than one country shall be deemed to originate in the country where they underwent their last, substantial, economically justified processing or working in an undertaking equipped for that purpose and resulting in the manufacture of a new product or representing an important stage of manufacture. More detailed information on the meaning of this can be found in the Customs Code, Council Regulation 2913/1992 Art. 23-24.'

The supplier must confirm that the tendered goods comply with the origin requirement specifying the country or countries of origin. When tendering for systems comprising more than one item, the origin of each item in the system must be specified. If requested to do so, the supplier must provide any additional information and/or a certificate of origin in support of the origin claimed in the tender.

*Example:*

If you have planned to buy a laptop in the shop, situated in the Estonia. If you buy this laptop and on this laptop will be written "Made in China", it means, that Rules of Origin are not followed.

If you buy a laptop with certificate or other document that it is "Made in Germany", than Rules of Origin are followed and expenditures are eligible for this project.

Machinery used by a supply contractor for testing and installing the supplied goods, or equipment used by a works contractor for building a road, do not fall under the rule of origin, unless if the contract would explicitly stipulate that this machinery or equipment also become the full property of the Project Partner at the end of the contract.

The computer used by a consultant to draft the study will only have to respect the rule of origin if the service contract would stipulate that this computer is to be handed over to the Project Partner at the end of the service contract.

The official Certificates of Origin must be submitted before provisional acceptance. Failing this, the Contracting Authority cannot release any funds to the contractor.

Certificates of Origin must be issued by the competent authorities of the supplies' or supplier's country of origin and comply with the international agreements to which that country is a signatory.

For equipment and vehicles with the cost over EUR 5,000 per unit contractors must present proof of origin to the Beneficiary no later than the first invoice is presented (exchange rate which has to be used for the calculation of the price of equipment bought in foreign currency for which a certificate of origin must be provided, is the one which is in force at the moment of launching the procurement). Where the provision of a Certificate of Origin is not possible (in many countries these are only issued against presentation to the Chamber of Commerce of commercial invoices), the tenderer can - in such a case only - submit its own declaration. If unit cost on purchase is less than EUR 5,000, the tenderer must submit their own declaration.

Contractor must present to the Beneficiary for equipment and vehicles of a unit cost on purchase of more than 5,000 EUR, if the unit cost on purchase will be less than

5,000 EUR (from 0 EUR till 5,000 EUR) we recommend to ask own declaration from contractor, to be on safe side.

Unit cost:

- a) 0-5,000 EUR – we recommend to ask own declaration from the contractor;
- b) more than 5,000 EUR – contractor must present to the Beneficiary The Certificate of origin.

When submitting the tender, the tenderer must directly state that all of the goods meet the requirements concerning origin, and must also state the countries of origin.

Please be informed, that JTS/JMA during the project implementation for the monitoring purposes may ask to provide additional information in this connection from the Beneficiary/ Partners.

#### Exceptions to the rules of nationality and origin

In accordance with the Paragraph 2.3.2 of the Practical Guide exceptions to the rule on nationality and origin may be made in some cases. Exceptions may be justified in certain circumstances:

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

The award of such derogation is decided on a case-by-case basis by the JMA before the procedure is launched. In that case the Beneficiary should prepare the justification and send it to the JMA for approval of the derogation from the rules of nationality and origin. NB! This should be done prior launch of the procurement procedure.

Please note that:

The Auditor verifies whether the expenditure was incurred in accordance with the rules of nationality and origin by examining the underlying documents of the procurement and purchase process.

#### **9.4. Other essential points**

**Conflict of interest:** The Beneficiary and project partners undertakes to take all necessary precautions to avoid conflicts of interests and shall inform the Contracting Authority without delay of any situation constituting or likely to lead to any such conflict.

There is a conflict of interests where the impartial and objective exercise of the functions of any person under this Contract is compromised for reasons involving



family, emotional life, political or national affinity, economic interest or any other shared interest with another person.'

**Awarding principles:** All contract awards must respect the principles of transparency, proportionality, equal treatment and non-discrimination.

**The contract must be awarded to the most economically advantageous tender in accordance with the principles of transparency, fair competition for potential contractors, and taking care of avoiding any conflict of interest.**

**No retroactive awards:** Contracts are considered to take effect from the date of signature of the last signatory. There is no way that contracts or contract addenda can be awarded retroactively (i.e. when goods or services have been already purchased and/or carried out). This means that no payments can be made and no goods and services can be provided prior to the signature of the contract and/or addendum. All contracts must show the true dates of signature of the contracting parties.

**Use of standard documents:** Standard contracts and document formats must be used (in accordance with the national legislation) and can be in national language.

**Record keeping:** Written records of the entire tendering and contracting procedure must be kept confidential and retained by the Beneficiary and Project partner for a period of seven years after payment of the balance. These must include the originals of all tenders submitted, together with the corresponding tender dossiers and any related correspondence.

