



Joint EU-MNE Programme  
for Employment, Education  
and Social Welfare



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# Guidelines for project implementation by Grant Beneficiaries





This Guidelines for project implementation by grant Beneficiaries are designed to support awarded Grant Beneficiaries when implementing grant contracts in the context of Joint EU-MNE Programme for Employment, Education and Social Welfare (SOPEES 2015-2017 in scope of IPA II)

This document has been prepared by the key experts  
of TA projects implemented by

ALTERNATIVE CONSULTING  
and  
International Consulting Expertise EEIG (ICE).

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*Implementation of grant project starts upon the signature of the grant contract. For any grant to be successfully implemented, there needs to be some good work done, some administration taken care of and some rules respected. The following Guidelines provide some useful guidance for you as Grant Beneficiary– give some instruction and provide some tools as follows:*

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**CHAPTER 1** gives you an overview of the grant contract requirements. Look there for explanations related to all grant contract annexes and what they relate to. It also gives you information on the way's contracts can be modified. This chapter is accompanied by the tool you can use when modifying contracts. (Tool 1 – Word template for the request for amendment; Tool 1 – Excel template for budget amendment). You will find explanations in this Chapter on the steps you should take when requesting modifications to the contract, and it is recommended that you use the tools attached when requesting such modifications.

**CHAPTER 2** gives you the information on financial/administrative management, including planning, payment claims, accounting and documentation keeping. This chapter is accompanied by two tools – checklists, for accounting system and for documentation. And, also there is a convenient template for timesheets, which you can use for staff and experts providing services within your grant project. Tools for accounting system and documentation are for your own convenience, you do not need to submit them to the Contracting Authority, but you are welcomed to use them within internal quality control under your grant actions.

**CHAPTER 3** gives you information in relation to secondary procurement. This is all procurement of services, supplies, works that you will be conducting within your grant actions. In relation to these, there are two tools – 'packages' for single and simplified procedures templates you may decide to use while procuring under your grant project. CFCU, your Contracting Authority, clearly recommends these and you are advised to consider using them. This Chapter directs you to PRAG – Practical Guide for EU External Actions. Note that the current version of PRAG is 2019 and valid from 02/08/2018 - 14/06/2019. Those grant schemes published after 14/06/2019 (such as 'Support to the social inclusion of Roma and Egyptians', for example), will follow PRAG version 2019, those published earlier to 02/08/2018 will follow PRAG 2018.



**CHAPTER 4** gives you information in relation to monitoring. Internal monitoring is the monitoring that you are conducting yourself, and external monitoring is conducted by PIUs and CFCU. Attached to this Chapter is another tool – a template for quarterly reporting on progress under your grant actions. You are strongly advised to complete this template and submit it to the PIUs on quarterly basis, as instructed further in the text of the tool itself.

**CHAPTER 5** gives you information in relation to reporting. You are obliged to send interim and final reports, as defined in your contracts. As part of your contract you are already provided with templates for such reporting. These include narrative interim and final reports and financial reports and you may find them attached to this Chapter. Note that different grant schemes have different reporting rules under SOPEES. While reporting period is 12 months, as a general rule, 'Collaborative grant scheme for innovative project ideas' Grant scheme includes interim reporting obligation each 6 months. Note that reporting is of utmost importance in EU grants – it is linked with payments of further pre-financing, among other matters.

**CHAPTER 6** gives you information on the visibility requirements. It directs you to the EU visibility manual titled 'Communication and Visibility Requirements', which came into force on 1st January 2018, and apply to all EU funded contracts signed from that date, including those under SOPEES. There is a tool also here – template for Communication and Visibility activities under your grant actions, which you are strongly advised to use.

In the preparation of these Guidelines, the following sources were used:

- DEVCO Companion Ver.9 (May 2019)
- PRAG Ver.2019; Ver.2018
- Financial Management Toolkit for recipients of EU funds for external actions (2014, EC).



## GLOSSARY OF MAIN TERMS:

**ACTION (also: Project):** Global term for beneficiary activities funded by the EU (via grants, procurement, prizes or financial instruments). Often used as a synonym for beneficiaries' "projects". In this context 'grant action' – grant for a project or specific activity.

**AFFILIATED ENTITY:** Organization that has a link with a grant beneficiary (in particular a capital or legal link), which is NOT limited to the action or established for the sole purpose of implementing it. Defined as such in the proposal.

**CONTRACTING AUTHORITY:** Grant contracts are managed by the Contracting Authority (CA). In the context of SOPEES, the role of the Contracting Authority (CA) is performed by the Directorate for Finance and Contracting of the EU Assistance Funds (CFCU) within the Ministry of Finance of Montenegro.

**COORDINATOR:** Lead grant beneficiary in a group of Grant Beneficiaries. Main contact point for the Contracting Authority.

**GRANT BENEFICIARY:** Organization that receives EU funding in the form of a grant. Term collectively refers to all awarded co-applicants under the action.

**IPA** - Instrument for pre-accession assistance is the financial instrument by which the EU supports reforms in the 'enlargement countries' with financial and technical help.

**PIU:** Project Implementation Unit at the line ministry in charge of respective grant contracts. In the context of SOPEES, these ministries are the Ministry of Labour and Social Welfare, Ministry of Science and the Ministry of Human and Minority Rights.

**PRAG** is practical guide to contract procedures for EU external actions. PRAG provides practical assistance in terms of rules and procedures to Contracting Authorities and tenderers, candidates, applicants and contractors in preparing and implementing procurement and grant contracts.

**REPORTING PERIOD:** Longer projects are divided into reporting periods, to allow for regular reporting and interim payments.

**ABBREVIATIONS:**

<b>CA</b>	Contracting Authority
<b>CFCU</b>	Directorate for Finance and Contracting of the EU Assistance Funds (CFCU) within the Ministry of Finance of Montenegro.
<b>GB</b>	Grant Beneficiaries
<b>GC</b>	General Conditions (Annex II to the Grant Contract)
<b>IPA</b>	Instrument for pre-accession assistance
<b>LFA/LFM</b>	Logical Framework Approach/Logical Framework Matrix
<b>M&amp;E</b>	Monitoring and Evaluation
<b>PIU</b>	Project Implementation Unit
<b>PRAG</b>	Practical guide to contract procedures for EU external actions
<b>SC</b>	Special Conditions (first part of the Grant Contract)
<b>TA</b>	Technical Assistance
<b>ToR</b>	Terms of Reference

# 1

## CHAPTER

### Standard Grant Contract

Grant contract is consisted of several annexes. The **General Conditions (GC)** contain the basic essential articles governing the implementation phase for grants contracts. They are complemented and may be subject to modification by the **Special Conditions (SC)** that are part of the grant contract and that also include any necessary supplementing clauses or derogations to the general conditions, taking into account the specific circumstances of the action or work program to which the contract relates. These special and GC, together with the other annexes to the contract, are the legally binding documents that govern the parties' rights and obligations under the contract.

GRANT CONTRACT
Special Conditions
Description of the Action (Annex I)
GC plus Annexes (Annexes II to IX)

The following documents are annexed to the **special conditions** and form an integral part of the contract:

- Annex I: Description of the action including the logical framework
- Annex II: GC applicable to European Union-financed grant contracts for external actions (Annex e3h2)
- Annex III: Budget for the action/operating budget (worksheets 1, 2 and 3)
- Annex IV: Contract-award rules
- Annex V: Standard request for payment and financial identification form
- Annex VI: Model narrative and financial reports





- Annex VII: Terms of reference for an expenditure verification of a Union financed grant contract for external actions and model report of factual findings
- Annex VIII: Model financial guarantee
- Annex IX: Standard template for transfer of asset ownership

The SC prevail over the GC which takes precedence over all the other annexes.

The table below provides more information on the specific parts of the standard grant contracts.

