

South East Europe (SEE) Implementation Manual

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GLOSSARY

IMIS 2007-2013

The Monitoring and Information System of the SEE Programme

SEE Front Office

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

Progress Report

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

Application for Reimbursement

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

Partner Report

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

Declaration on validation of expenditure

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

SEE Programme Manual

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

SEE Control Guidelines

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

1 Purpose and content of the SEE Implementation Manual

1.1 Purpose

The purpose of the SEE Implementation Manual is to provide detailed guidance for Lead Partners (and project partners) of the approved projects in the implementation phase from contracting to project closure including reporting obligations, payment of ERDF Funds, and IPA funds in the IPA integrated phase (relevant for the projects under the 3rd and 4th calls for proposals) and other programme-related requirements set in the Subsidy Contract.

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

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

The main rules for IPA partners participating in the non-integrated phase of the programme (1st and 2nd call for proposals) are described in a separate chapter of the SEE Implementation Manual (Chapter 9), while the detailed implementation rules will be given by the Contracting Authorities of each Partner State.

The rules for ENPI partners participating in the integrated phase of the programme (from the 3rd call for proposals) are for the moment not part of the SEE Implementation Manual.

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

2 Contracting

2.1 Contracting procedure

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

Once the Lead Partner submitted all necessary documents, the JTS prepares the Subsidy Contract. The Subsidy Contract is going to be signed first by the JTS on behalf of the MA and will be sent to the Lead Partner for signing in three originals, of which one original remains at the LP. The Lead Partner has to send back to the JTS the remaining two signed originals within 20 days from the reception (deadlines in the SEE Implementation Manual always refer to calendar days).

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

2.1.1 Normal contracting procedure

The normal contracting procedure applies in case the MC approves an application without conditions.

Following the JTS notification about the MC approval of the application, the LP has to submit the following documents in electronic and original format to the JTS within 15 days from the date of receiving the JTS notification letter:

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

In case after checking the submitted documents the JTS asking for correction, or further completion of the documents, the LP has to submit the completed, original documents within 10 days from the JTS communication.

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

2.1.2 Contracting projects approved with conditions

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

The process will be the following in such case:

1. The LP will be informed by the JTS about the conditions to be fulfilled in order to conclude a Subsidy Contract;
2. The LP has to revise its Application Form according to the set conditions;
3. In case the Partnership Agreement is also affected, the LP has to readjust it and all the project partners should sign an Addendum to the Partnership Agreement (a template for an addendum to the Partnership Agreement can be downloaded from the SEE Programme website);
4. The LP has to submit all the requested documents to the JTS within 20 days from the JTS communication.
5. In case after checking the submitted documents the JTS asking for further completion of the documents, the LP has to submit the completions within 10 days from the JTS communication.
6. The JTS checks, if the project fulfils all the conditions set by the MC and based on that result the MC will decide, if a Subsidy Contract can be concluded.
7. Based on the final decision of the MC either the normal contracting procedure will be followed, as described above, or the JTS informs the LP that the proposal could not comply with the set conditions and therefore the Subsidy Contract can not be concluded.

2.2 The Subsidy Contract

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

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

2.3 Starting up the project

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

- a. Projects approved in 1st and 2nd Call

The eligibility of expenditures between the approval date (MC decision) and the starting date of the project is restricted to certain type of costs that are detailed in the “eligibility in time” section of the Programme Manual of the respective Calls.

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

b. Projects approved in 3rd and 4th Call

All expenditures are eligible from the date of final approval of the project by the Monitoring Committee, after endorsement of the outcomes of the conditions' clearing process and within the eligibility period of the project. The activities and expenditures related to the condition clearing process are considered in case of 3rd and 4th CfP projects part of the Preparation costs (*for more details see the chapter on Preparation costs of the Programme Manual of the respective Call*).

When starting the project, partnerships involving partners that applied for IPA funds in the non-integrated phase of the programme (1st and 2nd call) should also consider that the contracting procedure of the IPA partners differ from those funded by ERDF and their expenditures will be eligible only after they conclude a Grant Contract with the respective Contracting Authority. Therefore the involvement of the IPA partners in the project starting phase may not be easily solved until they have their own Grant Contracts signed by both parties.

In case of 3rd and 4th CfP projects these should be considered only, if ENPI PPs are involved in the partnership, as funding of IPA-I PPs are included in the Subsidy Contract, signed by the LP.

3 Project changes

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

Any substantial change affecting the approved Application Form, as well as the Subsidy Contract (i.e. the partnership structure, the project objectives, activities, outputs and results, budget reallocation among work packages and/or budget lines exceeding the reallocation limit defined in section 3.1.3.2 of this Manual, budget reallocation among partners, or the project duration) makes necessary that the LP requests modification of the Subsidy Contract, which **has to be approved by the MA, or in specific cases by the MC**. A modification requested by a project can be implemented only after it is approved by the responsible programme body (MA or MC). Although the expenditures related to the modified activities and outputs are eligible already from the date of the MA / MC decision (for the special eligibility case of changes in the partnership see chapter 3.1.1 of this Manual) those costs can be validated only after the amendment of the Subsidy Contract is signed by each contracting parties.

Less significant changes (Reallocations among budget lines, work packages up to the reallocation limit; administrative changes) are possible without previous approval of the MA, or MC, or the modification of the Subsidy Contract and **need only the confirmation of the JTS**. The LP has to communicate these modifications also in the regular progress report.

Certain type of changes (Budget reallocation among project partners that are not connected to partnership changes; budget reallocation among work packages, or budget lines exceeding the reallocation limit; and prolongation of the project duration) **can be requested only once** during the whole project implementation period per each type of modification. *In an exceptional, well justified case modification of these types of changes can be allowed by the MA / MC once more.*

The possibility of other type of modification requests are not limited in number, nonetheless the LP and project partnership should keep in mind that by signing the Subsidy Contract they are obliged to implement their project according to their approved original application form. None of the change requests will automatically be approved by the MA, or MC, as project changes will always be accepted only in well justified cases. The **last request for modification** of the Subsidy Contract can be submitted to the JTS **2 months before the end date of the project** at the latest.

3.1 Types of project changes

3.1.1 Changes in the partnership

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

Principles

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

The partner leaving a project will remain fully responsible and liable for all activities that were carried out and outputs that were delivered by them until the date of withdrawal. Expenditures of the withdrawing partner are eligible if they are incurred and paid until the date of withdrawal, indicated also in the related Addendum of the Subsidy Contract, and can be validated and must be reported by the Lead Partner until the reporting deadline of the reporting period, following the period in which the MA / MC approved the partner withdrawal.

In case a withdrawn ERDF, or IPA-I partner will be replaced, the new ERDF, or IPA-I partner should comply with all partner eligibility criteria of the SEE Programme, should have equal relevance for the partnership as the one leaving, and bearing sufficient economic and organisational capacity to be able to complete its duties and responsibilities within the project. The expenditures related to the activities and outputs of the new partner can be eligible already from the "date of new PP entry" for the new partner, based on the "Declaration of commitment to join the partnership", signed by the new partner and the Lead Partner, which is indicated also in the related Addendum of the Subsidy Contract - *provided that the MA / MC approves the new project partner*. The costs of the new project partner can be validated only after the amendment of the Subsidy Contract is signed by each contracting parties.

As a general rule, the withdrawn ERDF partner shall be replaced by a new ERDF partner and the withdrawn IPA-I partner can be replaced only by another IPA-I partner, similar in terms of competences / responsibilities and located within the same country as the withdrawing one. In specific and justified cases the activities of the given partner (including the remaining budget) can be taken over by a new partner located in another, respectively ERDF, or IPA Country of the Programme area, or distributed among the partners so that ERDF funds can be distributed only among the remaining ERDF partners, while IPA funds among the remaining IPA-I partners.