It is also important to follow up the contract implementation in order to define milestones and penalties (in case of failure to meet the conditions) in contracts; keep contractors to the contractual terms and apply penalties if necessary and ensure regular on-site inspections and quality checks during implementation of the project. Do not:

- modify the essential terms of a contract after its award (physical, financial object);
- award additional works directly in circumstances not covered by the procurement documents;
- use exceptional procedures (direct award, negotiated procedure) in non-exceptional circumstances.

## **10. BUDGET RELOCATIONS, CHANGES IN THE PROJECT, CONTRACT AMENDMENTS**

Beneficiaries should do their best to implement the project as defined in the approved Application Form. It is important that the contract budget and a plan of activities are carefully observed during the whole period of project implementation. Nevertheless situations may arise where there is a need to make some changes in the activities and/or budget, update the contact information or replace an expert, etc. In such situations, the Beneficiary will have to apply for an Amendment to the Grant Contract (see Art. 9 of the General Conditions).

**Please note that:**

**Total maximum amount of the Grant stipulated in the Grant Contract**

**cannot be changed!!!**

The procedures for amendment of the Grant Contract are divided into two groups depending on the type of change that should be made. Minor changes in the Grant Contract may be implemented without receiving a prior agreement of the JTS, but the JTS should be notified about them. Major modifications in the contract require a formal Addendum to the contract to be signed by the Contracting Authority and the Beneficiary before their implementation. In case of major modifications of the Grant Contract, an Addendum should be prepared before making the change.

**Please note that:**

**If you plan to make a minor change or major modification in your project, it is recommended to consult and inform JTS immediately before submitting your request.**

The following general principles must always apply:

- In order to get Beneficiary's request for Grant Contract modifications accepted, the Beneficiary must justify its request to the JTS/Contracting Authority. The justification provided for the modifications is examined and the requests that have little or no substantiation are rejected.
- The modifications must not intend to make such changes to the Grant Contract that would alter the project objectives or contradict the equal treatment of applicants.
- Grant Contracts can only be modified within the lifetime of the contract, modifications cannot be made retroactively.
- The maximum amount of the grant may not be increased.
- Any modification extending the performance period of the Grant Contract must envisage that implementation and balance payments can be completed before the expiry of the financing decision, under which the initial grant contract was financed. The implementation period for the projects financed under the Programme ends on 31 December 2014.
- Requests for addendum to Grant Contracts must allow an adequate time-limit (30 days) for the addendum to be signed before the modifications are intended to enter into force.
- Only actual project budget savings (e.g. deriving from actually agreed, evident prices (in result of procurement, signed contracts etc. evident supporting documents) may be used for additional outputs within the scope of approved project activities with the purpose of smooth and sustainable project implementation, while forecasted budget savings are not eligible.

#### **10.1. Notifications to Contract: Minor Changes**

Minor modifications that require only written notification to the JTS by the Beneficiary not a formal Addendum include:

- Minor changes in activities with no budgetary implications, including
  - a) increase/strengthening of project outputs set out in the Activity Packages and Logical Framework of the Application Form,
  - b) extension of project activities set out in the in the Activity Packages of the Application Form,

- c) addition of new project activities and/or outputs, which are clearly linked and coherent with the initial project activities and/or outputs,
- Budget modifications, which do not affect the basic purpose of the project with the financial impact limited to a transfer within a Budget Heading including
  - a. Transfers/reallocations between project partners under 10 % of the Budget Heading of each partner,
  - b. cancellation or introduction of a budget line,
  - c. transfers/reallocations between Budget Headings<sup>1</sup> up to 15% of each Budget Heading concerned (not applicable for Administrative costs and Contingency reserve),
- Change of address or phone/fax number and/or e-mail address,
- Change of bank account,
- Change of staff and key-experts (including all persons under Budget Headings "Human Resources" and "Other costs and external services" such as project managers, financial managers, coordinators, trainers etc.),
- Increase or decrease in numbers of equipment or unit prices without significant modification of requirements and without changes of the budget amount allocated for that budget item,
- Model/Brand name change of the equipment.

**Please note that:**

**The JTS will provide support on the eligibility of minor changes. It is strongly recommended to consult with the JTS and take their comments before submitting your notification officially.**

In case of these minor Grant Contract changes, the Beneficiary may apply the amendment **without the prior consent of the JTS**. However, the Beneficiary should send by post a notification letter to the JTS, by using Standard Form- (Annex 3 of Practical Guidelines). The JTS will check the proposed changes and prepare a letter of approval/rejection to be sent to the Beneficiary.

