

Lead Partner principle and financial management of the project

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Lead partner principle

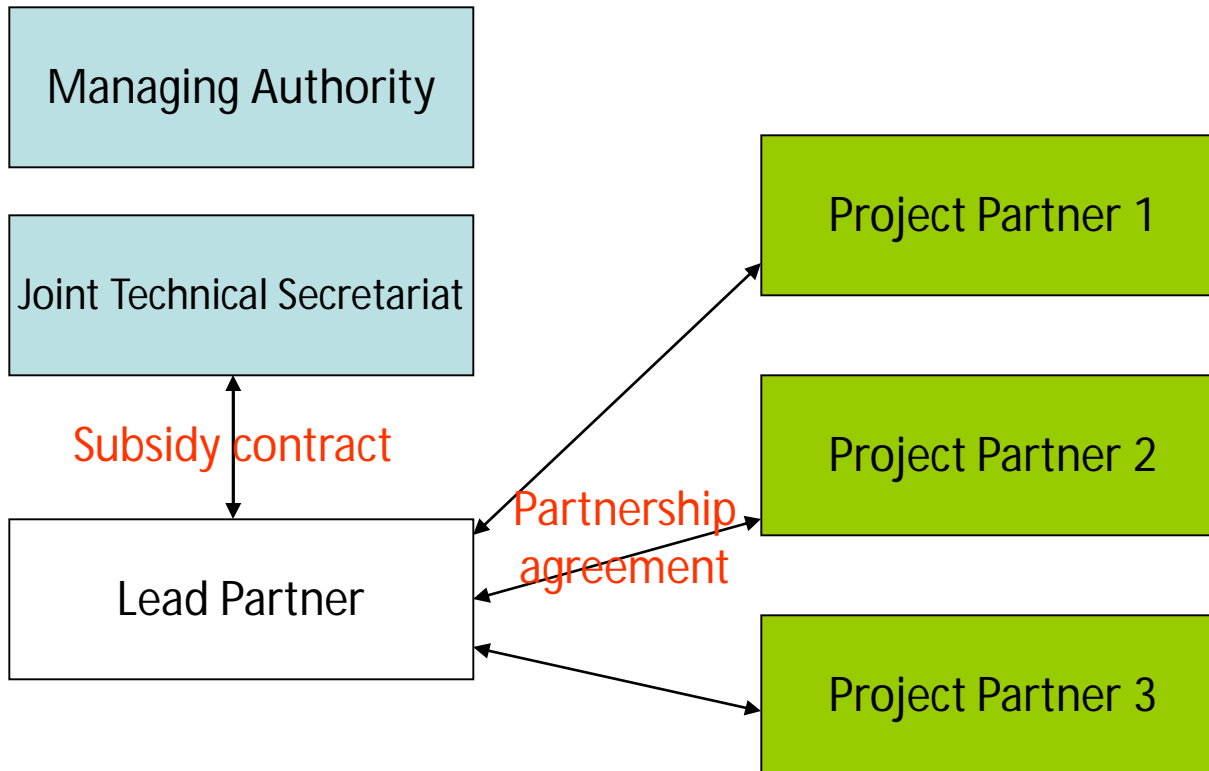
⇒ **IPA integrated phase of the SEE programme = projects approved in the 3rd and 4th call for proposals**

Lead partner principle

- **The lead partner shall be responsible for the financial aspects of IPA funds as well**
- **One single subsidy contract is concluded per project, meaning that the Lead Partner signs the subsidy contract on behalf of the IPA Partners as well**



Legal framework of projects



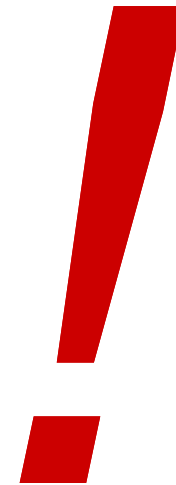
Subsidy Contract

Subsidy contract: It is the contract between the Joint Technical Secretariat (on behalf of the Managing Authority) and the Lead Partner (ERDF). It determines the rights and responsibilities of the Lead Partner and the Managing Authority, the scope of activities to be carried out, terms of ERDF and IPA funding, and the requirements for ERDF and IPA reporting and financial control.