DOCUMENT	DESCRIPTION	PRACTICAL ASPECTS
<b>Special conditions</b>	Determines the basic rules of the contract including implementation period, instalments, <b>reporting requirements</b> . The document, supplemented with annexes, represents the legal basis for contractual relation between the grant beneficiary and the Contracting Authority (CFCU)	Defines maximum grant available, co-financing requirements, payment dynamics.
<b>Description of the action</b>	<b>Annex I</b> to the grant contract provides detailed description of the project as proposed by the grant beneficiary in the application phase.	<b>Note the following:</b> Changes in Description of the Action and the Logical Framework that affect the expected results (impact, outcomes, outputs) shall be agreed in writing with the Contracting Authority before the modification takes place. Approved changes must be explained in the next report.
<b>General conditions</b>	<b>Annex II</b> sets up general and administrative provisions of project implementation.	Document covering all the implementing rules and aspects. To be consulted in each formal step/issue in the implementation phase.



DOCUMENT	DESCRIPTION	PRACTICAL ASPECTS
Budget of the action	Annex III of the contract provides detailed financial structure of the project as proposed by the grant beneficiary in the application phase and agreed during the budget clarification process.	<b>Note the following:</b> Where the amendment to the budget does not affect the expected results of the action (i.e. impact, outcomes, outputs), and the financial impact is limited to a transfer between items within the same main budget heading including cancellation or introduction of an item, or a transfer between main budget headings involving a variation of 25% or less of the amount originally entered (or as modified by addendum) in relation to each concerned main heading for eligible costs, the Coordinator may amend the budget and must inform the Contracting Authority accordingly through the notification letter, in writing and at the latest in the next report. Changes above 25% and those requiring change of details in SC, such as duration of the project, for example, will require an addendum. The grant beneficiary shall send the Request for an Addendum, at least 30 days before the addendum should enter into force, presenting the reasons for the addendum to the Contracting Authority. If the Contracting Authority finds these reasons as justified, the procedure for ex-ante approval of such addendum, by the EU Delegation to Montenegro will also be conducted. <b>So, pay attention to the fact that any addendum approval is a very lengthy process!</b>
Contract award procedures	Annex IV to the grant contract sets down the rules for procurement by the Grant Beneficiaries.	<b>Note the following:</b> The beneficiary may decide to apply the procurement procedures set forth in the practical guide (PRAG). If these procedures are correctly followed the principles defined in Annex IV will be deemed to be complied with. These principles are: <ol style="list-style-type: none"> <li>1. Best Value for Money</li> <li>2. Avoidance of conflict of interest</li> <li>3. Being able to justify the choice of tenderer</li> <li>4. Using objective criteria in evaluation</li> <li>5. Record keeping</li> <li>6. Respecting EU restrictive measures</li> </ol>
Request for payment	Annex V standard template needed when requesting funds from the CFCU.	This template shall be completed by the grant beneficiary when the interim/final payment is requested, in line with the provisions of the contract.
Model of narrative and financial report	Annex VI Standard template used for reporting on activities and finances of the EU funded grant project.	Templates to be used in the exact form to report proceedings on the project, including financing aspects.
Terms of reference for an expenditure verification of an EU financed grant contract	Annex VII Standard template for expenditure verification.	<b>Note the following:</b> Expenditure verification is mandatory where the grant size is higher than 100 000 Eur.



DOCUMENT	DESCRIPTION	PRACTICAL ASPECTS
Model financial guarantee	Annex VIII Standard template required from the CA necessary to secure the initial payment from the Contracting Authority to grant Beneficiary	Financial guarantee needs to be provided if it is anticipated for in the SC (Article 4)
Transfer of Ownership of Assets	Annex IX template to be used in case of transfer of ownership of an equipment/supply to the local partners and/or final beneficiaries.	Coordinator to ensure transfer of ownership before conclusion of the project. Certificate to be provided with the final report.

Each of these documents, and GC imply certain principles and provisions. Below are some important **general provisions and principles of grant contracts**:

### GRANT BENEFICIARIES

- The grant beneficiary(ies) and the Contracting Authority are the **only parties** to this contract. It means that organizations perhaps affiliated with the grant beneficiary(ies) but not identified as affiliated entities to the grant contract, potential service providers and contractors or those commissioned during the implementation – **are not a party** to the grant contract.
- The term ‘beneficiaries’ refers **collectively to all Grant Beneficiaries** of the action. These include the Coordinator (the Lead Beneficiary) and partners (co-beneficiaries).
- By default, the Coordinator signs on behalf of all (other) Grant Beneficiaries – but bear in mind, **this has nothing to do** with the rights and obligations of the Grant Beneficiaries under the contract.
- All Grant Beneficiaries **are jointly responsible to ensure that the action** is carried out in accordance with the description of the action in Annex I and the terms and conditions of the contract (operational responsibility). However, vis-à-vis the Contracting Authority, the financial responsibility for the implementation of the entire action including the parts implemented by co-beneficiaries and affiliated entities rests with the Coordinator. This means that the Contracting Authority will, where necessary, **recover funds only from the Coordinator**.





### THE ROLE OF THE COORDINATOR

The grant action is led by the Lead Beneficiary (Lead Applicant during the stage of application), listed in the contract as the **Coordinator**. Such organization has a special role within a contract, as defined below:

The Coordinator is the **sole interlocutor of the Contracting Authority** and is responsible for collecting all the necessary information for drawing up consolidated reports. The Coordinator is therefore responsible for obtaining, verifying and consolidating this information before passing it on to the Contracting Authority. All Grant Beneficiaries (GBs) agree that any information given, as well as any request made by the Coordinator to the Contracting Authority, must be deemed in agreement with all Grant Beneficiaries.

### SOME TIPS ON PARTNERSHIP/STAKEHOLDER MANAGEMENT

1. Prepare a partnership agreement! It is of the great importance to define responsibilities between all partners throughout the implementation period;
2. Communication is the key for good partnership;
3. Regular meetings are important. Make minutes of those meetings and use them as working documents!
4. Make a format for internal reports;
5. Agree on tools that will be used: e-mail, phone meetings, real meetings;
6. Plan a project kick off meeting with all partners;



## ROLE OF THE CONTRACTING AUTHORITY AND LINE MINISTRIES

**Contracting Authority** coordinates, manages and oversees the implementation and monitoring of the grant schemes, approves grant contracts and any amendments of the contracts (notifications and addenda); approves reports, makes all final decisions related to eligibility of expenditure and contractual compliance and reimburses eligible project costs to Grant Beneficiaries.

**Line ministries' Project Implementation Units (PIUs)** are responsible for ensuring support to the Contracting Authority in technical implementation of the actions at contract level. Responsible PIU provides the opinion on the narrative part of the Grant Beneficiaries' reports and accompanies the Contracting Authority in on-the-spot verifications during lifetime of the project.

## LIABILITY

- The fact that the EU, via the CFCU, in grant schemes financed under SOPEES, is financially supporting the grant action does not transfer any responsibility for circumstances resulting from the implementation of the action to the EU or the Contracting Authority. **This responsibility rests entirely on the Grant Beneficiaries.**

## CONFLICT OF INTEREST AND CODE OF CONDUCT

In line with Article 4 of the GC, *"The beneficiary(ies) shall take all necessary measures to prevent or end any situation that could compromise the impartial and objective performance of this contract. Such conflict of interests may arise in particular as a result of economic interest, political or national affinity, family or emotional ties, or any other relevant connection or shared interest."* Inter alia, this also means:

- During the performance of the contract, the grant beneficiary(ies) must immediately inform the Contracting Authority of any **arising conflict of interests** and measures should be adopted to address situations that may objectively be perceived as a conflict of interest. These measures may include the termination of the contract, as need be. The Contracting Authority reserves the right to verify that the measures taken are appropriate and may require additional measures to be taken if necessary.
- Grant beneficiary(ies) must immediately report to the Contracting Authority any allegation of misconduct involving **sexual exploitation, abuse and harassment**. As a minimum this notification should include the following infor-



mation about the report/allegation e.g. misconduct category, type and short description. It is for the Contracting Authority to assess the gravity of the misconduct, taking into account possible remedial measures taken.

- Grant beneficiaries must respect applicable rules, procedures and policies – including the respect for **fundamental human rights, social justice and human dignity, respect for the equal rights of men and women, prohibition of forced labour and child labour, preservation of the environment**, respect of all laws of proper jurisdiction including the principles of transparency, non-discrimination, anti-corruption and ethics, avoidance of conflicts of interest, fraud and corruption.
- The execution of the grant contract shall not give rise to **unusual commercial expenses**. This includes commissions not paid in return for any actual service. The Contracting Authority could declare ineligible any abnormal high price charged to the action while buying goods or contracting services. In this situation, the overprice paid could be considered ineligible if the beneficiaries do not provide a justified reason.
- Violating intellectual property rights, attempting to obtain confidential information that may confer upon it undue advantages in the award procedure, fraudulently or negligently misrepresenting information required for the verification, are only some of types of grave professional misconduct, which may lead to suspension or termination of the grant contract.