In case an ERDF, or IPA-I partner is withdrawn and, due to the circumstances, the activities and deliverables of the withdrawn ERDF / IPA-I partner cannot at all, or just partly can be taken over by either a new ERDF / IPA-I partner, or other ERDF / IPA-I partners of the original partnership, new activities and deliverables can be introduced, if the new activities and deliverables guarantee equivalent value for the whole project. As a consequence the total budget of the project is reduced by the budget part that is not used by the withdrawn ERDF / IPA-I partner, or by the budget part related to those original activities and deliverables that the new partnership is not able to implement, or replace with equally valuable ones.

Changing the Lead Partner, being a contracting party and main responsible for the whole project and partnership towards the SEE Programme, is such a serious and substantial change that always needs the approval of the MC. In case of changing the Lead Partner, the new Lead Partner must be nominated from the original partnership, being an ERDF partner, bearing appropriate competences and capacities for this role. Instead of an addendum to the original Subsidy Contract, a new, tripartite (withdrawing LP, new LP and SEE JTS) Subsidy Contract is settling the Lead Partner change. The withdrawing Lead Partner is fully responsible and liable for the whole project activities and deliverables until the date of the last signature out of the three signatories, from which date the new Lead Partner takes over the full responsibility and liability for the project.

20% ERDF Partner can be changed, in case the new 20% ERDF Partner is from the same country as the withdrawing one and also complies with the respective eligibility criteria of the SEE Programme. Considering the specific way of contribution and participation of a 20% ERDF Partner in a project implementation, changing such a project partner always needs the approval of the MC.

Associated Strategic Partners (10% Partner, EU Associated 20%, EU Associated), sponsored by other ERDF Partners can also be changed, provided the new Associated Strategic Partners complies with the respective eligibility criteria of the SEE Programme. In case an Associated Strategic Partner is withdrawn without another Associated Strategic Partner taking its role over, the remaining budget part, originally allocated for sponsoring the Associated Strategic Partner that is withdrawn, will be deducted from the total budget of the “sponsoring” ERDF partner. In case the role of the withdrawn Associated Strategic Partner is to be taken over by another Associated Strategic Partner, which has already been involved in the project partnership, the related rules and procedures are regulated in section 3.1.3.1 of this Manual.

The withdrawal, or change of an IPA (1st and 2nd Call), or ENPI partner is mainly regulated by the specific Grant Contract of the affected partner, but nonetheless the Lead Partner is responsible to inform the JTS about any such change including a clarification on the modified division of the work among the project partners and initiate a modification procedure in case that change affects also the Subsidy Contract (including the Application Form) of the project as well.

The MA is entitled to withdraw from the Subsidy Contract and reclaim the ERDF and / or (in 3rd and 4th Call) IPA contribution already transferred in case the project would not fulfil the minimum requirement for the transnational partnership of the SEE Programme due to the partnership change, unless the LP can demonstrate that at least 75% of project's budget of the ERDF and / or respectively IPA-I partners had already been spent and a fair proportion of objectives, outputs and results had been already delivered before the withdrawal/debarring of a partner.

Necessary documents and procedure

The Lead Partner should immediately contact the JTS in case the project faces partnership problem and such change is planned. The JTS involves the national SCP of the country of the withdrawing PP / LP in order to support the LP solving the partnership problem, if necessary.

In case the replacement of a PP / LP is foreseen the LP and the partnership should find an appropriate new PP / LP within 15 days from the JTS communication on the conditions of the modification, which can be extended with another 15 days in case the search is not successful.

Once it is decided how the partnership change is planned to be solved, the JTS will request in written form the LP to submit the electronic version of the following documents within 30 days from the JTS communication:

- “Request for project modification” (Annex 2 of this Manual);
- “Budget change table” (Annex 6 of this Manual), if necessary;
- “Declaration of withdrawal from the partnership” issued by the partner leaving the project (ANNEX 7 of this Manual - *copy of the document signed by the affected PP*), or the written decision of the project steering committee debarring the partner, including the date of withdrawal (*copy of the document signed by all PPs*);
- “Declaration of commitment to join the partnership” issued by the new partner, including the exact “date of new PP entry” (ANNEX 8 of this Manual - *copy of the document signed by the new PP*);
- revised Application Form (except for 2nd CfP projects) - defining the new division of work and the budget accordingly;
- change-log file, defining each modified part of the AF affected by the change;
- new Co-financing Statement(s) of the affected partner(s) (*copy of the signed document per each affected PP*), if necessary

In case the documentation is not complete, or further information is requested by the JTS, the LP should provide the completion within 5 days from the JTS communication.

The submitted “Request for project modification” will be evaluated by the JTS and will be put forward for decision to the Managing Authority, or the Monitoring Committee. In case a new partner is introduced in the partnership, based on the written confirmation of the MC Member of the affected Partner State(s) (from which the new partner, and from which the withdrawing partner come) accepting the new partner, the MA will decide about the partner change. The decision of the MC is necessary in the following cases:

- budget reallocation among ERDF partners, or among IPA-I partners from different countries due to the partnership change;
- change of the Lead Partner;
- change of the 20% ERDF Partner;
- the partner change affects the general character (objectives, outputs and results) of the original project

In case of approval the JTS notifies in written form the LP about the MA / MC decision and requests the submission of the following documents within 15 days:

- original, signed versions of all the above-listed documents;
- amendment of the Partnership Agreement according to the modified partnership;

The finalised addendum to the Subsidy Contract will be signed by the JTS on behalf of the MA and sent to the LP. The Addendum should be signed also by the LP and sent back to the JTS within 20 days from its reception.

In case the LP is replaced, a new Subsidy Contract is prepared defining the rights and responsibilities of the withdrawing LP and the new LP, which will be signed by the JTS on behalf of the MA and sent to the withdrawing LP. The new Subsidy Contract should be signed by the withdrawing LP within 20 days from its reception and forwarded to the new LP, who after signing also the Subsidy Contract sends it back to the JTS within 20 days from its reception.

The expenditures related to the activities and outputs of the new partner can be eligible already from the “date of new PP entry” for the new partner, based on the “Declaration of commitment to join the partnership”, issued by the new partner and the lead partner, which is indicated also in the related Addendum of the Subsidy Contract - provided that the MA / MC approves the partner change. The related costs can be validated only after the amendment of the Subsidy Contract is signed by each contracting parties.

3.1.2 Changes in the content of the project

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

3.1.2.1 Minor changes in the content of the project

Minor changes that do not affect the defined objectives, outputs and results (change of location of a certain event, changes in the time plan, changing minor equipments defined in the AF for another equipments serving the same purpose etc.) and do not risk the full completion of the project by the end date need only the **previous confirmation of the JTS**.

Content (but not partnership) change related to the “10% ERDF flexibility” should also be considered as minor content change. (This is the case when expenditure of an ERDF PP is planned for the implementation of specific activities of the project in countries outside the EU but part of the programme area. Changes related to the involvement of a 10% Partner are regulated in section 3.1.3.1 of this Manual.) In an exceptional and well justified case, the LP may request introducing or modifying “10% ERDF flexibility” budget for an ERDF Partner that would be responsible for the related activities. The need for those activities outside the EU and the benefit of the EU territory has to be always clearly demonstrated.

Necessary documents and procedure

Before the change is implemented the LP should communicate and justify such minor changes to be confirmed by the JTS that the right procedure is followed. The LP has to report those changes that were implemented also in the following due Progress Report.

3.1.2.2 Changes affecting Common costs

Introduction of Common costs cannot be requested in case those were not planned in the originally approved Application Form.

Changing the conditions, proportion of partner contributions in relation to project Common costs needs confirmation of the JTS before the expenditure are reported according to the new conditions and proportion of partner contributions.

Necessary documents and procedure

The Lead Partner should contact the JTS by email in case the project partnership would like to modify Common costs in the project budget. In case the request is justified, the JTS will request the submission of the following documents within 30 days the latest:

- Common costs budget table detailing the changes supported by justification for the modification - signed by the LP;
- Document proving the common agreement of all affected project partners on the proposed changes (1 original version signed by all affected PPs);
- revised Application Form (except for 2nd CfP projects) - with the modified Common costs budget (1 original version signed by the LP);
- change-log file (only in case of 2nd CfP projects), defining the modified Common costs budget of the original AF;
- Amendment of the Partnership Agreement of the modified partnership (in case it is specifying the Common costs contributions of the PPs - 1 original version signed by all PPs);

It should be considered that expenditure can be reported according to modification requested by a project, only after the requested changes are modified in the IMIS 2007-2013 system by the JTS. The JTS modifies the Common costs budget of the project only after all requested documents are received from the LP.