Contracting: the procedure carried out in order to conclude a Subsidy Contract between the Lead Partner (ERDF) and the Joint Technical Secretariat (JTS) on behalf of the Managing Authority (MA) for the implementation of a project approved by the decision of the Monitoring Committee (MC).



*The **Application Form** and
the **Partnership Agreement**
signed between the Project
Partners are **integral parts**
of the **Subsidy Contract***



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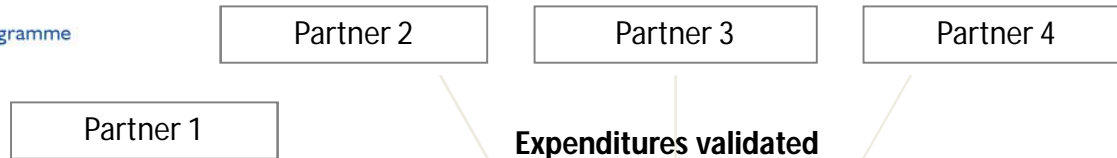


Financial management procedures

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Project Partners collect documentation proving their expenditures, and get them validated according to the national control system



Expenditures validated at national level by the Controllers

Lead Partner (LP) verifies that the expenditures presented has been validated by the controllers

LP prepares Progress report and Application for Reimbursement and submits to the JTS

Joint Technical Secretariat
Verification of Progress reports and Application for reimbursement + Declarations of the Controllers

Initiation of the reimbursement process by submitting the verified AfRs to the FTU

Financial Transfer Unit
Reimbursement of Community contribution to the LP

LP transfers Community contribution to Project Partners

Financial management of the project

LP Deadline: 3 months from the end of the reporting period!

Approval + reimbursement procedure cc. 3-4 months!

Financial management procedures

Validation of project expenditure

- Validation of expenditure means the output of the verification of expenditure process performed by the controllers at national level for each **ERDF Project partner** and **IPA-I project partner** involved in the project.
- Only validated expenditure can be reported by the Project partners to the Lead partner.
- **Only validated expenditure can be reported by the Lead Partner to the JTS!**



Financial management procedures

Main steps of the validation of expenditure

1. Each PP as well as the LP has to submit its expenditure relevant for a reporting period for validation to the designated Controller in its MS/PS, **each PP responsible separately for having its expenditure validated!**
 - **Expenditure for validation:** eligible project expenditure paid by the PP before the end of the reporting period concerned and proved by supporting documents
 - **Designated Controllers:** body/organisation officially nominated to perform the control activities in the given MS/ PS
 - **Standard and obligatory document** to report expenditure to the Controller: **Partner Report**
 - **ERDF Partner Report and IPA Partner Report – 2 reporting templates!**
(PPs will receive from LPs/ available from SEE programme website)
 - **SEE Control Checklist:** minimum requirements for documentary evidence

Financial management procedures

2. The Controller verifies the expenditure submitted by the PP/LP. After verification, the Controller **issues the Declaration on validation of expenditure (standard and obligatory form)**
3. **Each PP has to submit the declaration on validation of expenditure and the Partner Report to the Lead Partner.**
4. The LP is responsible to verify that the expenditure of its PP is validated by the designated Controller for the SEE Programme. The Controller of the LP is responsible **only** for the validation of the LP's expenditure.
5. **Original declarations on validation of expenditure of the PPs have to be submitted** by the LP to the JTS together **with the Application for reimbursement.**



Financial management procedures

Submission of Application for reimbursement

- Lead Partner can request the reimbursement of ERDF contribution and IPA contribution by submitting an **Application for Reimbursement** to the JTS **together with the Progress Report**
- **Application for Reimbursement** shall contain only validated expenditure and shall be supported by the declarations on validation of expenditure of the project partners (ERDF PPs and IPA PPs)



Financial management procedures

LPs responsibilities & verifications before submission of the Application for reimbursement (AfR)

- the expenditure declared by the PPs has been **incurred only for the Project purposes** and **corresponds to the activities of the approved AF**;
- the expenditure declared by the PPs and included in the AfR had been **validated by the designated controllers** at national level;
- All declaration on validation of expenditure presented in the AfR are attached in **original paper version** officially signed by the designated controllers;
- The **expenditure** declared in the AfR **has not been included in any other previous AfR**;
- The **information** included in the AfR, the related Progress Report and its Annexes **are true and correct**.