## OWNERSHIP OF RESULTS

- By default, the Grant Beneficiaries own any intellectual or industrial right developed in the course of the action such as patents, trademarks, copyright etc. However, the Contracting Authority must be granted a non-exclusive right to use, free of charge, all of the results, reports and other documents produced in the course of the action.
- The grant beneficiary(ies) shall ensure that it has all rights to use any pre-existing intellectual property rights necessary to implement this contract.
- In case **natural, recognizable persons** are depicted in a photograph or film, the Coordinator shall, in the final report to the Contracting Authority, submit a statement of these persons giving their permissions for the described use of their images.
- The principle to keep in mind is to **transfer the items procured with the budget** of the grant action (and therefore also with co-financing funds) to the entities that are in the best position to use them efficiently for the sustainability of the action once it ends. Where the description of the action already foresees that items will be transferred to other entities than final beneficiaries or may be kept by the beneficiaries/ affiliated entities the Contracting Authority has approved this approach by signing the contract and a separate written request is not necessary.

## DURATION OF THE ACTION

The duration of your grant action is defined in the SC of your contract. You may request an extension of the action's implementation period only in exceptional and justified cases– however note that maximum duration of the action as per the Guidelines for Applicants still remains in place. This kind of change requires an Addendum to the Contract. Within such extension no additional costs imply as EU grant cannot be increased. Final decision on such requests is a subject of approval by the Contracting Authority, including also the ex-ante approval of EU Delegation to Montenegro. Hence, in case your action requires such extension - Do not wait until the last moment to request it!



Under SOPEES, different grant schemes had different rules for minimum and maximum duration. For example:

- Support to Provision of Social and Child Protection Services Grant scheme – minimum 12, maximum 24 months.
- Training and education activities for deficit occupations and for boosting employability of RE population – minimum 6, maximum 12 months.
- Collaborative grant scheme for innovative project ideas – minimum 18, maximum 24 months.
- Support to the social inclusion of Roma and Egyptians – minimum 12, maximum 18 month.

## BUDGET OF THE ACTION

- Budget includes all eligible project costs, not just the EU contribution
- There is a double ceiling for EU financing (art. 3(2)SC) – maximum amount and % of total eligible costs.

How to understand this double ceiling – where there is maximum nominal amount of grant specified and then there is also % of total costs specified. Take for example the following case: Organization 'Blue lights' has applied for and been awarded a grant, for a total budget of 166,667 EUR, where a grant is 90% of this budget.

Project total budget 166,667 €	Project actual costs (example 1) 170,000 €	Project actual costs (example 2) 150,000 €
Grant amount (e.g. 90%) 150,000 €	Actual grant amount 150,000 €	Actual grant amount 135,000 €

However, their actual costs, at the end of the action are higher, 170,000 EUR as they had failed to conduct a good market research and had to pay more for a certain equipment. Regardless, their actual grant amount will remain 150,000 EUR – as specified nominally in their contract. Take another case as an example, organization 'Yellow beams' has applied for and been awarded a grant, for a total 150,000 EUR, where a grant is 90% of this budget. However, they were simple not able to procure that piece of equipment intended and their actual

costs at the end of the action for the overall budget spent (co-financing included) are 150,000 EUR. Does this mean that they shall receive 150,000 EUR? No! Their actual grant amount will be 135,000 EUR – 90% of the total actual costs under the project.





## Grant contract modifications

While managing your grant actions, it is important to know how to proceed in cases of changes that may be required. You may, for example, identify that you need 2 instead of 4 laptops, you may identify that your accounting agency is more expensive than originally planned, or you may simply revise your targets – conducting 9 instead of 8 planned trainings.

Modifications need to be set out in writing according to the procedures provided for in Article 9 (3) and 9 (4) of the GC. Oral arrangements or an exchange of emails shall never legally bind the parties in this regard. Also note that no amendment to the Grant Contract (either unilateral or by addendum) may call into question the initial award of the grant or the equal treatment of applicants.

**The maximum EU contribution and percentage of eligible or accepted costs financed by the Contracting Authority may never be increased.**

**Article 9(4) – GC state that** *Where the amendment to the budget does not affect the expected results of the action (i.e. impact, outcomes, outputs), and the financial impact is limited to a transfer between items within the same main budget heading including cancellation or introduction of an item, or a transfer between main budget headings involving a variation of 25% or less of the amount originally entered (or as modified by addendum) in relation to each concerned main heading for eligible costs, the Coordinator may amend the budget and must inform the Contracting Authority accordingly, in writing and at the latest in the next report. This method may not be used to amend the headings for indirect costs, for the contingency reserve, for in-kind contributions or the amounts or rates of simplified cost options defined in the contract. Changes in Description of the Action and the Logical Framework that affect the expected results (impact, outcomes, outputs) shall be agreed in writing with the Contracting Authority before the modification takes place. Approved changes must be explained in the next report.*

### ADDENDUM REQUEST

**Based on the text of the Article 9(4) above, one can conclude that, amendment by addendum is required in those cases where:**

- ➡ The modification of the Budget or Description of the Action **affects results of the action** and/or



- The financial impact includes:
  - ▷ A transfer between main budget headings involving a variation **of more than 25%** of the amount originally entered in relation to each concerned main heading for eligible costs, or
  - ▷ An amendment of the headings for **indirect costs, for the contingency reserve, for in-kind contributions** (including volunteers work) or the **amounts or rates of simplified cost options, and;**

In addition, any **change of details depicted in SC** of the grant action such as:

- legal status and the name of the signatories to the contract (Grant Beneficiaries); including inclusion or exclusion of Grant Beneficiaries from the grant contract;
- duration of the action and
- changes in affiliated entities.

The following should be considered in cases where addendums are concerned:

- ▷ Contracts **cannot be amended after the end of the execution period**. Note that the execution period of the contract is longer than the implementation period.
- ▷ The beneficiary **bears the financial risk of any costs incurred before the addendum** has been issued, because the Contracting Authority has the right to refuse to sign the addendum. Only once the addendum enters into force may the beneficiary claim payment for the costs.
- ▷ An **amendment request must be duly substantiated** and, in particular, must include all information necessary for the Contracting Authority to take an informed decision on this matter including (but not limited to): the reasons behind the amendment, and, the impact of the amendment on the implementation of the action (i.e. and most notably on the activities and budget of the action).
- ▷ An amendment **must be requested at least 30 days before it occurs**. However, whenever possible, as the Contracting Authority may take longer to assess the amendment, it is recommended to send a request for amendment as early as possible.
- ▷ The amendment to the contract must be signed by the same parties who signed the initial contract, i.e. **the Coordinator and the Contracting Authority**.



A request extending the implementation period of the action may not entail an increase of the EU contribution (no cost extension) and always requires an addendum in accordance with Article 9(1) and a proper justification, **which must not be limited to using the unspent budget balance.**

## UNILATERAL AMENDMENTS

Furthermore, what can be deduced from the text of the Article 9(4) is that, **by the means of unilateral amendment**, the following changes can be introduced:

- The modification of the Budget or Description of the Action **that do not affects results of the action** and/or
- The financial impact is limited to a transfer between items within the same main budget heading, including cancellation or introduction of an item, or a transfer between main budget headings involving **a variation of 25% or less** of the amount originally entered in relation to each concerned main heading for eligible costs.
- Specific cases, such as amendment of the sources for co-funding in the Sources of funding budget sheet.

### THE TERM 'RESULTS' INCLUDES:

overall objective (impact),  
specific objective (outcome),  
other outcomes and  
outputs.