3.1.2.3 Significant changes in the content of the project

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

Principles

The implementation of activities, outputs, or results to be modified (in comparison to the approved Application Form) can be started, and the related expenditures are eligible, only after the date the Monitoring Committee approved the modification. These costs can be validated only after the amendment of the Subsidy Contract is signed by each contracting parties.

If following the change, the originally approved activities or outputs cannot be delivered anymore, or replaced by justified, new activities or deliverables that guarantee equivalent value for the whole project, the budget part related to the non-delivered activities, outputs will proportionally be reduced for the affected partners.

While considering to substantially change the project content, the LP and the project partnership should also consider the Article 12 h) of the Subsidy Contract regarding the right of the MA to withdraw from the contract and reclaim the ERDF contribution.

Necessary documents and procedure

The Lead Partner should immediately contact the JTS in case the project faces problems that would affect the original objectives, outputs, or the results and plans such change. In case the JTS considers the change procedure necessary, the JTS will request to submit the electronic version of the following documents within 30 days the latest:

- "Request for project modification" (Annex 2) clearly describing and well justifying the reasons for such a modification;
- revised Application Form (except for 2nd CfP projects);
- change-log file, defining each modified part of the AF affected by the change;

In case the provided documentation, or information is incomplete the LP should submit the completed documents within 5 days from the JTS communication.

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

For the preparation of the addendum the original, signed versions of the documents listed above should be submitted by the LP to the JTS within 15 days from the JTS communication about the MC decision.

The finalised addendum will be signed by the JTS and sent to the LP. The addendum should be signed also by the LP and sent back to the JTS within 20 days from its reception.

3.1.3 Budget changes

According to the type and scale of budget changes different procedures are applied. Although procedures are similar, changes affecting ERDF and / or IPA funds (of IPA-I partners) are considered usually separately in a certain change.

3.1.3.1 Budget reallocation among ERDF, or among IPA-I project partners

Reallocation of the budget among ERDF partners, or among IPA-I partners is affecting the financial balance of the partnership; therefore such a modification always needs the previous approval of the MA, or the MC, as well as the modification of the Subsidy Contract.

Principles

Budget reallocations are possible only among ERDF partners or among IPA-I partners respectively (funds of different sources cannot be mixed), and only in the following cases:

- a) In justified case (without partnership change), if not affecting the main objectives, results and outputs of the project.
- b) Due to changes in the partnership (distributing activities and related budget among the project partners) – as described in section 3.1.1 of this Manual.
- c) When one ERDF partner takes over the responsibility to finance the participation of an Associated Strategic Partner (10% Partner, EU Associated 20%, EU Associated) from another ERDF project partner and the budget part, which is related to "sponsoring" the participation of the Associated Strategic Partner is reallocated between the ERDF project partners.

The budget reallocation among ERDF partners, or among IPA-I partners must not risk the transnational character of the project and cannot result that any of the affected partners will not be able to deliver the majority of the planned outputs and results as the consequence of the modification.

In case following the budget reallocation among project partners one or more of the originally planned activities, or outputs will not be delivered, or replaced by justified, new activities or outputs that guarantee equivalent value for the whole project, the total budget of the project will be proportionally reduced.

Budget reallocation among ERDF partners, or among IPA-I partners that are not connected to a partnership change *can be requested only once* during the whole project period and only in an exceptional, well justified case once more.

Necessary documents and procedure

The Lead Partner should immediately contact the JTS in case some project partners face financial problems and such change is planned. In case the JTS considers the change procedure necessary, the JTS will request to submit the electronic version of the following documents within 30 days the latest:

- "Request for project modification" (Annex 2) clearly describing and well justifying the reasons for such a modification;
- "Budget change table" (Annex 6 of this Manual);
- revised Application Form (except for 2nd CfP projects) with the modified budget;
- change-log file, defining each modified part of the AF affected by the change;

- new Co-financing Statements of the affected partners, if relevant (*copy of the signed documents per each affected PP*)

In case the provided documentation, or information is incomplete the LP should submit the completed documents within 5 days from the JTS communication.

When budget reallocation among PPs is due to changes in the partnership (case b), the procedure to be followed is described in chapter 3.1.1 of this Manual.

Budget reallocation among ERDF partners and among IPA-I partners from different countries have to be decided by the MC, while all other changes will be decided by the MA.

In case of approval the JTS notifies in written form the LP about the MA / MC decision and for the preparation of the Addendum to the Subsidy Contract requests the submission of the following documents within 15 days:

- original, signed versions of all the above-listed documents;
- amendment of the Partnership Agreement;

The finalised Addendum to the Subsidy Contract will be signed by the JTS and sent to the LP. The Addendum should be signed also by the LP and sent back to the JTS within 20 days from its reception.

The modification requested by a project can be implemented only after it is approved by the responsible programme body (MA or MC). Although the expenditures related to the modified partner budget are eligible already from the date of the MA / MC decision those costs can be validated only after the amendment of the Subsidy Contract is signed by both contracting parties. (For the special eligibility case of budget modification in connection with introducing a new PP see chapter 3.1.1 of this Manual)

3.1.3.2 Budget reallocation among work packages and budget lines

There is a reallocation limit (20% in case of 1st and 2nd CfP projects and 10% in case of 3rd and 4th CfP projects) that is decisive in respect of the procedure to be followed. The reallocation limit is calculated separately for the budget reallocations among the work packages and among the budget lines.

The limit calculation method

- **The 20% / 10% limit is considered cumulatively on project (not on partner) level.**
- The **original** division of expenditure among **work packages and budget lines**, defined in the approved original Application Form, is kept as **reference basis** for the whole implementation period of the project (except in case of approved project modification).
- First **the difference between the cumulated real costs** (validated and reported) of a WP / BL **and the originally planned budget of the same WP / BL is calculated.**
- **Then the positive (+) differences are summed up and compared to the total project budget of the ERDF (and if applicable) IPA-I partners** (total project budget minus budget of IPA (but not IPA-I) and ENPI PPs) thus giving the proportion of the reallocated amount in %.

Principles

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

The budget part of WP0 – Project Preparation that is not used by a project partner (i.e. the validated and reported costs of WP0 are less than the planned one) cannot be reallocated to other work packages.

Certain budget lines cannot be reduced to the extent that it would alter the relevance of the involved project partner (i.e. extreme reduction of staff costs – BL1), or affect core deliverables (i.e. considerably reducing the costs of equipments – BL5, or the small scale investments – BL6), but only in an exceptional, well justified case.

It is the responsibility of the LP to monitor the status of budget reallocations among the work packages and budget lines of the project in relation to the 20% / 10% limit.

On the “SEE Front Office” of IMIS 2007-2013 **the status of the differences of the WP and BL spending indicated (%)** at project level in comparison to the original WP and BL budgets of the project

A **report** can also be generated in the “SEE Front Office” of IMIS 2007-2013 (**Financial progress per project partners**) indicating the **deviations at project partner** and **total project level**, as well as the **amount still available for WP / BL budget reallocation** at project level **before reaching the 20% / 10% limit**. The calculations of these monitoring tools are **based only on the reported expenditures** (real costs) and NOT on the planned budget reallocations, thus indicating the deviations at a later stage than the expenditures are actually incurred.

This means that the LP should monitor at project level **in advance the plans of all partners on budget reallocations among WPs or BLs** and approve them so **to make sure that** – when costs will be reported – **the 20% / 10% limit is respected**, or being able to initiate in time the request for appropriate project modification (see *section 3.1.3.2 b* of this Manual). **Otherwise the reporting and payment process will suffer delay**, as the IMIS 2007-2013 system will not allow the submission of the progress report.