**The JTS may disapprove minor changes for activities, budget, bank account or in any other parts of the contract, if they threaten the financial stability and accountability or project purpose. The JTS will give answer within 2 weeks after notification by the Beneficiary will be received.**

The deadlines for notification are as follows:

Minor change	How to notify	Deadline for informing the JTS/JMA
Small change of activities with no budgetary implications	Interim or Final Report	Next report

<sup>1</sup> total Budget Heading comprising all project partners

<b>Minor change</b>	<b>How to notify</b>	<b>Deadline for informing the JTS/JMA</b>
Change of activity plan with no duration implications	Notifications letter from the Beneficiary (by post and by e-mail as well)	10 days within the implementation of the change
Small changes of activities with budgetary implications		
Changes of address, phone no, e-mail, contact person, authorised person(s) of the Beneficiary/project partners		
Changes of bank account		
Change of project staff or expert		
Changes within the Budget Heading or a transfer between Budget Headings involving a variation of 15% or less during the whole project implementation period		As soon as initiated, but no later than 20 days before the end of the reporting period
Transfer/reallocation of budget between project partners under 10% of Budget Heading		

Additional documents that have to be attached to notification letters are as follows:

Increase of approved salaries/ fee rates	Justification and a document proving that new requested salaries do not exceed those normally borne by the Beneficiary or his partners or those on the market.
Increase of approved unit rates or number of equipment	Document proving that the new requested rates do not exceed normal market rates (for example, 3 different offers) and explanation of the new number of equipment units.
Change of project staff expert	CV of the expert proposed
Transfer/reallocation of budget between partners	Partnership Statement (signed and stamped if applicable)

Any minor changes modifying the budget must include a replacement budget showing how the full budget breakdown of the initial budget has been modified by these changes (and any previous minor changes) as shown in the following table:

<b>Budget headings</b>	<b>Original Budget</b>	<b>Budget of Minor Changes 1</b>	<b>Budget of Minor Changes 2</b>	<b>Budget of the Last Changes</b>
------------------------	------------------------	----------------------------------	----------------------------------	-----------------------------------

Human resources				
Travel costs				
Equipment and Supplies				
Direct local office costs				
Other costs and external services				
Infrastructure				
<b>Total eligible costs</b>				

### **10.2. Addendum: Major modifications**

**Major modifications** that require a formal Addendum are as follows:

- Extension (up to 6 months, but no later than 31 December 2014) or early closing of the Grant Contract,
- Significant modification of activities that effects the basic purpose of the project, but do not question the grant award decision and the equal treatment of applicants; these include
  - a) changes in project outputs and results set out in the Activity Packages and Logical Framework of the Application Form,
  - b) extension/alteration of project activities set out in the in the Activity Packages of the Application Form,
  - c) addition of new project activities, outputs and/or results,
- Transfers between Budget Headings<sup>2</sup> involving exceeding 15% of the initial amount of each Budget Heading concerned,
- Transfer between the budgets of project partners exceeding 10% of Budget Heading of each partner concerned,
- Adding a new heading or excluding an existing heading from the budget,
- Change of the auditor;
- Change of project Partners (dropping out, addition or replacement),
- Use of contingency reserve.

**NB!!! If it is necessary to make changes in the Beneficiary's or Project partner's organisation's name or legal status the Beneficiary must submit an information letter notifying the JMA about the upcoming change. When the change of the organisation's name or legal status has taken place, the Beneficiary will send a request for contract addendum, adding documents that prove the necessary change.**

**Please note that:**

**The JTS will provide support on the eligibility of addendum requests.**

<sup>2</sup> total Budget Heading comprising all project partners

**Beneficiaries are strongly advised to avoid making changes that require an addendum. The addendum procedure can be long and complicated so Beneficiaries are advised to seek an addendum only if absolutely necessary.**

### **10.3. Preparing an addendum**

The procedure for preparing of the Addendum is as follows:

**Step No 1:** Prepare a request for addendum (Annex 4 of Practical Guidelines) in English in three copies and sent to the JTS by post and by e-mail as well. A copy of request will be retained by the Beneficiary.

**The request for Addendum should contain a detailed description of the requested modification and the reason for modifications.**

**The request must be properly grounded. The Contracting Authority examines the requests and rejects the ones which have little or no substantiation.**

Any addendum modifying the budget must include a replacement budget showing how the full budget breakdown of the initial contract has been modified by this addendum (and any previous addenda) as shown in the following table in addition to the table prepared in the addendum request.

<b>Budget headings</b>	<b>Original Budget</b>	<b>Budget of Addendum 1</b>	<b>Budget of Addendum 2</b>	<b>Budget of the Last Addendum</b>
Human resources				
Travel costs				
Equipment and Supplies				
Direct local office costs				
Other costs and external services				
Infrastructure				
<b>Total eligible costs</b>				

Additional documents that have to be attached to the request for addendum are as follows:

Extension or early closing of the Grant Contract	Explanation and/or Expenditure Verification Report
Significant changes in activities that effect the basic purpose of the project as long as the proposed changes do not question the grant award decision and are not contrary to the equal treatment of applicants	New description together with Annexes 1 "Description of the Action", Annex 3 "Budget for the Action" and Logical Framework