Financial management procedures

Further rules:

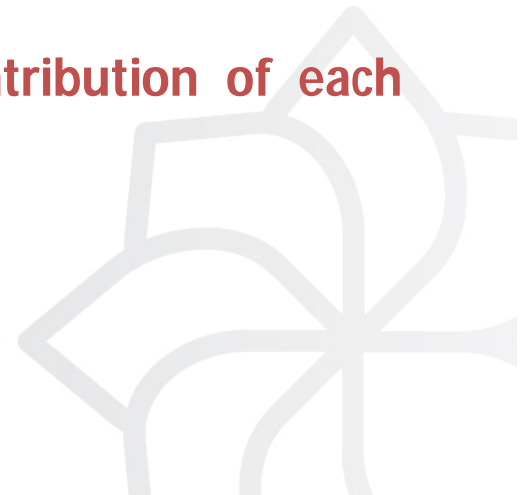
- In case the declarations on validation of expenditure are not received from each project partner for a given reporting period, the **LP shall submit the application for reimbursement on the basis of the declarations on validation of expenditure available for the reporting deadline.**
- The **expenditure**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



Financial management procedures

Reimbursement of ERDF and IPA Funds to the LP

- **LP submits** the Progress Report and the Application for Reimbursement to the JTS **for the deadlines given in the Subsidy Contract.**
- **JTS verifies and approves** the Progress Report and Application for Reimbursement.
- After verification process by the JTS, **reimbursement of ERDF and IPA contribution will be authorised by the Certifying Authority.**
- Reimbursement of **ERDF and IPA contribution to the EUR bank account of the LP** indicated in the Subsidy contract.
- **LP responsible to transfer the ERDF and IPA contribution of each project partner**