At the same time, it is the **responsibility of each PP to timely inform the LP whenever they intend to reallocate budget among WPs or BLs**, and get the approval of the LP, to avoid running the risk of delayed reimbursement of their costs for exceeding the limit of the 20% / 10% reallocation, or some of them even rejected being finally not approved.

Based on this, the LP should confirm towards the Controller of the project partner that the specific budget shift is acknowledged, it is within the reallocation limit on overall project level and the project costs can be validated in accordance with the reallocation of the PP without modifying the Subsidy Contract.

a) Reallocation below the limit

Until the budget reallocation(s) among different work packages or budget lines do not exceed 20% / 10% of the total project budget for ERDF (and if applicable) IPA-I partners, neither previous approval of the MC, nor the change of the Subsidy Contract is necessary. In case of such type of budget reallocation the original budget allocation per work packages and budget lines is not modified in IMIS 2007-2013.

Necessary documents and procedure

The LP should contact the JTS by e-mail before the change is implemented in order to clarify the situation and make sure that the right procedure is followed.

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

b) Reallocation exceeding the limit

When the budget reallocation(s) among work packages and / or budget lines reach 20% / 10% of the project budget of ERDF and (if applicable) IPA-I partners the approval of the MC is needed before proceeding with the project implementation according to the budget reallocations, and the modification of the Subsidy Contract should be requested. Project change related to reallocation(s) exceeding the limit can be requested only once (and only in an exceptional, well justified case once more), separately for work package, and for budget line reallocations as well, during the whole project period.

Necessary documents and procedure

The Lead Partner should immediately contact the JTS when **in the phase of planning the budget reallocation(s)** among work packages, or budget lines it is foreseen that the respective reallocation limit is going to be reached at project level - **even before the PPs would start spending according to the modified budget**.. In case the JTS considers the change procedure justified, the JTS will request the LP to submit the electronic version of the following documents within 30 days the latest:

- “Request for project modification” (Annex 2) clearly describing and well justifying the reasons for such a modification, summarising all those previous changes as well that led to exceeding the reallocation limit;

- "Budget change table" (Annex 6 of this Manual);
- revised Application Form (except for 2nd CfP projects);
- change-log file, defining each modified part of the AF affected by the change;

In case the provided documentation, or information is incomplete the LP should submit the completed documents within 5 days from the JTS communication.

The submitted "Request for project modification" will be evaluated by the JTS and will be put forward for decision to the Monitoring Committee. In case of approval, the JTS notifies in written form the LP about the MC decision and requests the submission of the following documents within 15 days:

- original, signed versions of all the above-listed documents;

The finalised addendum to the Subsidy Contract will be signed by the JTS on behalf of the MA and sent to the LP. The addendum should be signed also by the LP and sent back to the JTS within 20 days from its reception.

The modification requested by a project can be implemented only after it is approved by the MC. Although the expenditures related to the modified WP or BL budgets are eligible already from the date of the MC decision those costs can be validated only after the Amendment of the Subsidy Contract is signed by each contracting parties.

When the Amendment of the Subsidy Contract is signed by each contracting parties, the financial tables of the project in IMIS 2007-2013 will be modified accordingly and the real expenditures (validated and reported) of the project cannot exceed these budget allocations per work packages and budget lines until the end of the project implementation.

3.1.4 Revision of the spending forecast

The spending forecast is to reflect how much the project and its PPs are following the originally foreseen spending flow of the implementation of their project, therefore **the project spending forecast is fixed in the Subsidy Contract and can be modified only in connection to such project changes that affect the project budget, or the project duration.**

1st and 2nd CfP projects can apply the revision of their spending forecast in case the Lead Partner requests a derogation from Article 4.12 of their Subsidy Contract.

The revision of the spending forecast is to be made in accordance with the respective procedure of the project change that has the effect on the spending forecast.

3.1.5 Decommitment of the project

In case the SEE Programme is affected by decommitment of Community funds – based on the decision of the Monitoring Committee – the MA is entitled to decommit the project by reducing the original project budget and the corresponding ERDF contribution and in case of 3rd and 4th CfP projects IPA contribution. (see also 5.3. of this Manual for further details)

Necessary documents and procedure

In case of MC decision on the decommitment of the project, the MA initiates the modification of the Subsidy Contract. For the modification of the Subsidy Contract, the LP has to submit the electronic version of the following documents within 15 days from the JTS notification:

- revised Application Form (except for 2nd CfP projects) - modifying the budget and the activities accordingly;
- "Budget change table" (Annex 6 of this Manual);
- change-log file, defining each modified part of the AF affected by the change;
- Addendum to the Partnership Agreement (in case affected by the modification – copy of the document signed by each PP);

The Addendum to the Subsidy Contract will be prepared by the JTS.

For the preparation of the Addendum to the Subsidy Contract the original, signed versions of the above-listed documents should be submitted by the LP to the JTS within 15 days from the JTS communication.

The finalised addendum will be signed by the JTS on behalf of the MA and sent to the LP. The addendum should be signed also by the LP and sent back to the JTS within 20 days from its reception.

The LP should provide the affected project partners the copy of the amendment of the Subsidy Contract.

3.1.6 Prolongation of the project duration

Prolongation of the project duration can be requested *only once during the whole project implementation* period (and once more only in an exceptional, well justified case) and can be submitted to the JTS **2 months before the end date of the project** at the latest.

The prolongation of the project duration means the extension of the eligibility time and if relevant, the revision of the spending forecast of the project.

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

Necessary documents and procedure

The Lead Partner should immediately contact the JTS in case the project implementation is in such delay that the prolongation of the project duration might be necessary. If the JTS considers that the request is justified, it will request the LP to submit the electronic version of the following documents the latest within 30 days:

- "Request for project modification" (Annex 2) justifying the need for prolongation, defining the extension of the project duration and including a description of the activities and outputs affected by the postponement;
- revised Application Form (except for 2nd CfP projects);
- "Budget change table" (Annex 6 of this Manual) (in case spending forecast affected);
- change-log file, defining each modified part of the original AF affected by the change;
- Addendum to the Partnership Agreement (in case affected by the modification) signed by each PP;

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

The JTS notifies in written form the LP about the MA / MC decision and for the preparation of the addendum requests the submission of the following documents within 15 days from receiving the notification:

- original, signed version of the above-listed document;

The finalised addendum will be signed by the JTS and sent to the LP. The addendum should be signed also by the LP before the original end date of the project and sent back to the JTS within 20 days from its reception.

The prolongation requested by a project can be considered valid only after it is approved by the MA / MC. Although the expenditures related to the extended project implementation period are eligible after the amendment of the Subsidy Contract is signed by each contracting parties.

3.1.7 Other changes

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

Necessary documents and procedure

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

(a) Legal succession of the LP (Article 9 (3) of the Subsidy Contract)

Changing the legal entity of the LP is considered as an administrative change and not as a partner change that needs the notification of the MA via the JTS, in case, based on the legal act resulting the change, it is proved that the new legal entity is the legal successor taking fully on the duties and obligations of the previous one, as well as still fulfils the partner eligibility criteria of the SEE Programme. The JTS in cooperation with the respective national SCP examines the terms of legal succession and the eligibility of the new legal entity and the JTS notifies the MA about the change.

Necessary documents and procedure

The LP has to inform in written form the JTS as soon as possible in case such change is foreseen. Once the related legal act enters into force the LP should submit the following documents within 10 days:

- The specific act in original language - to the respective national SCP;
- The conclusions of the specific act translated to English – to the JTS
- “Statement on Project bank account”, if bank account is different from the original one:
- “Proof of signature of the new legal representative of the LP”
- Note on other data changes (e.g. contact persons, contact details of partners)

Based on the documents the JTS updates LP data in the IMIS 2007-2013 system.