Transfers amongst Budget Headings; involve a variation of more than 15% of the amount originally entered under each relevant Budget Heading for eligible costs	Justification and a document proving that changes are necessary
Adding new heading or excluding an existing heading from the budget	Justification and a document proving that changes are necessary
Change of project Partners (dropping out, addition or replacement)	Explanation, the overall information on the Partners which is required in the Application form.
Changes in the Beneficiary's or Project partner's organisation's name or legal status	Documents proving the new name or status of the Beneficiary or Project partner – registration certificate, statutes etc.
Use of contingency reserve	Detailed justification and evidence for the use of contingency reserve for unforeseeable spending pressures during the project implementation
Change of auditor	Registration certificate of the proposed auditor
Change of the Project Manager or Financial Manager	CV of the proposed person
Transfer between partners exceeding 10%	Partnership Statement (signed and stamped if applicable)

**Step No 2:** Send the request for Addendum to the JTS by post and by e-mail.

**For planning of the future activities that are subject to the Addendum the Beneficiary should note that the time of processing and approving Addendum by the Contracting Authority will take at least one month.**

The JTS will check and send the request and a cover letter to the Contracting Authority.

JTS/JMA may ask additional information, if needed, and Beneficiary has to reply to the JTS/JMA request in 5 working days. The checking process is suspended until additional information from the Beneficiary is received and period of time for verification process will be prolonged by the period of time needed to receive necessary information from the Beneficiary.

**Step No 3:** The Contracting Authority prepares and sends the Addendum to the Beneficiary for signature.

**The addendum takes effect on the date of the later signature.**

**Remember - Beneficiary cannot implement the change before the signature of the Addendum.**

**Step No 4:** The Beneficiary keeps one copy of his records and sends two copies of the duly signed addendum together with the annexes back to the Contracting Authority.

**In order to mitigate the risks to incur ineligible costs, the Project Beneficiaries and Partners are strongly recommended to consult with the JTS responsible PM about any change planned within the project implementation.**

## **11. INFORMATION AND VISIBILITY**

As the Programme is financed by the European Union all projects have to follow certain communication and publicity requirements and promote both the Programme and the EU.

More detailed Programme publicity requirements are described in the Programme Communication and Publicity Guidelines that are published on the Programme's website at [http://www.estlatrus.eu/eng/programme/publications\\_amp\\_logo](http://www.estlatrus.eu/eng/programme/publications_amp_logo)

The requirements have to be followed by all project beneficiaries and partners of the approved projects.

**Please note that:**

**The Beneficiary should take into account that provisions set out in the Article 6 of the General Conditions to the Grant Contracts are compulsory.**

The two main objectives of the information and publicity activities at project level are:

- To highlight in a dynamic way that the project is supported by the EU ENPI CBC Programme and to promote cross-border cooperation and its results;
- To ensure transparency in the use of public funds assuring the wider public that EU funds have been put to good use.



## **12. MONITORING OF THE PROJECTS BY JMA, JTS AND OTHER POSSIBLE CHECKS**

### **12.1. Monitoring Framework**

Main aim of the monitoring is to verify that grants are used for their stated purpose in the Grant Contract. Monitoring on project results and impact purpose is also to ensure that the projects are implemented in compliance with EU and national procedures, to identify the problems arising during the project implementation and to provide continuous support to Beneficiaries/partners on solutions. Implementation of the projects will be closely monitored in terms of procedures (compliance with procurement rules, eligibility of costs, compliance with publicity and visibility rules, documentation and archiving, bookkeeping and accountancy, reporting obligations, Grant Contract modifications, irregularities), progress (financial and technical progress, performance indicators) and problems and needs of the Beneficiaries/partners.

Beneficiary/ project partner(s) are responsible for and should allow auditor to carry out verifications on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the project as well as on-the-spot-checks. Copies of supporting documents do not need to accompany the financial report unless specifically requested by the Contracting Authority/JTS.

The JTS is responsible for monitoring of the grant implementation. JTS will also provide support to the Beneficiaries and/or Project partners in fulfilment of the contractual obligations.

#### **Please note that:**

**The Beneficiaries are requested to send the prior information to the JTS in regards to the major upcoming events throughout the whole Project.**

**If the construction/ renovation works are planned in the project, in 2 weeks after the contract on construction/renovation works is signed within the project, the Beneficiary shall inform the JTS of the planned construction/renovation works including the start date of the works.**

### **12.2. Monitoring Tools**

Main tools for the monitoring activities are on the spot visits and interim and final reports.

The JTS staff will review and give advice on draft notification letters, addendum requests, interim and final reports.

On the spot monitoring visit will be carried out by monitoring staff of the JTS; it will include using checklists, monitoring reports etc. In addition, the Contracting Authority and the JTS may conduct additional monitoring visits and on-the-spot checks or may attend to regular monitoring visits.

### **12.3. Verification of expenditure**

Beneficiary is obliged to ensure verification of soundness of the expenditure declared for the project, and the compliance with relevant Community rules and their national rules.

The project partner(s) in cooperation with the Beneficiary are responsible for designation of the partner's auditor(s) – either one per all partners located in the respective Programme Participating Country or one per each project partner or one per the project. The project partner is responsible separately for having its expenditure validated by the auditor. Each project partner is required to submit to the Beneficiary the Expenditure Verification Report for its part of the costs, produced by the auditor. The Beneficiary is responsible for collecting all partners' Expenditure Verification Reports, drafting a financial section/ report for the respective project implementation period of the whole project (Annex VII to the Grant contract) and presenting it to its auditor for examination and compilation of consolidated Expenditure Verification Report.