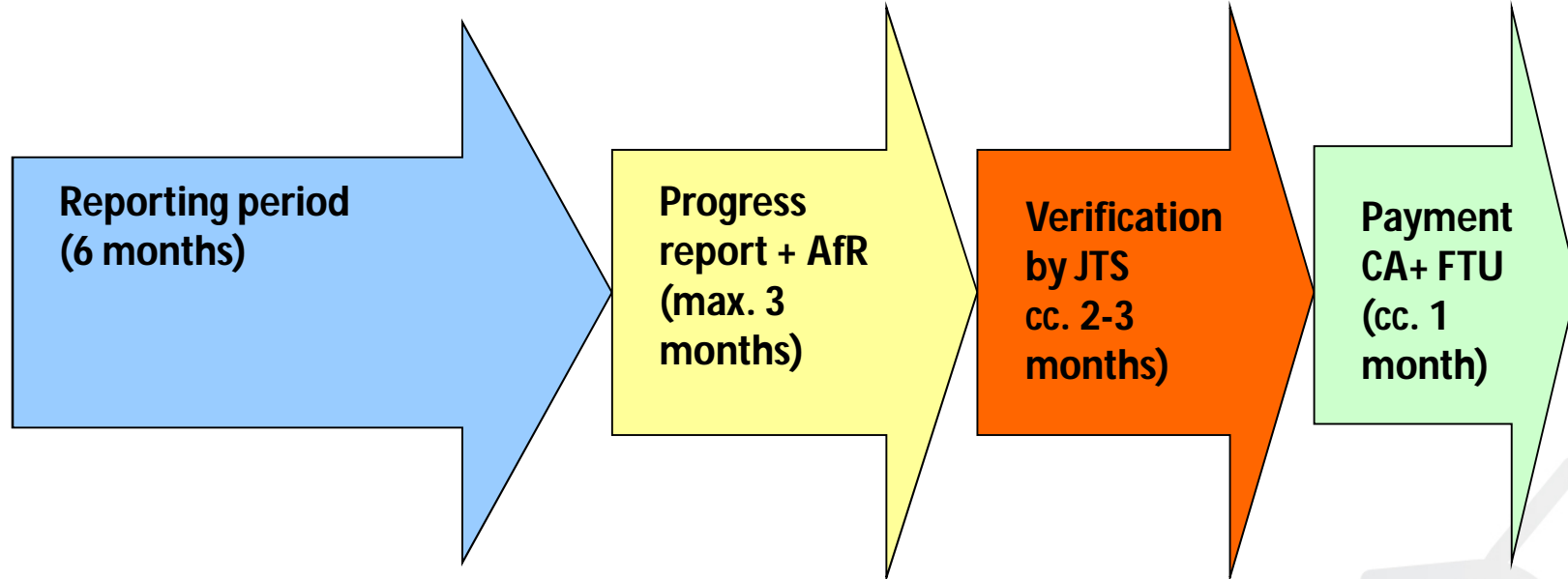
Financial management procedures

General financial management principles in the IPA integrated phase

- The **application for reimbursement** for ERDF and for IPA **can not be submitted** by the LP separately **by funds**
- The **application for reimbursement** for ERDF and for IPA **can not be approved by the JTS separately by funds**
- **The ERDF and IPA contributions might be transferred separately** by the Financial Transfer Unit, in case:
 - the requests of funds for ERDF and IPA are not authorized at the same time by the Certifying Authority, *or*
 - the balance of the programme single bank account for the ERDF or IPA funding is not covering the amount to be reimbursed

Financial management procedures

Timeframe of reimbursement of ERDF and IPA funds



Financial management procedures

Use of Euro

- Declaration on validation of expenditure to be issued in EUR
- Application for reimbursement to be submitted in EUR
- Reimbursement of ERDF contribution and IPA contribution in EUR
- **only one method is accepted to exchange currency to EUR**
- *the monthly accounting exchange rate of the Commission in force in the last month of the reporting period*
- regulated in the Subsidy Contract, obligatory to use
- exchange rate risk borne by the PP



Financial management procedures

Financial progress and decommitment of the project

- **Spending forecasts are set in the Subsidy Contract**
- LP has the possibility to deviate: real spending can be lower or higher than originally planned for a given reporting period
- To be considered: in case of underspending compared to the spending forecasts, the MA is entitled to decommit the project by reducing the original project budget and the corresponding ERDF / IPA contribution
- In case of decommitment at programme level, MC may decide on the decommitment of the projects on case by case basis
- **The LP can request amendment of the spending forecasts only in relation to substantial changes in the project affecting the project budget**

Reporting procedures

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⇒ Following integration of IPA funds to the SEE programme:

Project implementation based on **ERDF procedures and principles:**

- Use of ERDF reporting system and rules
- Use of ERDF reporting tools and templates

- ✓ *IMIS 2007-2013 Monitoring and Information System Front Office*
- ✓ *Partner Report templates*
- ✓ *Reporting timetable*
- ✓ *Etc.*



Reporting periods and deadlines

Reporting periods

- generally **6 months periods**

LP reporting deadlines

- Periods and related deadlines fixed in the subsidy contracts
- **3 months** following end of each reporting period: **online submission** of PR, **scanned version of the signed declaration on validation to be uploaded!**
- + **15 days** for submission of **original documents: declarations on validation of expenditure** + **Application for Reimbursement**

Final Progress Report

- **Project specific deadlines!**
- To be submitted within 3 months after project end date



Reporting periods and deadlines

3rd call reporting periods and deadlines:

Serbian IPA-I PPs

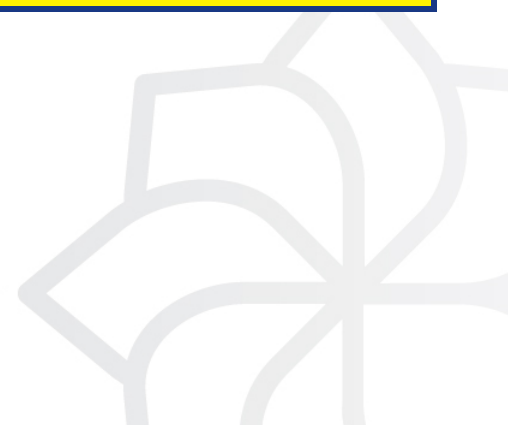
- 1st reporting period: only activities to LP via Partner Report
- 2nd reporting period: activities + expenditure

<i>Periods</i>	<i>Deadlines</i>
24 April 2012 – August 2012	1 st December 2012
September 2012 – February 2013	1 st June 2013
<u>March 2013 – May 2013</u>	<u>1st September 2013</u>
June 2013 – November 2013	1 st March 2014
December 2013 – May 2014	1 st September 2014