3.1.8 Summary table of types of project changes and related procedures

Type of project change	Procedure	
	No previous approval; No change of Subsidy Contract	Previous approval and Addendum to Subsidy Contract
Partnership change	X	Always need MA, or 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 / among IPA-I PPs from different countries decided by MC • Other cases need MA decision; • Can be requested only once if it is not in connection with partner change, or “sponsoring” an Associated Strategic Partner
Budget reallocation among WP / BL	<ul style="list-style-type: none"> • Until cumulated amount of reallocation(s) remain below the defined limit (20% / 10%); 	<ul style="list-style-type: none"> • In case cumulated amount of reallocation(s) exceed the defined limit (20% / 10%);

	<ul style="list-style-type: none"> JTS to be informed in Progress Report 	<ul style="list-style-type: none"> Need MC decision Can be requested only once
Project duration prolongation	X	<ul style="list-style-type: none"> Need MA, or MC decision; Can be requested only once
Administrative changes	JTS to be informed the latest in the due periodic Progress Report	X

4 Reporting

4.1 Reporting obligations

According to its contractual obligation the Lead Partner regularly has to report about the project progress proving that the implementation is in accordance with the approved application form and justifying the reported, validated expenditures in connection to the application for reimbursement of the ERDF and in 3rd and 4th Call projects the IPA contribution. Therefore the LP has to submit a progress report - with each application for reimbursement - describing the activities carried out and the outputs, results delivered during the reporting period, as well as presenting the financial progress of the project.

4.2 Characteristics of the reporting

4.2.1 The reporting tool

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

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

The Users’ Guideline for the SEE Front Office of IMIS 2007-2013 (ANNEX 5 of this Manual) for reporting including technical guidance, how to handle the reporting tool on the SEE Front Office is available at the Programme’s website to download.

4.2.2 Main parts of the progress report

The progress report focuses on the followings:

- In the **activity report** parts, on the one hand the Lead Partner should give account of the general progress of the whole project, what has been achieved and delivered, how the partnership developed and if there is any kind of deviation from the original plans, on the other hand, focusing on the ERDF project partners and in 3rd and 4th Call projects the IPA-I partners, more detailed description is needed concerning the activities carried out, outputs and results delivered within the different work packages in comparison to the initially envisaged programme and project indicators. The specific descriptions of the activities and outputs should at the same time justify the reported expenditures of the different project partners that are claimed in the connected application for reimbursement.
- The **financial report** part presents the expenditure incurred, paid and validated by the ERDF and IPA-I project partners during the reporting period in relation to the reported activities of the project. Based on this part of the report the reporting tool will generate the actual Application for Reimbursement document of the project (see *chapter 5*. of this manual).
- In a specific part of the report should the LP summarise the activities of the IPA partners of 1st and 2nd Call projects and ENPI partners of the project.

4.2.3 The Partner Report

In general, every single Project Partner must contribute to the compilation of each Progress Report. This is valid also for Project Partners without financial contribution and Project Partners from non-EU member states. The ERDF project partners, and IPA-I partners of the 3rd and 4th call should help the LP in the preparation of the regular progress report by filling in and forwarding their *Partner Report* to the LP (at least in electronic version) well on time. The project partner provides via the Partner Report adequate information for the Lead Partner concerning the activity and financial progress of their project part concerning a certain reporting period.

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

The Partner Report (ERDF) tool can be downloaded from the SEE Programme website. The IPA-I partners will use a separate Partner Report tool, but at the same structure as the ERDF project partners.

4.2.4 Language of reporting

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

4.2.5 Reporting deadlines

As a general rule, the Lead Partner has to submit the progress report and the application for reimbursement **twice a year**, on a **six-month basis**, with the exception of the first reporting period that can be less than 6 months from the approval date of the project, and the last reporting period which may be longer than 6 months depending on the time plan of the project. The first reporting period starts with the approval date of the project. The last reporting period always ends by the end date of the project: in case the project period ends less than 2 months after the end of a standard reporting period, the last reporting period of the project is prolonged and will be longer than 6 months accordingly. Additional deadlines over the two obligatory deadlines per year may be set by the MA according to Article 4. (3) of the Subsidy Contract in order to avoid decommitment of ERDF, or IPA Funds at programme level. The additional deadlines may be set explicitly in the Subsidy Contract and/or communicated at least 2 months in advance to the Lead Partners.

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

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

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

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

The deadline for Lead Partners means the **receipt** of progress report with all requested documents **through the IMIS 2007-2013 Monitoring and Information System of the Programme**. The documents requested in **original officially signed copies** have to be received by the JTS **within 15 days after the electronic submission**. Progress report, or original copies received after the deadlines may automatically be rejected. In this case, the progress report can be submitted in the next reporting period. The Lead Partner should take into account that **the SEE Programme will reimburse the requested ERDF**, and in 3rd and 4th Call projects the **IPA contribution for a LP only in case its connected progress report is approved by the JTS**.

As the Lead Partner can submit progress report only on the basis of information received and expenditure validated on partner level, the deadline for submission of the progress report affects also the time schedule for preparing Partner Reports, validation of expenditure at partner level, and verification of expenditure and preparation of progress report by the LP. The LPs have to consider that generally about 2 months are needed for the Controllers to issue the Declaration on validation of

expenditure from the end date of each reporting period. This means that about 1 month will be available for the Lead partners to collect the declarations on validation of expenditure and to finalise the Progress Report and Application for Reimbursement for the whole project.

4.3 Preparation and submission of the progress report

4.3.1 How to prepare an appropriate report

It is the task and the interest of the Lead Partner to prepare the progress report so that it provides the appropriate information needed for the acceptance of the report that is the condition for further processing the Application for Reimbursement. The Users' Guideline for the SEE Front Office of IMIS 2007-2013 (ANNEX 5 of this Manual) clarifies what the LP should focus on, when filling in the different parts of the report, beside the description of the technical details needed for the preparation of the Progress Report and Application for Reimbursement.

4.3.2 Submission of progress reports

The progress report has to be submitted online to the JTS, via the SEE Front Office of the IMIS 2007-2013 (SEE FO). The submission of a progress report is possible only in case it is fully completed.

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

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

4.3.3 Documents to be submitted with the progress report

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

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

4.4 Completion of the progress report

When the JTS detects some problem in the reporting, or in the application for reimbursement document(s) the JTS requests the completion of the Progress Report and the application for

reimbursement from the Lead Partner. In such case the JTS will technically release the already submitted report on the SEE Front Office of the IMIS 2007-2013 and the Lead Partner will have the opportunity to revise the document(s) according to the request of the JTS and re-submit to the given deadline.

4.4.1 Completion of the Progress report and Application for Reimbursement

- a) In case the Progress report and application for reimbursement has to be completed, or additional clarifications, or missing documents has to be submitted, and the originally submitted declarations on validation of expenditures do not need correction, the completed progress report should be submitted within maximum **10 days** after the notice sent by the JTS.

If the Lead partner still did not fulfil all the requested corrections, the JTS can ask a second completion from the Lead Partner. The Lead partner has another 10 days after receiving the notice of the JTS to correct the mistakes of the Progress Report and / or the Application for Reimbursement and to re-submit it through the Front Office of the IMIS 2007-2013 and to send the original Corrective AfR and the requested documents in case relevant.

- b) In case the progress report and application for reimbursement has to be completed so that **one, or more declaration on validation of expenditure also needs to be reissued**, the corrected progress report, including the Corrective version(s) of the declaration on validation of expenditures should be submitted to the JTS within **30 days** from the notification to the LP by the JTS. In case it is not possible to reissue the declaration on validation of expenditure by the designated controller within the given deadline, or the reissued and resubmitted declaration on validation of expenditure is still not acceptable by the JTS the related costs of the given partner(s) shall be deducted from the amount of the application for reimbursement. In this case the corrective (re-issued) declaration on validation of expenditure can be submitted in the progress report and application for reimbursement of the following period.