Verifications shall be carried out by contracted external audit company.

The requirements for the auditor should meet at least one of the following conditions:

- The Auditor and/or the firm is a member of a national accounting or auditing body or institution which in turn is member of the International Federation of Accountants (IFAC).
- The Auditor and/or the firm is a member of a national accounting or auditing body or institution. Although this organisation is not member of the IFAC, the Auditor commits him/herself to undertake this engagement in accordance with the IFAC standards and ethics.
- The Auditor and/or the firm is registered as a statutory auditor in the public register of a public oversight body in an EU member state in accordance with the principles of public oversight set out in Directive 2006/43/EC of the European Parliament and of the Council (this applies to auditors and audit firms based in an EU member state).
- The Auditor and/or the firm is registered as a statutory auditor in the public register of a public oversight body in a third country and this register is subject to principles of public oversight as set out in the legislation of the country concerned (this applies to auditors and audit firms based in a third country).

The Auditors shall examine whether costs declared by the Beneficiary and project partners are actual, accurate and eligible in accordance with the Grant Contract and issue the Expenditure Verification Report. 100% of the project expenditure must be verified and the results of the verification should be reflected in the Expenditure Verification Report.

Terms of Reference for the Auditors are set up in the Annex VII of the PRAG Rules which states that The Auditor verifies whether the Beneficiary/partners have complied with rules for accounting and record as well as for each expenditure item selected, the eligibility criteria set out below:

1. **Costs actually incurred** (Article 14.1) - the Auditor verifies that the expenditure for a selected item was actually incurred by and pertains to the Beneficiary/partner and was not double financed. For this purpose the Auditor examines supporting documents (e.g. invoices, contracts) and

proof of payment. The Auditor also examines proof of work done, goods received or services rendered and he/she verifies the existence of assets if applicable.

2. **Cut-off - Implementation period** (Article 14.1a). The Auditor verifies that the expenditure was incurred during the implementation period of the Project.
3. **Budget** (Article 14.1b). The Auditor verifies that the expenditure was indicated in the Project budget and was not double funded under two different budget lines.
4. **Necessary** (Article 14.1c). The Auditor verifies whether it is plausible that the expenditure was necessary for the implementation of the Project.
5. **Records** (Article 14.1d). The Auditor verifies that expenditure is recorded in the Beneficiary's/partner's accounting system and was recorded in accordance with the applicable accounting standards of the country where the Beneficiary/partner is established.
6. **Justified** (Article 14.1e). The Auditor verifies that expenditure for a selected item is substantiated by evidence and notably the supporting documents.
7. **Valuation**. The Auditor verifies that the monetary value of a selected expenditure item agrees with underlying documents (e.g. invoices, salary statements) and that correct exchange rates are used where applicable.
8. **Classification**. The Auditor examines the nature of the expenditure and verifies that the expenditure item has been classified under the correct (sub) heading of the Financial Report.
9. **Compliance with Procurement, Nationality and Origin Rules**.

#### **12.4. Responsibilities of the Beneficiary in on the spot visits**

1. To make sure that the key staff of the project is present during the first monitoring visit - especially project manager, accountant, responsible person for reporting, etc.
2. To provide real, up-to-date information about the project during the monitoring visit with supporting documents.
3. To clarify major dates in procurement.
4. Inform monitoring staff in case of unavailability of the Beneficiary/partner for agreed visit date.
5. To review and sign the visit report, with his/her objections if applicable.

### **13. REVENUE IN THE PROJECT**

Any revenue generated by the project needs to be recorded and must be reported in the final Financial report.

Account must be taken of revenue which is

- established (revenue that has been collected and entered in the accounts),

- generated or confirmed (revenue that has not yet been collected but which has been generated or for which the participant has a commitment or written confirmation) on the date when the request for payment of the balance of the grant is established.

Revenue can be, for example, financial transfers or their equivalent to the participant from third parties, income generated by the project and "co-financing".

The grant shall be limited to the amount necessary to balance the project's receipts and expenditures; it may not in any circumstances produce a profit for the beneficiaries (i.e. any surplus of total actual receipts over the total actual costs). Any surplus shall result in a corresponding reduction in the amount of the grant.

There is a substantial difference between the "earnings" (cash flow for the services provided or sold items) and "revenue" (the difference between income received for services rendered and sold goods and production or service provision to ensure the necessary credits) - as profit. Although the project and the benefits of the use produce the income is not known whether they will be sufficiently large to generate revenue.

#### 14. RECOVERY OF INELIGIBLE EXPENDITURE

If ineligible costs are detected and it is possible to recover them from the next payment to the Beneficiary, the sum of ineligible costs will be subtracted from the next payment. The Beneficiary shall be informed about the decision taken by the Contracting Authority.