However, do note that even if Article 9(4) allows for the unilateral amendment in such cases, it does stipulate that: **'Changes in Description of the Action and the Logical Framework that affect the expected results (impact, outcomes, outputs) shall be agreed in writing with the Contracting Authority before the modification takes place. Approved changes must be explained in the next report.'**

Plus, the Contracting Authority might refuse the changes, if it finds that the conditions listed in Article 9 have not been respected. It is, therefore, in the interest of the Coordinator who bears the financial responsibility for the action to inform the Contracting Authority as soon as the need for amendment is identified and if possible, prior to any intended changes taking effect **to avoid incurring ineligible costs**. Plus, any modification of the target groups, of the location, of the activities' timelines or of the Action's sustainability is likely to affect the basic purpose of the Action and hence, better not to rely on one's own interpretation of these effects, but to pursue more conservative approach.



Where the amendment to the budget is fully compliant with the conditions listed in Article 9(4), the letter/report sent by the Coordinator informing the Contracting Authority of the unilateral amendment is, in itself, sufficient for amending the budget. A specific approval from the Contracting Authority is therefore not necessary. However, if the Contracting Authority finds that the conditions listed in Article 9(4) have not been respected, it must inform the Coordinator by letter (possibly within 30 days from the receipt of the letter or report of the Coordinator) of its decision to refuse the unilateral amendment. In such cases the proposed amendment must have no effect and any cost relating to this amendment must be considered as ineligible.

There are generally two kinds of unilateral amendments:

### 1) Unilateral budget amendment

The budget attached to the contract must be respected. However, beneficiaries can benefit from a certain flexibility within the budget, as long as the 'expected results of the action' are not affected and the change does not call into question the initial award of the grant or the equal treatment of applicants. In case of doubt, it is strongly recommended to check beforehand with the Contracting Authority that the proposed modifications do not impact the expected results of the action. As long as the expected results of the action is not affected, beneficiaries can:

#### TOOL1 – CONTRACT MODIFICATION

Convenient tool to follow to

- Make transfers between items or cancel or introduce new items within the same main budget heading. The term 'main budget heading' has to be understood as the numbered budget headings, i.e. the headings number 1 (human resources), 2 (travel), 3 (equipment and supplies), 4 (local offices), 5 (other costs, services) and 6 (other).
- Transfer part of the budget from one main budget heading to another (from 1 to 6 for instance) as long as this transfer does not imply a variation (both increase and decrease) of more than 25% of the headings concerned by such transfer.

To calculate the amount of the variation it should be noted that:

- The 25% variation is calculated on both the original value of the heading where the funds are taken from and the original value of the heading where the funds are to be added. If a main budget heading has a pro-



vision of 100, and it is sought to transfer the maximum allowed amount to another heading, i.e. 25, this will only be possible if the other heading had also a provision of 100 or more. If this other heading had only a provision of 90, it cannot receive a transfer of 25 as this would constitute an increase of more than 25%. In other words, the limit of 25% applies not only to the heading where the money is taken from, but also to the heading intended to receive the transferred amount.

- Successive unilateral modifications to the budget must be taken into account **in a cumulative way**. This means for instance that, if a budget heading was already increased with an unilateral modification by 20% of its initial value (as set out in the original budget of the action or as modified by an addendum), that heading can be further increased by no more than 5% of its initial value (thus reaching in total the limit of 25% of its initial value).
- When the cumulative variations of a given budget heading exceed 25% of the budget heading's value, it is necessary to process a formal budget revision (through an addendum according to Article 9(3)). Without such addendum (to regularize the modification that leads to exceeding the 25%) all costs exceeding the threshold related to that modification would be ineligible.
- When informing the Contracting Authority, a comparative version of the budget with the cumulative changes already made must also be submitted.
- **Caution should always be used in making any modification to the human resources allocated to the action.** In this case and in all doubtful cases, it is advisable to discuss and, if possible, agree in writing with the Contracting Authority beforehand.

## 2) Unilateral amendment: changes in the description of the action

- Again, unilateral changes in the description of the action and the logical framework that do not affect the expected results (impact, outcomes, outputs) are allowed as long as they do not call into question the initial award of the grant or the equal treatment of applicants.

**Unilateral amendments affecting the Description of the Action and the Logical Framework that affect the expected results (impact, outcomes, outputs) are not possible and may lead to a termination of the contract by the Contracting Authority in accordance with Article 12(2) of GC.**



## OTHER CHANGES

Changes, such as changes of addresses, bank accounts and auditor can be done by simple notification letter. In this case, GBs do not receive CA's approval. A notification letter only for information would suffice.

### How to proceed with these 'changes requests'?

#### Steps to follow

#### For requesting addendum (changes requiring an addendum to the contract):

1. Consult with PIU in the line ministry before doing any steps;
2. Prepare the draft request for addendum;
3. If the requested modification affects the project budget, prepare the Addendum table with clearly marked affected budget lines and budget headings and indicate changes, if required, in the Justification sheet of the budget (check Tool 1 – Budget modifications)
4. Review Description of the Action, Log-frame and Budget and observe if any changes are needed and if so, mark them and mention in the request;
5. Consult the draft-Request for Addendum with PIU in the line ministry and seek their clearance for further step;
6. At least 30 days before the date on which the amendment should enter into force, submit the Request for Contract modification to the Contracting Authority (CFCU);
7. Sign an Addendum to the contract (in case the CFCU approves the Request);
8. Apply the modification(s), as agreed with the Addendum.

**For introducing unilateral amendments (changes not requiring an addendum to the contract, in line with Article 9(4) of GC**

1. Consult with PIU in the line ministry before doing any steps;
2. Prepare the Notification on unilateral amendment;
3. If the requested modification affects the project budget, prepare the Budget modification table with clearly marked affected budget lines and budget headings and indicate changes, if required, in the Justification sheet of the budget; (check Tool 1 – Budget modifications)
4. Review Description of the Action, Log-frame and Budget and observe if any changes are needed and if so, mark them and mention in the request;
5. Consult the draft-Notification on unilateral amendment with PIU in the line ministry and seek their clearance for further step;
6. Preferably 10 days before the date of applying the modification, inform in writing the Contracting Authority about the change(s) that should be introduced.

**For notifying on other changes** (changes of addresses, bank accounts and auditor, for example):

1. Consult with PIU in the line ministry before doing any steps;
2. Prepare the letter notifying on the changes;
3. Submit the notification to the Contracting Authority.

Annexed to this Guidelines is a template you can use when requesting addendum and when notifying PIUs/ CFCU of the unilateral amendments. It is accompanied by the excel template, which you can use to present your unilateral amendments in line with Article 9(4) or when addendum is requested.

**SOME FREQUENT QUESTIONS AND ANSWERS:****1. What is the difference between suspension and termination of grant contract??**

The implementation of the action may become temporarily impossible or undesirable due to exceptional circumstances, most notably of force majeure. Under exceptional / force majeure circumstances, the Coordinator is entitled to suspend the implementation of the action or parts thereof unilaterally. The suspension of the implementation of the action implies that the beneficiaries stop carrying out the action for a specific period of time. During the suspension period the beneficiaries may only request the reimbursement of the minimum costs necessary for a possible resumption of the action. If it is practically impossible to resume the implementation of



the action as initially planned then the possibility to modify the action in light of the new implementing conditions must be explored. In this assessment, it must be carefully checked to what extent an amendment of the contract is possible without putting into question the award decision or the equality of treatment. If an amendment goes against these main principles for amendments, the contract should be terminated. Suspension must lead to an extension of the duration of the action of a period equivalent to the length of the suspension (provided that the implementation can be resumed).

The contracting authority will terminate the contract or the participation of a beneficiary in any of the cases foreseen in Article 12(2) of GC. Some of these reasons are: a beneficiary(ies), or any related entity or person, have been found guilty of grave professional misconduct; a beneficiary(ies) has not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which it is established; the contracting authority has evidence that a beneficiary(ies) is subject to a conflict of interests. Upon termination of this contract the coordinator shall take all immediate steps to bring the action to a close in a prompt and orderly manner and to reduce further expenditure to a minimum..

## 2. Which intellectual property legislation is applied?

The one of Montenegro, in all cases where the GBs are registered in Montenegro.





# 2

## CHAPTER

### Financial Management

#### **PAYMENT CLAIMS**

The frequency with which pre-financing payments are made depends on the duration of the Action and on the total amount of the grant. The GC recognizes two options in Article 15(1) – Options 2 and 1. Under SOPEES both will be applied.