4.4.2 Rejection of the Progress report and the Application for Reimbursement

After the second unsuccessful completion, the progress report and the application for reimbursement will be rejected. A rejected progress report and application for reimbursement can be resubmitted only once more, and for the reporting deadline of the following reporting period. In such a serious case, when the resubmitted progress report and application for reimbursement that have already been rejected in the previous period, still don't meet the Programme requirements, i.e. it is still not possible to gain appropriate information from the progress report as a whole on the followings:

- the activities carried out by the project partnership in the given period;
- the progress of the project implementation in the given period;
- clear and justifiable relation of the reported activities and outputs to the validated and reported expenditure of the partners, etc,

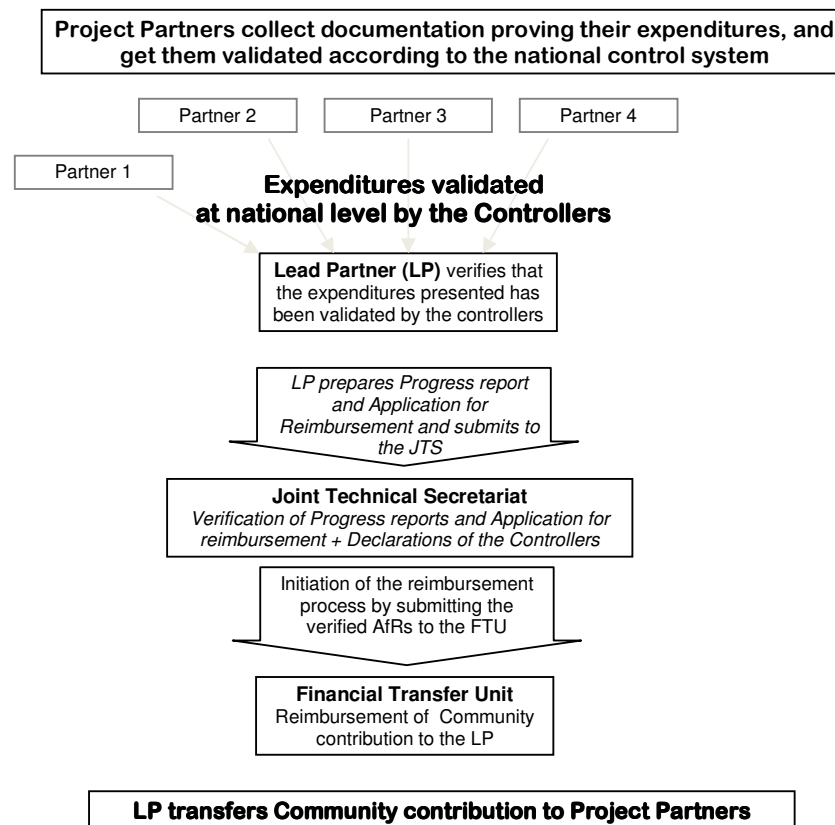
the JTS has to reject finally the progress report and application for reimbursement of the project and, there is no more possibility for further corrections. As this would also mean that the Lead Partner was not able to appropriately fulfil its reporting obligations deriving from the Subsidy Contract, the ERDF and in 3rd and 4th Call projects the IPA contribution part of the expenditures reported in the rejected progress report will not be reimbursed. Additionally the JTS can recommend the MA to withdraw from the Subsidy Contract.

5 Financial management of the project

5.1 Main steps of the financial management of the project

The financial management of the project is based on the Lead partner principle. It means, that the Lead partner is responsible to collect and summarise the validated expenditure of each ERDF partner, and IPA-I partners of the 3rd and 4th call, responsible for submitting the Application for Reimbursement for the whole project to the JTS, and receiving the ERDF contribution and IPA contribution in case of 3rd and 4th call projects and transferring the relevant ERDF contribution and IPA contribution in case of 3rd and 4th call projects parts to its project partners.

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



5.1.1 Validation of project expenditure

Validation of expenditure means the output of the verification process performed by the controllers at national level for each ERDF Project partner, and IPA-I project partners in case of 3rd and 4th call projects involved in the project. Only validated expenditure can be reported by the Project partners to the Lead partner. The process is the following in details:

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

The designated controllers and the control requirements for each Member State and Partner State are available at the Programme's website (www.southeast-europe.net).

Each Project Partner as well as the Lead Partner has to prepare a Partner Report referred in 4.2.3 of this Manual (Annex 4 of the SEE Control Guidelines), describing the activities fulfilled and the expenditure incurred and paid in the given reporting period. The Partner Report is a simplified version of the Progress Report of the Lead Partner, as it is relevant for one Project Partner only. This form is prepared at programme level and is obligatory to use by the Project Partners in the Member States and in the Partner States in case of 3rd and 4th call of the SEE Programme. The Partner report includes activity report and financial report, and shall contain the full list of expenditure for the reporting period concerned.

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

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

5.1.2 Submission of Application for Reimbursement

As described in Chapter 4. Reporting, the Lead Partner can request the reimbursement of ERDF contribution, and IPA contribution in the IPA integrated phase (3rd and 4th call projects) for the project expenditure validated for the given reporting period by submitting an Application for Reimbursement to the JTS together with the Progress Report.

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

The Application for Reimbursement is automatically generated on the SEE FO of the IMIS 2007-2013 Monitoring and Information System, when the progress report is fully completed. The data of the Application for reimbursement is based on the "Expenditure in Progress Report & AfR" and "revenues" parts of the Progress Report. These data have to be in line with the Declarations on validation of expenditure submitted by the Project Partners. Therefore, the LP has to fill in carefully these parts of the Progress Report in order to submit the correct Application for Reimbursement.

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

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

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

- The information included in the Application for Reimbursement, the related Progress Report and its Annexes are true and correct.

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

In case of any correction on the amount of the application for reimbursement related to the completion of the Progress Report, the LP has to reissue and sign the application for reimbursement in order to ensure that the LP is aware of the accepted amount of the ERDF and/or IPA contribution (in case of 3rd and 4th call projects) to be reimbursed.

5.1.3 Reimbursement of Community Funds to the Lead Partners

When submitting the Progress Report and the Application for Reimbursement, the LP has to be aware of the steps and the estimated timeframe of the reimbursement of Community contribution, i.e. ERDF and/or IPA (in case of 3rd and 4th call projects). The following procedure applies for the reimbursement of the Community contribution to the Lead partners:

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

5.1.4 Timeframe of reimbursement of Funds

The Lead partner and the project partners have to consider the timeframe of the reimbursement of Funds when preparing the time plan of their project activities. It should be also taken into consideration that the timeframe for the checking of the progress report by the JTS is prolonged with the time needed for the completions by the LP (generally 30-40 days).

The following flowchart presents the procedures described in the previous chapters with the indicative timeframes.



5.2 Special financial issues

5.2.1 Reporting eligible project expenditure

The sound financial management of the project is based on the eligibility of expenditure. The rules on the eligibility of expenditure are detailed in the SEE Programme Manuals of the respective Calls under the section “Eligibility of expenditures”, and have to be respected during the project implementation period by each project partner participating in the project. The eligibility of expenditure will be verified by the Controllers for each Project Partner at national level according to the requirements of the SEE Programme and the relevant Community and national rules.

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

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

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

5.2.2 Currency exchange

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

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

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

In case Project Partners from Member States or Partner States in the IPA integrated phase, which have not adopted the Euro as their currency, are participating in the project, the Project Partners shall convert into Euro the amounts of expenditure incurred in national currency before submission of the expenditure for validation to the controller. The same rule shall be applied for the expenditure incurred in the non-EU Partner States of the programme area.

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

5.2.3 Management of common costs within a project

In case to the SEE Programme Manual of the relevant Call for proposals of the SEE Programme allows the use of “common costs” within the projects, the following rules have to be respected.

As common costs planned in the project have to be presented already in the Application Form, the practice of splitting costs among partners should be – as far as possible – avoided for the approved projects, or if it necessary, it will be subject of project change according to 3.1.3.4. of this Manual

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

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

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

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

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

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

Specific eligibility rules are described in the Programme Manual of the relevant Call for Proposals.

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

Important!