Total costs (EUR)	200 000
EC contribution (EUR)	180 000
Advance payment (40% of the first annual budget EUR 100 000, EC contribution part 90 000 EUR)	36 000
1 Interim payment (90% of the total accepted costs EUR 100 000)	90 000
Ineligible costs discovered by auditors in 1 Interim Report, after Interim payment is made	2 000
EC contribution of total ineligible costs (90%)	1 800
<i>EUR 1 800 will be automatically subtracted from the next payment</i>	
Final report (total accepted costs 150 000 – ineligible costs 2 000)	148 000
EC contribution (90%)	133 200
Balance payment (133 200 – 36 000 – 90 000)	7 200
TOTAL PAID (36 000 + 90 000 + 7 200)	133 200

If ineligible costs are detected and it is not possible to recover ineligible amount by subtracting it from the next payment to the Beneficiary, in accordance with the Grant Contract Annex II "General Conditions Applicable to European Community Financed Grant Contracts for External Actions" Article 18.1 the Beneficiary should repay any amounts paid in excess of the final amount to the Contracting Authority. It must be done within 45 days of issuing the recovery order - a letter by which the Contracting Authority requests the amount owed by the Beneficiary.

<i>Example</i>	
Total costs (EUR)	200 000
EC contribution (EUR)	180 000

Advance payment (40% of the first annual budget 100 000, EC contribution part 90 000 EUR)	36 000
1 Interim payment (90% of the total accepted costs 100 000)	90 000
Final report (total accepted costs)	150 000
EC contribution (90%)	135 000
Balance payment (135 000 – 36 000 – 90 000)	9 000
TOTAL PAID (36 000 + 90 000 + 9 000)	135 000

Ineligible costs discovered by auditors in the Final report, after Balance payment is made	2 000
EC contribution (90%)	1 800
<i>The Beneficiary should reimburse 1 800 EUR within 45 days from the issuing of the recovery order to the Contracting Authority's account.</i>	

Where the recovery relates to a claim against a Beneficiary or project partner established in an EU Member State and the Contracting Authority is unable to recover the ineligible expenditure within one year of issuing the recovery order, the EU Member State in which the Beneficiary or project partner is established shall pay the amount owing to the Contracting Authority and claim it back from the Beneficiary or project partner.

Where the recovery relates to a claim against a Beneficiary or project partner established in a partner country –Russian Federation and the Contracting Authority is unable to recover ineligible expenditure within one year of the issuing of the recovery order, the Contracting Authority shall refer the case to the European Commission, which, on the basis of a complete file, shall take over the task of recovering the amounts owing from the Beneficiary or project partner established in the partner country or directly from the national authorities of that country.

## 15. IMPORTANT DEADLINES

TIME TABLE			
What	When	How	To Whom
Interim report	Within 1 month of completion of the 6 months of the project duration	Paper version + Electronic version of the report	1 copy to the Beneficiary and to each project partner 1 original and 1 copy to the JTS
Final narrative and Final financial report	Within 3 months of completion of the project	Paper version + Electronic version of the report	1 copy to the Beneficiary and to each project partner 1 original and 1 copy to the JTS 1 copy to the Contracting Authority
Notification letter	Within 10 days of implementation of the change	Paper version + Electronic version of request for changes	1 original and 1 copy to the JTS (a copy of request should be signed by the Beneficiary also and copied to each project partner for

			information)
Addendum request	30 days before the implementation of the change	Paper version of the addendum and cover letter	1 original and 1 copy to the JTS (a copy of request should be signed by the Beneficiary also and copied to each project partner for information)

**Annex 1** to Practical Guidelines for project applicants of Open calls for proper management during project implementation

***Timesheet for Project Staff, External Experts and volunteers***

Beneficiary/Project Partner Name:

Grant Contract No.:

Name of Employee/Expert/volunteer:

Position of Employee in the Project:

Month: Year:

Tick days worked and add other requested information

Day	Hours worked	Short description of performance, comments
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		