#### **OPTION 2**

According to GC article 15(1)(**Option 2**)- for Actions which last more than 12 months and where the Contracting Authority's contribution is more than EUR 100 000, the pre-financing will be split based on several reporting periods (by default 12 months).

An **initial pre-financing payment** of 100 % of the part of the estimated budget financed by the Contracting Authority for the first reporting period shall be paid upon signing of the contract. This payment will be executed without considering contingencies in the budget.

**Further pre-financing payments** are split among the reporting periods (they are presented as a single global amount in the SC). If at the end of the reporting period the part of the expenditure actually incurred which is financed by the Contracting Authority is less than 70 % of the previous payment (and 100% of any previous payments), the further pre-financing payment shall be reduced by the amount corresponding to the difference between the 70 % of the previous pre-financing payment and the part of the expenditure actually incurred which is financed by the Contracting Authority.



Project (duration 18 months, no contingences)	Grant	Payments
Total eligible cost= 166,667	150,000 (90%)	
First installment (first pre-financing) (100 % of the part of the estimated First year budget, financed by the contracting authority)	<b>80,000</b> (within 30 days)	80,000
Forecast second pre-financing	<b>Max 55,000</b> (within 90 days)	Case 1 – project reported eligible expenditures = <b>56,000</b> ( $\geq 80,000 \times 70\%$ ) Further pre-financing= <b>55,000</b> Case 2 -project reported eligible expenditures = <b>46,000</b> (57,5%, i.e 10,000 less than 70%) Further pre-financing= <b>45,000</b> (55,000-10,000)
Forecast final payment	<b>Max 15.000</b> (within 90 days)	The balance of the final amount of the grant will only be payable after the end of the implementation period, when the final report together with a request for payment has been approved by the contracting authority

How to understand these provisions? Take for example the 'I have a dream' project: - they are awarded a grant contract, lasting for 18 months, total costs are 166,667 EUR and the grant is 150,000 EUR, 90%. They planned their budget in that way so that their estimate for Year One in their contracted budget is 88,000 EUR. So, upon signature of the contract, they may receive not more than 80,000 EUR (90% of their Year One planned budget).

**IN YOUR SIGNED SPECIAL CONDITIONS  
(ARTICLE 4), YOU WILL FIND INFO ON**

Initial pre-financing, to be paid  
upon signature of the contract

Further pre-financing

Balance.

Following the 12-month implementation period they will be able to request maximum further pre-financing of 55,000 EUR.

However, in order to actually receive such amount, by month 12 they need to spend 56,000 EUR. Maybe they did not spend this full amount – well, then their further pre-financing is decreased, as presented in the picture above.



## OPTION 1

In cases of Actions with an implementation period of 12 months or less or grant of EUR 100,000 or less (**Option 1**) an initial pre-financing payment of 80% of the total grant shall be paid – this is easier. What remains is the balance, to be paid following the submission and approval of the final report.

The contingency reserve, if it exists in budget, is not considered in the payments until, and unless, is approved (as it will not be disbursed if not needed).

Note that **payment do not imply recognition of the regularity** or of the authenticity, completeness and correctness of the declarations and information provided – it does not mean that the Contracting Authority has recognized your costs as eligible if they proceeded with the payment.

## SOME FREQUENT QUESTIONS AND ANSWERS:

### 1. Shall I wait for the payment from the CA to commence with my activities?

No, this may only prolong project, cause delays and you don't have an option of cost extension. Thus, if you are implementing, for example a 12-month project, and you have planned 12 full time monthly salaries for the Project Manager – unless you contract him immediately after the start of the action, you will not be able to pay all these 12 salaries- without an extension of the contract duration.

### 2. What if I spent 70% of the initial pre-financing before 12 months?

Based on GC, the Coordinator may submit a request for further pre-financing payment before the end of the reporting period, when the part of the expenditure actually incurred which is financed by the Contracting Authority is more than 70 % of the previous payment (and 100 % of any previous payments). In this case, the following reporting period starts anew from the end date of the period covered by this payment request.

### 3. So, it does not mean necessarily, that if I have signed the contract for 100,000 EUR grant I shall receive a 100,000 EUR at the end?

Yes, the final amount of the grant will depend on the approved eligible costs. In addition, regardless of the costs incurred, the grant may be reduced in case of non-implementation or poor, partial or late execution.



## ACCOUNTING REQUIREMENTS

For grant contracts, the use of dedicated bank accounts is **not mandatory**, and the Contracting Authority may make payments into the grant beneficiary's general bank account (of the Coordinator of the action, not disbursed per co-beneficiaries).

Article 16(1) of GC stipulates that the grant beneficiary(ies) shall keep accurate and regular accounts of the implementation of the Action using an appropriate accounting and double-entry book-keeping system.

For an expenditure in a project-dedicated accounting:

- The debit will indicate to which category of expenditure the invoice has to be imputed
- The credit will indicate if the invoice was paid by the beneficiary or a partner. In case of non-dedicated bank accounts, the entry should also indicate which one was used.

The accounts:

- a) may be an integrated part of or an adjunct to the GBs regular system;
- b) shall comply with the accounting and bookkeeping policies and rules that apply in the country concerned;
- c) shall enable income and expenditure relating to the grant action to be easily traced, identified and verified.

In that sense, **project accountant should be a competent, disciplined person trained and experienced in accounting techniques.**

### TOOL 2 – ACCOUNTING SYSTEMS CHECKLIST

Convenient tool to follow

Annexed to this report you may find an Accounting Checklist (Tool 2) for your convenience.

## DOCUMENTATION, FILING AND RECORD KEEPING

For the GB, keeping clear and relevant documentation is vital. Without proper documentation, it is impossible to show that the costs claimed from the CA meet the conditions of the grant contract. There must be adequate documentation proving that any expenditure is related to the project.



Based on provisions of your grant contract:

- The GBs shall keep all records, accounting and supporting documents related to the contract **for five years following the payment of the balance** (three years in case of grants not exceeding EUR 60 000), and in any case until any on-going audit, verification, appeal, litigation or pursuit of claim has been disposed of.
- The supporting documents and records must be easily accessible and filed in a way that, to facilitate their examination and the coordinator shall inform the contracting authority of their precise location.
- All supporting documents must be kept, such as:
  - ▷ Accounting records from the GBs accounting system such as general ledger, sub-ledgers and payroll accounts, fixed assets registers and other relevant accounting information;
  - ▷ Proof of procurement procedures such as tendering documents, bids from tenderers and evaluation reports;
  - ▷ Proof of commitments such as contracts and order forms;
  - ▷ Proof of delivery of services such as approved reports, time sheets, transport tickets, proof of attending seminars, conferences and training courses (agendas, list of participants, photos);
  - ▷ Proof of receipt of goods such as delivery slips from suppliers;
  - ▷ Proof of completion of works, such as acceptance certificates;
  - ▷ Proof of purchase such as invoices and receipts;
  - ▷ Proof of payment such as bank statements, debit notices, proof of settlement by the contractor;
  - ▷ Proof that taxes and/or VAT that have been paid cannot actually be reclaimed;
  - ▷ For fuel and oil expenses, a summary list of the distance covered, the average consumption of the vehicles used, fuel costs and maintenance costs;
  - ▷ Staff and payroll records such as contracts, salary statements and time sheets;
  - ▷ Visibility material (for each kind of visibility material you must keep at least one for your archive).



Furthermore, there are certain requirements of your archiving system, as follows:

- All transactions in accounting are referred to the necessary supporting documents;
- The originals of the supporting documents have to be kept by each partner institution, but copies (either scanned or physical) are easily available by the Coordinator in order to facilitate the financial controls by authorized bodies. A web-based document repository shared by all partners may be very useful for this purpose;
- The documents have to be archived in a way that they are easily accessible after the project closure. This means that each budget heading and each budget line must be separated and followed by supporting documents.

Don't forget that the accounting records must cover all the costs of the project, irrespective of whether they have been financed by EU grant or provided by other parties, as all costs must be stated in the report.

Review all documentation with a critical eye to ensure that it provides sufficient evidence of eligibility. Here are some basic principles:

- An original document is more reliable than a copy, as it is difficult to alter and offers better protection against recording the same expense item twice. For this reason, during checks or audits, the auditors will generally ask to see original documents.
- An official document is more reliable than an unofficial one. For example, an official bank statement provides more reliable evidence of payment than a cash payment voucher drawn up.
- A document issued by an outside source is better evidence than a document drawn up in-house. For example, for procurement under a grant contract, a tender or letter sent by the tenderer is better evidence of a competitive consultation than a note from the grant beneficiary stating that the tenderer was contacted.