Reporting periods and deadlines

4th call reporting periods and deadlines:

<i>Periods</i>	<i>Deadlines</i>
October 2012 – March 2013	1 st July 2013
<u>April 2013 – June 2013</u>	<u>1st October 2013</u>
July 2013 – December 2013	1 st April 2014
January 2014 – June 2014	1 st October 2014
July 2014 – September 2014	1 st January 2015



- **Partner Report**
 - **Partner level** information
 - **Responsible: each ERDF PP, IPA-I PP and LP**
 - Reporting tool between PP and LP
 - *Tool for issuing Declaration on validation on PP expenditure*
- **Progress Report**
 - **Project level** information
 - **Responsible: Lead Partner**
 - Prepared and submitted online in IMIS 2007-2013
 - Together with Application for Reimbursement
 - Each LP accesses “SEE Front Office of IMIS 2007-2013” with individual username and password



Partner Report & Declaration on validation of expenditure

Functions

- Reporting tool between PPs and LP
- Tool for Declaration on validation of expenditures

Users

- ERDF Project Partners, IPA-I Project partners / Lead Partner
- National Controllers

Format

- Dynamic, protected MS Excel file
- Interlinked formulas and functions
- Parts to be used by Controllers locked with password



Partner Report

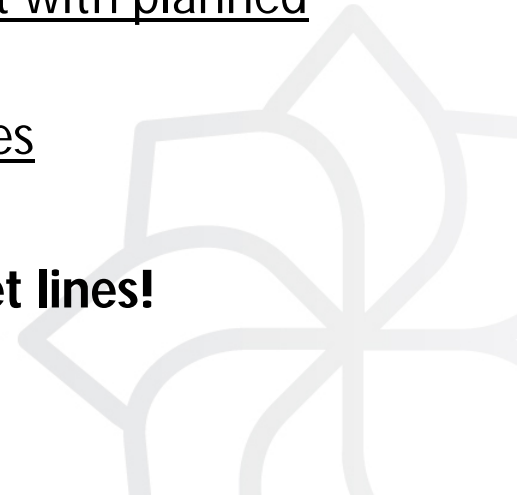
Handling the tool by PPs

- **Creating the partner report basis**
 - Template to be filled in with basic data of PP project part: PP budget, WPs, activities, etc.
 - Basis report to be saved for using in each reporting period

- **Preparing Partner Report of a reporting period**

To be filled in:

- Activities carried out, outputs delivered in the respective period
 - actual implementation and expenditures coherent with planned activities and budget
 - activities justify reported and claimed expenditures
- Deviations, changes, problems related to project part
- **List of expenditure (invoices) per WPs and per Budget lines!**
- **Language of the Partner Report: English!**



Project Changes

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Types of project changes

- **Changes in the partnership**
- **Changes in the content of the project**
- **Budget changes**
- **Revision of the spending forecast**
- **De-commitment of the project**
- **Prolongation of the project duration**
- **Administrative changes**



Fundamental principles

Essential that the project maintains:

- The **general character** of the original project as outlined in the Application Form (**objectives & results**)
- Its **transnational character**
- Fundamental **eligibility criteria**
Partners / Activities / Expenditures / Time / Area



Project change

Less significant change

- Previous **approval of MA / MC not needed**
- **No** Subsidy Contract Modification
- Confirmation by the JTS to the Lead Partner

Significant / Substantial change

- **Approval of MA / MC** needed
- **Modification of the Subsidy Contract** required
- Can be implemented & costs eligible **only after MA / MC approval**
- Certain changes can be requested **only 1 + 1 times**
- Last request for modification **2 months before project end date**

Project change

Changes at PP level

- **PP shall inform LP before any changes to be implemented!**

In case of less significant changes:

- LP shall inform the JTS on the project changes
- LP confirmation to be presented to the national Controller for the eligibility of expenditure affected by the project change

In case of substantial changes:

- LP shall inform the JTS on the project changes
- LP shall start the procedure for the subsidy contract amendment
- PP will need the addendum to be presented to the national Controller for the eligibility of expenditure affected by the project change

Type of project changes I.