21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
Total		

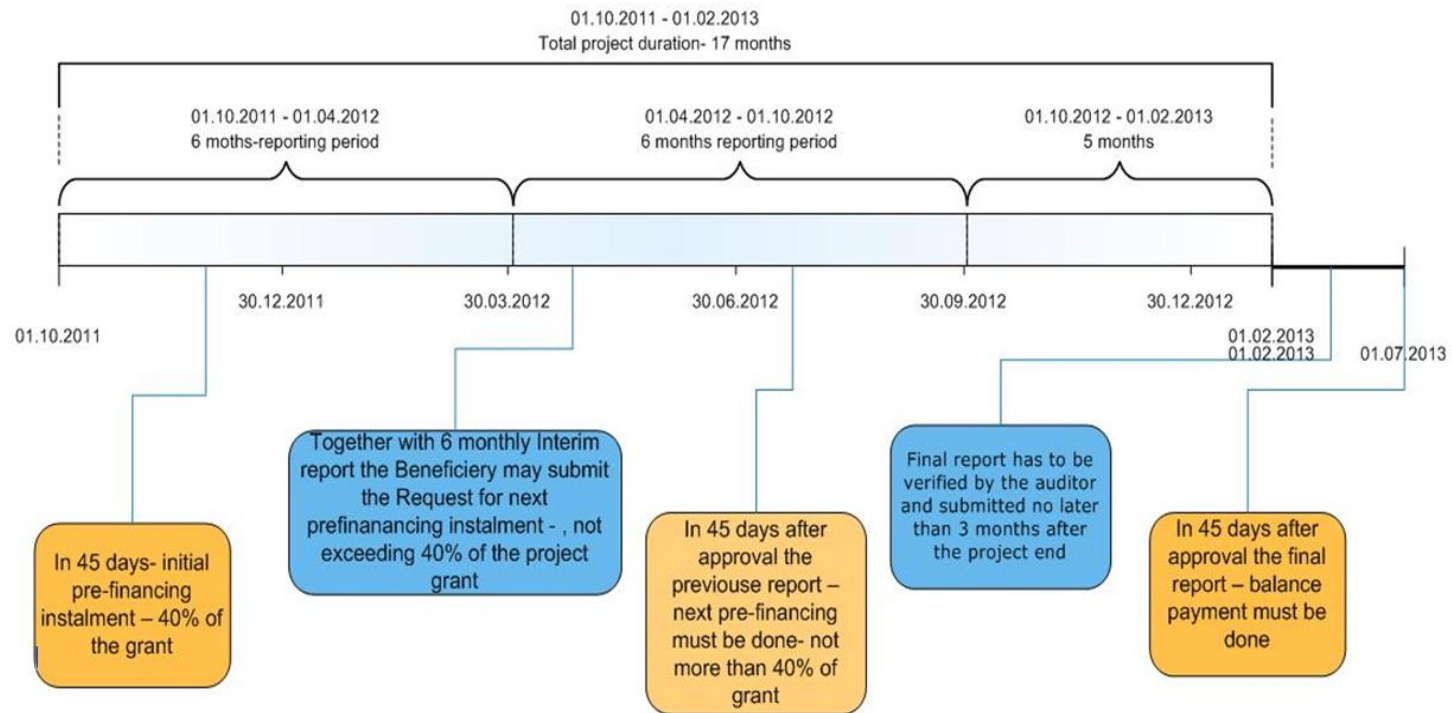
\_\_\_\_\_  
Date, Signature of  
Employee/Expert in the Budget Heading  
1/Voluntary worker

\_\_\_\_\_  
Date, Signature of Employer

**Annex 2** to Practical Guidelines for project applicants of Open calls for proper management during project implementation