In each case described below, partners should understand that

- the budget assigned to the common activities is not an additional budget, but a part within each PPs' budget participating in the common activity. Therefore **the relevant share of the common cost has to be submitted for validation by each PP participating in the common activity separately to its Controller.**
- the proportions of sharing common costs (%) given in the approved Application Form have to be applied during the project implementation even if the amount subcontracted is lower or higher than the planned budget for the common activity in the Application Form.
- As in each case only one partner is responsible for the public procurement and/or the contracting **additional “Confirmation on common costs”** has to be issued by the responsible partner's Controller to ensure the compliance with national rules.
- only expenditure paid by the project partner can be validated by its controller.
- **deductions** by the Lead Partner/responsible partner **from the ERDF contribution of the Project Partners are not allowed.**

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

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

PPs involved in the common activity. Before choosing between the two ways of proceeding for public procurement and sub-contracting the Project Partners should consider the respective national public procurement rules and the option available for the relevant Call for Proposals.

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

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

b) Each involved project partner will directly relate to the subcontractor for the payment of their shares within the common activity, in case the relevant rules on public procurement of the responsible partner's country allows this option. (This option is available only in case of the 1st Call projects)

1. The responsible partner and the involved partners are responsible together for the procedure of the public procurement (in the call for offers each PPs involved are listed). The rules on public procurement in each country of the involved partners have to be checked, but the rules in the responsible partner country have to be followed.
2. The responsible partner and each PPs involved will sign the contract with the sub-contractor of the common activity.
3. The responsible partner and each PPs involved will receive original invoice separately, only up to their relevant share of common costs.
4. The total amount(s) of the invoice(s) – relevant shares of the common costs - are paid separately by the responsible partner and each PP involved to the subcontractor directly.
5. The relevant share of the common cost has to be submitted for validation by each PP participating in the common activity separately to its Controller.

6. In addition, the responsible partner is obliged to submit the total amount of expenditure to be declared as common costs for a given reporting period to its Controller for verification. A "Confirmation on common costs" (see Annex 10. of the SEE Control Guidelines) will be issued by the responsible partner's Controller to ensure the compliance with national rules.
 7. It has to be ensured that only the relevant share of common costs is included for each PP in the Declaration on validation of expenditure (Annex 7. of the SEE Control Guidelines). Therefore the total amount of common costs should not be included the Declaration on validation of expenditure of the responsible partner, in order to avoid double declaration of costs.
 8. The responsible partner and each PPs involved are responsible for accounting their share of common costs according to their national rules.
- (2) **Common activity implemented directly by the responsible partner** ("staff costs" are used), the following procedure has to be applied:
1. The responsible partner is the only responsible partner for the employment of the staff for common activity.
 2. The responsible partner is the only responsible partner for signing the working contract with the staff for the common activity. The working contract shall contain at least:
 - i. that the staff is employed in full time to implement the concerned common activity for the project;
 - ii. the description of the common activity to be fulfilled by the person;
 - iii. the amount of the real salary (e.g. the amount on monthly basis or on yearly basis) according to national rules.
 3. The real staff costs with the social charges according to the national rules of the responsible partner has to be paid (advanced) in full to the staff of the common activity by the responsible partner.
 4. The responsible partner is obliged to submit the total amount of expenditure to be declared as common costs for a given reporting period to its Controller for verification. A Confirmation on common costs (see Annex 10. of the SEE Control Guidelines) will be issued by the responsible partner's Controller to ensure the compliance with national rules.
 5. The responsible partner has to send the copy of the working contract, copy of the payslips, timesheets, proof of payments (bank statements), Confirmation on common costs and all supporting documents as requested by the controllers to each partner involved in the common activity.
 6. The responsible partner has to ask the involved partners to transfer the relevant share of the common costs.
 7. The involved partners have to transfer their relevant share of the common costs in full to the responsible partner before submitting their expenditure for validation to their controllers.
 8. The relevant share of the common cost has to be submitted for validation by each PP participating in the common activity separately to its Controller. It has to be ensured that only the relevant share of common costs is included for each PP in the Declaration on validation of expenditure (Annex 7. of the SEE Control Guidelines). Therefore the total amount of common costs should not be included in the Declaration on validation of expenditure of the responsible partner, in order to avoid double declaration of costs.

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

5.2.4 Procurement rules for IPA-I project partners

For the procurement of services, supplies and works the IPA-I partners shall respect the following legal framework which applies to contracts for services, supplies and works financed by the general budget of the European Union:

- Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (and in particular Chapter III of Title IV of Part Two thereof, which concerns special provisions for procurement in external actions), as amended by Commission Regulation (EC, Euratom) No 1995/2006 of 13 December 2006 ;
- Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the abovementioned Financial Regulation, (and in particular Chapter III of Title III of Part Two thereof, which concerns special provisions for procurement in external actions), as amended by:
 - -Commission Regulation (EC, Euratom) No 1261/2005 of 20 July 2005;
 - -Commission Regulation (EC, Euratom) No 1248/2006 of 7 August 2006;
 - -Commission Regulation (EC, Euratom) No 478/2007 of 23 April 2007;

The following are also applicable:

- Rules and procedures for service, supply and works contracts financed from the general budget of the European Communities in the course of cooperation with third countries [C (2007) 2034], adopted by the European Commission on 24 May, 2007.
- The Practical Guide with its standard documents and templates in the annexes to it-
http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/

IMPORTANT: National procurement rules are not applicable – the IPA-I partners are strongly advised to consult their respective national contact point in order to ensure that they have applied proper procedures.

5.3 Financial progress and decommitment of the project

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

For each project, the spending forecasts are fixed in the Subsidy Contract. The LP can request the modification of the spending forecasts only in case of project changes that are affecting the spending forecast. In case of the 1st and 2nd call projects, derogation from Art. 4.12 shall to be also requested by the LP for modification of the spending forecast.

The LP has the possibility to deviate from the spending forecasts considering that in case of underspendings compared to the original spending forecasts, the MA is entitled to decommit the project by reducing the original project budget and the corresponding Community contribution.

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

Based on the fact that payment of Community contributions by the European Commission to the SEE Programme will only be made in accordance with the corresponding yearly budget commitments, the SEE programme is regularly monitoring the deviations from the project spending forecasts. Revision of the spending forecasts or status reports on the project spending level might be requested by the MA/JTS for monitoring purposes.

After comparing the reported amounts of the projects, their spending forecasts and considering the programme level n+3 risks, the Monitoring Committee may decide on the decommitment of the projects on case by case basis. The total amount to be deducted from the project budget and the related ERDF contribution (and IPA contribution in case of 3rd and 4th call projects), and distribution of this deduction among partners will be part of the MC decision. The distribution of the decommitment related to partners within the project is calculated taking into consideration the reported amounts at

partner level, thus the partners will be affected by the decommitment according to their performance within the project.

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

5.4 Irregularities and repayments of Community contribution

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

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

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

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

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

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

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

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

The LP is obliged to secure repayments from the ERDF PPs and/or IPA-I PPs (in case of 3rd and 4th call projects) concerned and repay the amount specified by the Managing Authority before the due date.

Based on the request for repayment of the MA, the LP has to ask the ERDF PP(s) and/or IPA-I PPs in case of 3rd and 4th call projects) concerned to repay the amount of ERDF contribution and/or IPA contribution (in case of 3rd and 4th call projects) to the LP's project bank account in due time, considering the deadline given by the MA for the repayment. The LP has to transfer this amount to the programme bank account specified in the request for repayment of the MA.

If a project partner commits an irregularity and the Lead Partner cannot recover the ERDF contribution and/or IPA contribution (in case of 3rd and 4th call projects) unduly paid to a project partner on the basis of the partnership agreement existing among them, the Lead Partner shall inform the Joint Technical Secretariat in written form within the deadline for the repayment.

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

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

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

6 Information and publicity requirements

6.1 Introduction

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

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

Legal Basis

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

Communication: a shared responsibility

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

Transparency

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

6.2 Information and publicity requirements

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

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

1. The beneficiary shall ensure that the public and those taking part in the operation are informed of the fact that the operation receives funding under the EU funds (ERDF, IPA, ENPI);
2. The beneficiary shall ensure the correct display of the EU logo, the name of fund(s) and the Programme slogan (as described in Annex 3- visual identity guidelines).