Type of project change	Procedure	
	No approval required No change of Subsidy Contract	Approval required Addendum to Subsidy Contract
Partnership change	X	Always needs MA / MC decision
Project content change	<ul style="list-style-type: none"> In case of minor content changes Content change related to the "10% ERDF flexibility" 	Significant content change always needs MC decision
Budget reallocation among Project Partners	X	<ul style="list-style-type: none"> Budget reallocation among ERDF PPs / among IPA-I PPs from different countries decided by MC Other cases need MA decision; Can be requested only 1 + 1 times if not connected to partner change, or "sponsoring" an Associated Strategic Partner

Type of project changes II.

Type of project change	Procedure	
	No approval required No change of Subsidy Contract	Approval required Addendum to Subsidy Contract
Work package/ budget line budget reallocation	<ul style="list-style-type: none"> • Cumulated amount of reallocation(s) are below 10% of ERDF (and IPA-I) PPs project budget; • JTS to be informed in Progress Report 	<ul style="list-style-type: none"> • Cumulated amount of reallocation(s) exceed 10% of ERDF (and IPA-I) PPs project budget; • Need MC decision • Can be requested only 1 + 1 times
Extension of project duration	X	<ul style="list-style-type: none"> • Need MA, or MC decision • Can be requested only 1 + 1 times
Administrative changes	JTS to be informed (in Progress Report)	X

Reporting eligible project expenditure

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⇒ Following integration of IPA funds to the SEE programme:

Project implementation based on **ERDF procedures and principles**

- **Use of ERDF project and budget structure (work packages and budget lines)**
- **Rules for eligibility of expenditure at programme level** integrated considering the rules set by Article 34 and Article 89 of 718/2007 EC Regulation as well



Reporting eligible project expenditure

Sound financial management of the project is based on the eligibility of expenditure!

- 1. Expenditure has to be eligible according to the eligibility rules of the SEE Programme**
 - Be aware of the eligibility rules!
 - In case of question: PPs consult national contact point and/or LP contacts JTS
- 2. Eligibility of expenditure has to be proved!**
 - Documentary evidence submitted to the Controller
 - On the spot: evidence of the expenditure is available



Reporting eligible project expenditure

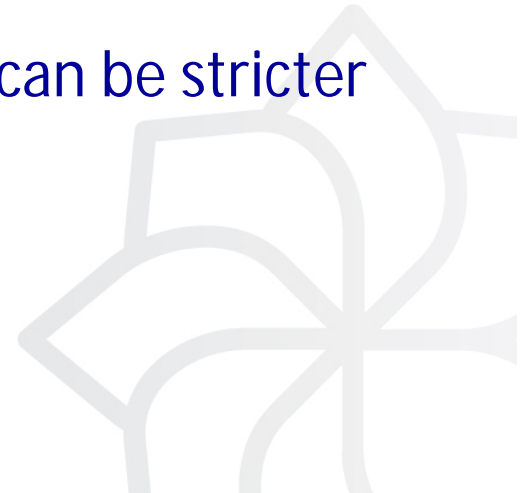
- **Documents**
- **Eligibility in time**
- **Expenditure per Budget lines**
- **Compliance with EU policies and other horizontal rules**
- **Ineligible expenditure**



Reporting eligible project expenditure

Documents

- EC Regulations + national legislation
- SEE Programme Manual: part of the Application package
- SEE Implementation Manual v4.0
- Subsidy Contract
- SEE Control Guidelines + **SEE Control Checklist**: main requirements at programme level
- **National eligibility rules**: more detailed, can be stricter than programme's rules!



Reporting eligible project expenditure

Eligibility in time

- **Starting date** of the eligibility of expenditure: **final approval date of the projects** (**3rd call: 24th April 2012, 4th call: 28th September 2012**)
- **End date** of the eligibility of project expenditure: **end date of the project**
Only exception: Costs incurred in the last reporting period and control costs related to the Final Progress Report have to be paid within 60 days from the project end date at the latest.



Reporting eligible project expenditure

Eligibility in time

- ✓ **Expenditure incurred by IPA-I partners** is eligible according to the same rules under condition that the Financing Agreement is signed by the IPA Partner State of the given partner. Otherwise, starting date of eligibility of expenditure for IPA-I Partners will be the date of signature of the Financing Agreement by the IPA Partner State of the given partner.