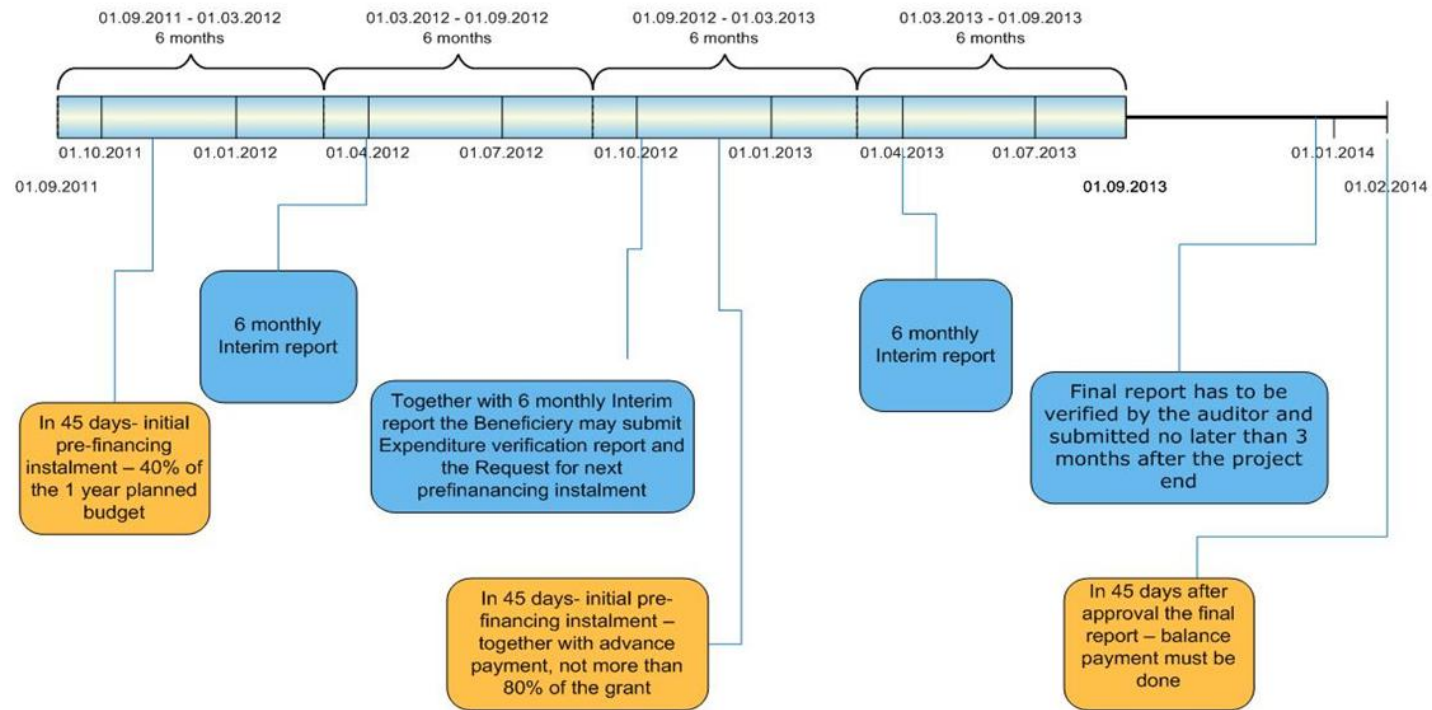
**Examples of the Payment schemes**

**I example** - If the overall duration of the project does not exceed 18 months and if the grant does not exceed 300,000 EUR





**II example-** If the overall duration of the project exceeds 18 months or if the grant exceeds 300,000 EUR



**Annex 3** to Practical Guidelines for project applicants of Open calls for proper management during project implementation

**Notification Letter (for minor changes)**

< Letterhead of the Beneficiary >

**Name, Surname of JTS**

Address

Tel:

Fax:

**DD/MM/YYYY**

**RE: Notification Letter No** <insert consecutive number of the Notification letter>

**Purpose:** [select appropriate, delete other options [minor modification of Annex I] [Reallocation within budget heading] [Reallocation between budget headings up to 15%] [Reallocation between partners' budgets up to 10%] [Replacement of Project coordinator] [Replacement of audit firm] [Change of bank account] [Change of address]

**Contract No:**

**Grant Amount EUR:**

**Title of Project:**

[Select the appropriate options and delete the options, which do not apply].

***In case of Minor Modifications in Annex XXX Description of Action (activities, work plan):***

[We would like to notify following modifications in Annex I to the Contract.

<Describe the modification – WHAT WILL CHANGE>

<Provide justification – WHY IT WILL CHANGE>

[Updated work plan is attached.]

***In case of Modifications in the Budget:***

[We would like to notify the following reallocation of costs of the above-mentioned contract:

<Describe the modification – WHAT WILL CHANGE>

<Provide justification – WHY IT WILL CHANGE>

The table below summarizes the budget amendments:

Budget Heading /Budget Item	Initial contract budget				Amendment 1, 2, 3... (for each amendment separate columns should be prepared)		Amended Budget		
	Unit	# of units	Unit rate (in EUR)	Costs (in EUR)	EUR	% of Budget heading	# of units	Unit rate (in EUR)	Costs (in EUR)

<Following supporting documents are attached: <please list >]

***In case of Change of project coordinator:***

[We would like to notify replacement of project coordinator.

*Mr/Ms* < name of new Project coordinator > *replaced Mr/Ms* < name of initial Project coordinator>

CV of *Mr/Ms* < name of new Project coordinator > is attached.]

***In case of Change of bank account:***

[We would like to notify the changes to the bank account details in the above-mentioned contract.

*From:* <initial bank account>

*To:* < new bank account >

Financial Identification Form is attached.]

***In case of Change of address:***

[We would like to notify the changes to the address details in the above-mentioned contract.

*From:* <old address>

*To:* < old address > ]

Yours Sincerely,

<Signature of authorised representative >

< Name and position of authorised representative >

**Annex 4** to Practical Guidelines for project applicants of Open calls for proper management during project implementation

**Request for Addendum**  
 < Letterhead of the Grant Beneficiary >

Name, Surname of JTS

Address

Tel:

Fax:

DATE

**RE: Request for Addendum**

**Purpose of Addendum:** [select appropriate, delete other options [Contract extension] [Reallocation between budget headings exceeding 15%] [Reallocation between partners' budgets exceeding 10%] [Change of project partner] [.....]

**Contract No:**

**Grant Amount EUR:**

**Title of Project:**

We would like to ask your approval for the following modifications in the above-mentioned contract:

<Describe the modification – WHAT WILL CHANGE>

<Provide justification – WHY IT WILL CHANGE>

<In case of modifications in the budget insert following table:>

Budget Item / Budget Heading	Initial Contract Budget				Amendment 1, 2, 3,.. (for each amendment separate columns should be prepared)	Revised Budget		
	Unit	# of units	Unit rate (in EUR)	Costs (in EUR)		EUR (+,-)	# of units	Unit rate (in EUR)

<In case of change/removal of a project partner:>

<Describe the modification – WHY PARTNER WILL CHANGE/REMOVED>

<Provide justification – HOW BENEFICIARY WILL IMPLEMENT THE PROJECT WITH NEW / WITHOUT A PARTNER >

Yours Sincerely,

<Signature of authorised representative >

< Name and position of authorised representative >