### **Ask yourself if the project documentation shows that expenses are eligible?**

Several documents may be needed to prove that expenses are eligible. For example, a supplier's invoice may prove that an item was bought for a certain price, but not that the expense was eligible in other ways, such as:



- Relation to the project: The supplier's invoice shows that goods were bought, but not necessarily that they were used for the project. The link to the project may need to be documented, which means that the invoice should include the name and number of the contract so that invoice can be easily linked to the project. For vehicles, a logbook can be kept proving that the vehicle was used for the project and not for other purposes.
- Reality: Project documentation should prove that **the costs were incurred** in real terms. For example, the supplier's invoice may prove that the supplier was owed money by the project. But it does not necessarily prove that the project completed the transaction by accepting the goods and paying for them. So it may be necessary to keep the supplier's invoice AND the **supplier's delivery note** AND **the bank statement** (or receipt) showing **that payment was made**.
- Specific contractual conditions: The grant contract include specific conditions, for example some form of EU visibility. In these cases, the project documentation will need to include not only the supplier's invoice but evidence that these Contractual Conditions were also met.

**Documentary proofs** to be kept are two-fold:

**Proofs for the activities implemented** - The technical project documentation should be detailed enough to evidence not only the reality of the respective costs incurred, but also that the value for money principle is respected. The next table presents exemplary proofs for some of the budget headings.

**TOOL 3 – DOCUMENTATION  
CHECKLIST**

Convenient tool to follow



BUDGET HEADING EXPENDITURE	EXEMPLARY PROOFS OF IMPLEMENTATION
<b>1. Human resources</b> Experts assigned to the action	<ul style="list-style-type: none"> <li>▶ Employment contract for employees accompanied with the Annex to this contract, if applicable)</li> <li>▶ Monthly timesheet proving the actual time worked on the project: it has to be provided for each project team member; it must be properly filled out with a description of the tasks carried out within the project and duly signed, both by the team member and the responsible person in the employer institution. Paid leave such as national holidays and vacation must be reported regularly through total number of working hours and clearly specified in the column "description of the task" in the timesheet</li> </ul> <p><i>Note: If the person is working on national holiday or during the weekend without prior official approval from employer ie organization, it cannot be considered as eligible cost.</i></p> <ul style="list-style-type: none"> <li>▶ Decision on the appointment of members of the project team, with specified qualification (i.e. managerial staff, technical staff, administrative staff) function in the project, to what extent the work is dedicated to the project (for examples the percentage of 100% or 20%...). The contracts/formal nominations must be made before or at the beginning of the project for the period within the implementation dates of the project and, if necessary, can be updated during the project lifetime (i.e. adding new employee, extension of one employee's contract, changing of the project staff members)</li> <li>▶ Decision for annual leave (if needed)</li> <li>▶ Monthly payslips for each individual with defined gross 2 salary for total work engagement, not only for the project</li> <li>▶ Tax, surtax and contribution specifications (IOPPD forms).</li> <li>▶ Evidence of payment of salaries and payment of taxes, surtaxes and contributions (bank statements, confirmation of executed order, etc.).</li> </ul>
<b>1. Human resource</b> Perdiems	<ul style="list-style-type: none"> <li>▶ Program of the seminar/event</li> <li>▶ Proof of event happened and proof of participation (signed list of participants, agenda, photos, minutes, travel report);</li> <li>▶ Travel order - with clearly specified date and time of travel, certifying the mission carried out, from which it is clearly possible to infer the name of the travelling employee(s), date, reason and destination of the mission;</li> <li>▶ Proof of travel happened (e.g. travel receipts, bus/train/flight ticket, hotel invoice, boarding pass for each flight, copy of passport entry/exit...)</li> <li>▶ Proof of payment of costs directly paid by the institution or in case of cost directly paid by the employee proof of reimbursement to the employee by the institution</li> </ul>
<b>2. Travel</b>	<ul style="list-style-type: none"> <li>▶ Duly filled and signed order for the mission</li> <li>▶ Individual report on the mission and materials of the mission (invitation, agenda, list of participants, description of the individual contribution etc.)</li> <li>▶ Public transport: Transport tickets;</li> <li>▶ Log-book that proves mileage on the car.</li> <li>▶ Car: For fuel and oil expenses, a summary list of the distance covered, fuel costs</li> <li>▶ Proof of payment of costs directly paid by the institution or in case of cost directly paid by the employee proof of reimbursement to the employee by the institution (e.g., bank statement).</li> </ul>





BUDGET HEADING EXPENDITURE	EXEMPLARY PROOFS OF IMPLEMENTATION
<b>3. Equipment/supplies</b>	<ul style="list-style-type: none"> <li>▸ Procurement documents (tender dossier, tender evaluation report and respective annexes, technical acceptance form);</li> <li>▸ Copies of submitted offers</li> <li>▸ Copy of the supply contract</li> <li>▸ Copy of the Certificate for origin</li> <li>▸ Copy of the inventory register</li> <li>▸ Protocol for transferring the ownership (if applicable)</li> <li>▸ Invoice – with clearly stated number/name of the project</li> <li>▸ -Proof of payment such as bank statements</li> <li>▸ Copy of Certificate for VAT exemption</li> </ul>
<b>4. Local office</b>	<ul style="list-style-type: none"> <li>▸ Contract for renting the office</li> <li>▸ Evidences there are no such costs covered by 10. Administrative costs</li> <li>▸ Proofs about the proportion in which the office is used for the project (if applicable)</li> </ul>
<b>5. Othercosts, services</b>	<ul style="list-style-type: none"> <li>▸ Procurement documents (tender dossier, tender evaluation report and respective annexes, service provision report(s); evidence of experts' selection process (invitation letter/call), CVs, Terms of Reference, report of the selection committee etc.)</li> <li>▸ Copies of submitted offers</li> <li>▸ Contract of the service contract</li> <li>▸ Program of the conference</li> <li>▸ List of participants</li> <li>▸ Materials</li> <li>▸ Contributions</li> <li>▸ Publications</li> <li>▸ Photos</li> <li>▸ Invoice/receipt – with clearly stated number/name of the project</li> <li>▸ Proof of payment</li> </ul> <p><i>NOTE: Costs will only be reimbursed if visibility rules are followed through (visibility materials, presentations, labels on purchased equipment, etc.)</i></p>
<b>6. Other</b> Works (or any other cost planned under this BH)	<ul style="list-style-type: none"> <li>▸ Procurement documents (tender dossier; tender evaluation report and respective annexes; work acceptance form)</li> <li>▸ Copies of submitted offers</li> <li>▸ Copy of the work contract</li> <li>▸ Invoice/receipt – with clearly stated number/name of the project.</li> <li>▸ Proof of payment.</li> </ul>



## UNDERSTANDING ELIGIBILITY OF COSTS

- Eligible costs are actual costs incurred by the Grant Beneficiaries, which meet all the eligibility criteria at the same time, and do not fall under the category of ineligible costs. Furthermore, they must be in line with the specifications included in the call for proposals, which may provide for specific instructions and/or limitations to the general rules set in the GC (if appropriate, specific clauses will also be included in the SC).
- Costs have to be related to and generated by activities carried out within the implementation period of the action and in accordance with the contract.
- To be considered eligible, costs must be actually incurred by the beneficiaries, and must have generated a debt to be paid directly by an entity, which is party to the contract with the Contracting Authority (i.e. the Co-ordinator or a co-beneficiary).
- It is worth reminding that costs that might have been deemed eligible at a first glance in the reports may be declared ineligible following an audit or verification carried out.

## ELIGIBILITY CRITERIA

The following table brings some assistance in further understanding eligibility criteria for the costs of the action.