Serbian IPA-I PPs: Financing Agreement signed on **7 September 2012**

- ✓ **3rd call PPs:** expenditure are eligible only from 7 September 2012
- ✓ **4th call PPs:** preparation costs are also eligible from 7 September 2012 to the final approval date of the project.



Reporting eligible project expenditure

Preparation costs

- **ERDF Partners:** incurred between 1st January 2007 and final approval date of the project (3rd call: 24th April 2012, 4th call: 28th September 2012)
- **IPA-I Partners:** incurred between the date of signature of the FA by the IPA Partner State of the given partner and final approval date of the project
- up to the amount approved in the AF (WP0)
 - only for the activities presented in the approved AF
 - only for the PPs planned in the approved AF
 - restricted to budget lines staff costs, travel costs, external expertise
 - **paid until the end date of the 1st reporting period**
 - **to be reported in the first Progress Report or at the latest in the 2nd progress report (Article 4.8 of the Subsidy contract)**

Reporting eligible project expenditure

Overheads

3rd call projects

- maximum 20% of staff costs
- Overhead costs can be declared **only on „real costs” basis**: justified by invoices, supporting documents!
 - » *Office rental fee, electricity, heating, water and other services related to the maintenance of the office (e.g. cleaning);*
 - » *Phone, fax, internet, postal costs, courier;*
 - » *Stationery, printing, copying;*
 - » *Indirect staff costs or services supporting directly the project implementation and proportionally allocated to the project: administrative staff, book-keeping/accounting, salary administration, IT support.*

Reporting eligible project expenditure

Overheads

4th call projects

- Overhead costs can be declared **on „real costs” basis**
 - Justified by invoices, supporting documents
 - Maximum 20% of staff costs
- Overhead costs can be declared **on „flat rate” basis**
 - No further justification needed from the project partner
 - 8% of staff costs, automatically declared if staff costs are declared by the PP.



Reporting eligible project expenditure

External expertise and services

- Activities foreseen in the approved in the AF
- the selection of the external experts shall comply:
 - ERDF Partners: with the relevant National Public Procurement Law in force
 - IPA-I Partners: with the provisions of the PRAG
- PPs of the same project cannot be contracted as an external expert or a sub-contractor
- respect information and publicity requirements of the SEE Programme



Reporting eligible project expenditure

Equipments

- equipment is foreseen in the approved AF (section 5.7)
- used exclusively for the project implementation
- suppliers should be selected:
 - ERDF Partners: with the relevant National Public Procurement Law in force
 - IPA-I Partners: with the provisions of the PRAG



Reporting eligible project expenditure

Small scale investments

- **only expenditure of the small scale investments explicitly described in the approved AF**
- Costs of **purchase of land are not eligible** for financing from ERDF and IPA funds within the projects
- The contractors of investments should be selected:
 - ERDF Partners: with the relevant National Public Procurement Law in force
 - **IPA-I Partners: with the provisions of the PRAG**
- small scale investments implemented in reality
- used only for the project purposes
- publicity requirements of the SEE Programme respected
- requirements on durability of operations (e.g. ownership) respected



Reporting eligible project expenditure

Compliance with EU policies and other rules

- **The principle of cost efficiency and transparency**
- **Public Procurement**
- State Aid
- **Information and publicity requirements**
- Environment protection
- Equal opportunities
- Expenditure by public authorities
- **Double financing**



Financial management procedures

Advices...

- **The liquidity of the programme – therefore the fluency of payments to the projects – depends on the spending and the reported expenditure of the projects !**
- **Submit project expenditure for validation for each reporting period!**
- **First reporting period:**
 - **obligation** by the subsidy contract
 - **opportunity** to learn the reporting
 - **report at least preparation costs / expenditure related to the starting up of the project**, e.g. kick off event, communication plan, staff costs, etc.
- **Keep deadlines of reporting to your Controller and your LP!**
- **Progress report and Application for Reimbursement submitted in time and complete = earlier payment of Community contribution to the project!**

Practical Information

Documents:

www.southeast-europe.net

Downloads section ↗

⇒ **Project management documents:** *SEE Implementation Manual*

Questions:

Contact the JTS ✉

E-mail: jts@southeast-europe.net

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Thank you for your attention!

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