3. Display of an explanatory plaque or of a billboard (subject to specific conditions detailed in the visual identity guidelines¹).

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

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

6.2.2.1 Development of a communication plan (strategy)

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

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

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

The website should be developed and functional within the first 8 months after the subsidy contract is signed.

6.2.2.2 Visual identity elements

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

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

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

6.2.3 General guidelines

6.2.3.1 Internal project communication

- Think strategically: integrate communication in the project strategy from the very beginning and throughout the entire project life and plan accordingly;
- Appoint a member in charge of communication activities.
- Involve all the project partners! The project partners are the promoters of the project in their region, so involve all of them in the communication activities, as well in the general activities.

¹ See the visual identity guidelines

- Lead partners should maintain good communication with all project partner and keep them regularly informed about the progress of the project

6.2.3.2 Communication with the JTS and other Programme management structures

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

6.2.3.3 External communication

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

Important!

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

7 Monitoring and audit of the project

7.1 Monitoring visits by the JTS

The major source of the JTS to monitor the implementation and progress of the contracted projects is the progress report. Further to that, in order to have more direct contact between the programme management bodies and the management of the individual projects and to get a closer, more real view on the project implementation, the carried out work and the achievements, the JTS intends to visit contracted projects when it is considered to be necessary based on the project financial and technical performance. These visits gives also good opportunity for the whole project partnership to get direct information from the programme level, to clarify uncertainties, or try to find appropriate solutions for problems that the project implementation and partnership may face with.

Monitoring visits can take place either at the premises of the LP/PP, or at any event organised by the LP/PP (e.g. project final conference) where the main objective of a monitoring visit can be fulfilled.

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

7.2 Audit of the project

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

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

8 Project closure

8.1 Project closure

The SEE Programme does not require additional report with the final progress report. The final progress report has to be submitted according to the same rules as regular progress reports during the project implementation period, e.g. the final progress report should be submitted **within three months from the end date of the project**. Expenditure have to be incurred and paid before the end date of the project set in the Subsidy Contract, with exception of 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.

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

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

In case the project is completed and the final progress report is accepted by the JTS, the JTS carries out the financial closing of the project in order to calculate the amount of the final ERDF and in case of 3rd and 4th Call projects IPA contribution to be paid to the Project. After approval of the final payment to the Lead Partner, the project is considered closed and the Lead partner is informed about the closure.

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

8.2 Retention of project documents

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

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

No.	Document	Lead Partner	Project Partner
1.	Approved Application Form	copy (of original signed by LP)	copy (of original signed by LP)
2.	Partnership Agreement (and its amendments)	original	original
3.	Subsidy Contract	original	copy
4.	Amendments of the Subsidy Contract	original	copy
5.	Progress Reports	copy	Not relevant
6.	Applications for Reimbursement	copy (countersigned by JTS)	Not relevant
7.	Partner Reports	copy	copy
8.	Declarations on validation of expenditure	copy	original
9.	Each invoice and accounting document of probative value related to project expenditure (originals to be retained at the premises of the project partner concerned)	only the LP's invoices in original	only PP's invoices in original
10.	All supporting documents related to project expenditure (e.g. payslips, bank statements, public procurement documents, etc.) to be retained at the premises of the project partner concerned	only the supporting documents of the LP in original	only the supporting documents of the PP in original
11.	All project deliverables (materials produced during the project period)	all project deliverables in original	only the project deliverables of the PP in original
12.	If relevant, documentation related to on the spot checks of the Controllers (to be retained at the premises of the project partner concerned)	only LP's on the spot check documentation in original	only PP's on the spot check documentation in original
13.	If relevant, documentation of monitoring visits of the JTS	original	copy
14.	If relevant, audit reports	All audit reports, LP audit report in original, all other reports in copy	PP's audit report in original

8.3 Sustainability of the project

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

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

8.4 Ownership of project results

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

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

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

9 IPA partners in the project

Funding for **candidate and potential candidate countries to EU membership** (Croatia, the former Yugoslav Republic of Macedonia, Albania, Bosnia and Herzegovina, Montenegro and Serbia, Kosovo under UN Security Council Resolution 1244) comes from other EU sources than ERDF:

- **Instrument for Pre-Accession Assistance – IPA**

This chapter is meant to give brief information to Lead Partners (of 1st and 2nd CfP) about the IPA project procedures, since IPA PPs are obliged to undertake quite different contracting and procurement procedures to ERDF rules. Please note that this chapter is applicable only for IPA PPs (1st and 2nd CfP) and not for IPA-I PPs of the “integrated” 3rd and 4th Calls for proposals. There are strict rules governing the way in which the grants and contracts (procurement of service, supply or work) are awarded and the above mentioned procedures under the relevant EC external aid programmes are consolidated in **PRAG**.²

9.1 Awarding grant and starting up the project

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

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

In case in one project there is more than one partner from the same IPA country, an IPA Financial Lead Partner at the call for proposal stage was selected among them, who submitted one general budget. The Financial Lead Partner will sign the contract with the Contracting Authority on behalf of all IPA PPS from that country and submits the Request for Payment³, as well.

² Practical Guide for Contract procedures for EC External Actions. The document can be found on http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

³ Request for Payment is Annex V to the grant contract. All annexes as templates can be found on http://ec.europa.eu/europeaid/work/procedures/implementation/grants/index_en.htm

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

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

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

9.2 Payment procedures for IPA PPs

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

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

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

- **pre-financing of 80%** of the sum referred to in Article 3.2 of the Special Conditions following the provisions in Article 4.3 of the Special Conditions.⁴
- The final balance payment is paid on approval of the final report

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

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

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

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

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

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

9.3 Implementation of IPA project

9.3.1 Reporting

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

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

⁴ The grant contract of “Special Conditions” and the annexes

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

9.3.2 Procurements

If the implementation of an Action requires procurement by the IPA partner, the procurement for IPA grants shall follow the provisions of Annex IV to the PRAG standard grant contract.

The external aid rules for public procurement are also available on the Internet address http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

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

9.3.3 Audits

The Beneficiary will allow the European Commission, the European Anti-Fraud Office, the European Court of Auditors and any external auditor authorized by the Contracting Authority carrying out verifications (as required per Article 15.6 of General Conditions, http://ec.europa.eu/europeaid/work/procedures/implementation/grants/documents/e3_h2_gencond_en.pdf) to verify, by examining the documents and to make copies thereof or by means of on-the-spot checks, the implementation of the Action and conduct a full audit, if necessary, on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the Action. These inspections may take place up to 7 years after the payment of the balance.

Furthermore, the Beneficiary shall allow the European Anti-Fraud Office and any external auditor authorised by the Contracting Authority carrying out verifications as required per Article 15.6 of General Conditions to carry out checks and verification on the spot in accordance with the procedures set out in the European Union legislation for the protection of the financial interests of the European Union against fraud and other irregularities

9.3.4 Project changes and modification of the grant contract

Grant contracts may need to be modified during their lifetime, if the circumstances of project implementation have changed since the initial contract was signed. Substantial modifications to the contract must be made by means of an addendum.

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

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

Requests for contract modifications must be made (by one contracting party to the other) well in advance and in any case before the end of the implementation period to allow for the addendum to be signed by both parties before the expiry of the execution period of the contract.⁵

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

⁵ Section 2.10.1 of PRAG, version 2010.

10 Annexes

1. a) Statement on project bank account (separate bank account)
1. b) Statement on project bank account (single bank account)
2. Request for project modification
3. SEE Visual Identity Guideline
4. Guidance on Horizontal Themes
5. Users' Guideline for the SEE Front Office of IMIS 2007-2013
6. Budget change table
 - 6.a *Budget change table for (1st & 2nd Call projects)*
 - 6.b *Budget change table for (3rd & 4th Call projects)*
7. Declaration of Withdrawal from the partnership
8. Declaration of Commitment to join the partnership