ELIGIBILITY CRITERIA	HOW TO UNDERSTAND THIS	DETAILS
<b>Costs are incurred during the implementation of the action</b>	<ul style="list-style-type: none"> <li>➤ costs relating to services and works shall relate to activities performed during the implementation period</li> <li>➤ costs relating to supplies shall relate to delivery and installation of items during the implementation period</li> <li>➤ costs incurred should be paid before the submission of the final reports. They may be paid afterwards, provided they are listed in the final report together with the estimated date of payment</li> </ul>	<ul style="list-style-type: none"> <li>➤ an exception is made for costs relating to final reports, including expenditure verification, audit and final evaluation</li> <li>➤ Any amount above EUR 500 that is unpaid on the date of submission of the final reports has to be clearly listed in the 'List of Pending payments' in the final financial report</li> <li>➤ Contract-award procedures may be initiated before the start of the implementation period, in accordance with the rules set forth in Annex IV of the grant contract. This allows for instance for the signature of a procurement contract before the start of the action in order to be already operational when the action starts. However, the respective costs will have to be generated (i.e. incurred) during the implementation period of the action in order to be eligible.</li> </ul>



ELIGIBILITY CRITERIA	HOW TO UNDERSTAND THIS	DETAILS
<b>They are indicated in the estimated overall budget of the action</b>	In principle, only those cost items that have been approved in the budget and the description of the action are eligible, although it is possible to remove a budget item or introduce a new one. A request for amendment to the contract may have to be submitted by the Coordinator according to Article 9.	
<b>They are necessary for the implementation of the action</b>	It is important to pay particular attention to explain which specific resources and related costs are needed for the implementation of the action, in order to justify their link with the action (activities, results and objectives) and therefore their funding. Costs for items charged that were not necessary for the project purposes are a frequent source of cost ineligibility.	Explanations can be implicitly done in the description of the action, but more specifically it also has to be included in the budget, in Worksheet 2.
<b>They are identifiable and verifiable, recorded in the accounting of beneficiary and partners, and backed-up by originals of supporting documents</b>	All the costs incurred - corresponding to the entire budget of the action and not only to the EU grant - must be recorded in the accounts of the beneficiaries or, as the case may be, of the affiliated entities. The supporting documents (tenders, orders, vouchers, invoices, receipts etc.) must be in place and tally with the recorded costs.	
<b>They are compliant with the requirements of applicable tax and social legislation</b>	The beneficiaries and the affiliated entities are fully responsible for the Coordination and execution of all activities and have to ensure compliance with local, national and other applicable legislation.	
<b>They are reasonable, justified and comply with the requirements of sound financial management, in particular regarding economy and efficiency</b>	It is important to pay particular attention to explain how costs are calculated and budgeted.  This is particularly true for those costs that are not easily justifiable because, for instance, they are especially high (compared to other similar items) and/or are purchased in high quantity.	The explanation has to be provided at proposal stage in the budget, worksheet 2, in the column 'justification of the estimated costs', and/or as appropriate in the description of the action and the reports to understand their relationship with the results/activities of the action.



## TYPES OF COSTS BY NATURE

Coordinators and staff tasked to implement the action, should be familiar with different types of costs related to grant funds. The following table brings some more information.

Types of costs	What are they	Details
<b>Direct Eligible Costs</b>	<p>The following direct costs of the beneficiary(ies) shall be eligible:</p> <ul style="list-style-type: none"> <li>the cost of staff assigned to the action, corresponding to actual gross salaries including social security charges and other remuneration-related costs (excluding performance-based bonuses);</li> <li>travel and subsistence costs for staff and other persons taking part in the action, provided they do not exceed those normally borne by the beneficiary(ies) according to its rules and regulations;</li> <li>purchase costs for equipment and supplies (new or used) specifically dedicated to the purposes of the action, provided that ownership is transferred at the end of the action when required;</li> <li>depreciation, rental or leasing costs for equipment (new or used) and supplies specifically dedicated to the purposes of the action;</li> <li>rental costs related to project office, when a project office is foreseen, duly justified and described in the description of the action and in the special conditions</li> <li>costs of consumables;</li> <li>costs of service, supply and work contracts awarded by the beneficiary(ies) for the purposes of the action;</li> <li>costs deriving directly from the requirements of the contract (dissemination of information, evaluation specific to the action, audits, translation, reproduction, insurance, etc.) including financial service costs (in particular the cost of transfers and financial guarantees where required according to the contract);</li> <li>duties, taxes and charges, including VAT, paid and not recoverable by the beneficiary(ies), unless otherwise provided in the SC.</li> </ul>	<ul style="list-style-type: none"> <li>Salaries and costs shall not exceed those normally borne by the beneficiary(ies), unless it is justified by showing that it is essential to carry out the action;</li> <li>As a general rule, tasks performed by consultants, experts and/or other service providers (e.g. accountants, lawyers, translators, external IT staff, etc...) are to be considered as resulting from implementation contracts - Consultants are not considered as human resources (budget heading 1) but as other costs/services (budget heading 5 or 6);</li> <li>The rates of per diems per country published by the European Commission at the time of contract signature may never be exceeded. Also note that GBs should have their own internal rulebooks stipulating amounts and payment procedures for per diems and if not, national Ruling should be used;</li> <li>Travel by plane must be always in economy class, unless at the moment of purchase business class was not more affordable in which case proofs of this situation should also be provided,</li> <li>The costs of supply, service or work contracts should be awarded in line with the procurement rules set out in Annex IV of the grant contract,</li> <li>Supplies may originate from any country if the amount of the supplies to be procured is below 100.000 € per purchase (or per lot, if the procedure is divided into lots);</li> <li>As a general rule beneficiary have to apply for tax (including VAT) exemption whenever possible (CFCU has a dedicated manual on VAT exemption on their webpage <a href="http://www.cfcu.gov.me/vijesti/156867/Nove-instrukcije-za-oslobadanje-od-placanja-PDV-a-decentralizovano-indirektno-upravljanje.html">http://www.cfcu.gov.me/vijesti/156867/Nove-instrukcije-za-oslobadanje-od-placanja-PDV-a-decentralizovano-indirektno-upravljanje.html</a>)</li> </ul>



Types of costs	What are they	Details
<b>Simplified Cost Option</b>	<p>Where possible and appropriate, lump sums, unit costs or flat rates shall be determined in such a way as to allow their payment upon achievement of concrete outputs and/or results.</p> <p>Costs declared under simplified cost options shall satisfy the eligibility criteria set out in Article 14(1) and 14(2) of the GC. They do not need to be backed by accounting or supporting documents, save those necessary to demonstrate the fulfilment of the conditions for reimbursement established in Annex I and III of the Grant Contract and Annex K published at the time of the Call for Proposals.</p>	<ul style="list-style-type: none"> <li>► The amounts or rates of unit costs, lump sums or flat rates set out in Annex III (in case of simplified costs option) may not be amended unilaterally and may not be challenged by ex post verifications.</li> <li>► These costs may not include ineligible costs as referred to in Article 14(9) of the GC or costs already declared under another costs item or heading of the budget of this contract.</li> <li>► Simplified cost options that are not result based shall not be authorized unless they have been ex ante assessed.</li> </ul>
<b>Contributions in kind</b>	<p>Any contributions in kind, which shall be listed separately in Annex III, do not represent actual expenditure and are not eligible costs. Unless otherwise specified in the SC, contributions in kind may not be treated as co-financing by the beneficiary(ies).</p> <p>If contributions in kind are accepted as co-financing, the beneficiary(ies) shall ensure they comply with national tax and social security rules.</p>	<ul style="list-style-type: none"> <li>► If the description of the action provides for contributions in kind, such contributions have to be provided</li> </ul>
<b>Volunteers' work</b>	<p>The value of the work provided by volunteers can be recognised as eligible cost of the action and may be treated as co-financing by the beneficiary(ies).</p>	<ul style="list-style-type: none"> <li>► This type of costs must be presented separately from other eligible costs in the estimated budget. The value of the volunteers' work must always be excluded from the calculation of indirect costs.</li> </ul>
<b>Contingency reserve</b>	<p>Can only be used in case of unforeseeable changes of circumstances</p> <p>Can only be used with prior approval by CA; not exceeding 5 % of the direct eligible costs</p>	<ul style="list-style-type: none"> <li>► The contingency reserve should only be included in the initial total Budget, and not budgeted in the requests for pre-financing.</li> <li>► The contingency reserve cannot be modified through unilateral amendment.</li> <li>► No accounting entries will be found under this category.</li> </ul>
<b>Eligible indirect costs</b>	<p>This category is described in Article 14(7) of the GC.</p> <p>They are calculated as a fixed rate (max 7%) of the total amount of direct eligible costs.</p>	<ul style="list-style-type: none"> <li>► The flat rate does not need to be supported by accounting documents.</li> <li>► These costs cannot be modified through unilateral amendment.</li> </ul>



Types of costs	What are they	Details
<b>Ineligible costs</b>	According to the general template of the GC: debts and debt service charges (interest); b) provisions for losses, debts or potential future liabilities; costs declared by the beneficiary(ies) and financed by another action or work programme receiving a European Union grant (including through the European Development Fund); purchases of land or buildings, except where necessary for the direct implementation of the action and according to the conditions specified in the SC; in all cases the ownership shall be transferred in accordance with Article 7(5), at the latest at the end of the action; e) currency exchange losses; credits to third parties, unless otherwise specified in the SC; in kind contributions (except for volunteers' work); salary costs of the personnel of national administrations, unless otherwise specified in the SC and only to the extent that they relate to the cost of activities which the relevant public authority would not carry out if the action were not undertaken; performance-based bonuses included in costs of staff.	<ul style="list-style-type: none"> <li>SC may derogate some of these.</li> </ul>

In order to further support GBs – a template for the monthly timesheet is provided in tool 4.

#### TOOL 4 – TIMESHEET

Convenient tool to follow

### SOME FREQUENT QUESTIONS AND ANSWERS:

#### 1. Are all actions and expenditures listed in grant contracts to be considered a priori eligible?

No, simply because something was listed/mentioned in the project proposal it is not automatically considered eligible.

#### 2. How is the eligibility of costs determined?

Eligible costs are defined in Article 14 of the GC, Annex II to your contract.

## Secondary Procurement

Rules for procurement are defined in ‘**Annex IV** Procurement by Grant Beneficiaries in the context of European Community external actions’ annexed to the grant contract. This Annex is applicable to the GBs and all partners, as well as affiliated entities, regardless of their legal status (public or private) or nationality.

For what is NOT described in Annex IV (detailed procedures, tender documents) you may:

- Either use your own procedures, that must be in accordance with Annex IV rules,
- Or may use Chapters 3 (Service), 4 (Supply), 5 (Works) of PRAG and related annexes.

Whatever system of procedures is chosen, it must be consistently throughout project implementation, i.e. combination of “own procedures”(or national) and PRAG procedures for different secondary procurements under the same contract is not advised.

Note that the Grant Beneficiaries **and Associates are not eligible for sub-contracting**. This means that you cannot procure an organization X to provide you a certain service, if that organization is identified as a Co-beneficiary/ Associate in your grant action.

### WHAT IS PRAG

The practical guide on contract procedures for European Union external action (PRAG) provides Contracting Authorities, on the one hand, and tenderers, candidates, applicants and contractors, on the other hand, with practical assistance in preparing and implementing procurement and grant contracts in the field of external



action. Although the PRAG provides explanations and information strictly in compliance with the rules and regulations in force, it is not legally binding<sup>1</sup>.

PRAG does not apply to Grant Beneficiaries for which Annex IV of the standard grant contract applies (as defined by Scope of PRAG, section 1.2). However, Annex IV of your grant contracts also states that: **“The beneficiary may decide to apply the procurement procedures set forth in the practical guide. If these procedures are correctly followed the principles above will be deemed to be complied with.”** In this sense, if you do not have standardised approaches or practices in relation to procurement, the use of PRAG is recommended.

The document may be found at the following site:

<http://ec.europa.eu/europeaid/prag/document.do?nodeNumber=1.2>.

PRAG 2019 is used, but if the Call for Proposal has been published prior to 02/08/2018, Version 2018.0 is applicable.

The 2018 version may be found at <http://ec.europa.eu/europeaid/prag/previousVersions.do>.

Regardless of whether you follow PRAG or not, Annex IV obliges you to follow certain principles:

### © Principle 1 - Best Value for Money

If the implementation of an action requires procurement by the beneficiary(ies), the contract must be awarded to the tender offering best value for money (i.e. the tender offering the best price-quality ratio) or, as appropriate, to the tender offering the lowest price.

### © Principle 2 - Avoidance of conflict of interest

The beneficiary (ies) shall avoid any conflict of interests.

### © Principle 3 - Being able to justify the choice of tenderer

Where the beneficiary does not launch an open tender procedure, it shall justify the choice of tenderers that are invited to submit an offer.

<sup>1</sup> Judgment of the General Court (Seventh Chamber) of 15 September 2011, CMB Maschinenbau&Handels GmbH and J. Christof GmbH v European Commission, T-407/07, EU:T:2011:477, paragraph 157.





© **Principle 4 – Using objective criteria in evaluation**

The beneficiary shall evaluate the offers received against objective criteria which enable measuring the quality of the offers and which take into account the price (the offer with the lowest price shall be awarded the highest score for the price criterion).

© **Principle 5 – Record keeping**

The beneficiary shall keep sufficient and appropriate documentation with regard to the procedures applied and which justify the decision on the pre-selection of tenderers (where an open tender procedure is not used) and the award decision.

© **Principle 6 –Respecting EU restrictive measures**

With reference to Section 2.4 of PRAG, the beneficiary shall be responsible for the respect of EU restrictive measures in the award of contracts. The lists of persons, groups, entities subject to the EU restrictive measures are maintained by the Service for Foreign Policy Instruments and published on the following website: [www.sanctionsmap.eu](http://www.sanctionsmap.eu)

Note that failure to comply with these principles or rules would render the related expenditure ineligible.

Eligibility of secondary procurement contracts is also defined – in terms of rules of nationality and rules of origin. Only in duly substantiated exceptional cases, and not just because a product of ineligible origin is cheaper than the EU or local product may these rules be exempted from, and this needs to take place by derogation only! (derogation is requested from the CFCU).

**NATIONALITY**

Award of procurement contracts is open to all natural and legal persons of Member State or a country, territory or region mentioned as eligible by the relevant regulation/basic act governing the eligibility rules for the grant - art. 10 of the IPA regulations (Regulation EU – 236/2014). Tenderers must state, in the tender, the country of which they are nationals by presenting the usual proof of nationality under their national legislation.

This rule does not apply to experts proposed by service providers taking part in tender procedures or service contracts financed by the grant.



## ORIGIN

Note that under IPA II (and SOPEES is a part of IPA II) supplies may originate from any country if the amount of the supplies to be procured is below 100.000 € per purchase (in cases of supply tender divided into lots, this means per lot). Where supplies may originate from any country, no certificate of origin needs to be submitted.

**\*The amount tendered must be as planned in the project budget.**

In awarding contracts, certain principles should be taken into account:

- ⦿ **Transparency** - the amount of information to be provided on orders and procedures, and the publicity of the actions/inactions of the Contracting Authorities on selection of a contractor;
- ⦿ **Proportionality** - required award criteria are proportional and appropriate to the objective of the procurement;
- ⦿ **Equal treatment** - all candidates in procurement processes are subject to exactly the same conditions for submission and evaluation of tenders and are treated in exactly the same way;
- ⦿ **Non-discrimination** - prohibits discrimination based on preferences due to nationality of the suppliers and producers –e.g. local tenderers at the expense of foreign ones.

## COMMON RULES APPLICABLE TO ALL TENDER PROCEDURES

1. Beneficiary - **acts as Contracting Authority** (in the following text the function of the Contracting Authority will be assigned to the Grant Beneficiary) and is responsible for issuing invitations to tender, receiving offers, chairing tender evaluation committee, deciding on the results of the tender procedure, awarding to and signing the contract with the successful tenderer;
2. The time-limits for receipt of tenders and requests to participate must be **long enough** to allow interested parties a reasonable and appropriate period to prepare and submit their tenders.
3. All requests to participate and tenders declared as satisfying the requirements must be evaluated and ranked by an evaluation committee on the basis of the **exclusion, selection and award criteria** announced in advance. This committee must have an odd number of members, at least three, with all the technical and administrative capacities necessary to give an informed opinion on the tenders. Note however that, in cases of single tenders, according to PRAG (section 2.6.8 – ‘When the contract does not exceed EUR 20 000 appointing an evaluation



committee is never mandatory.’ – in these cases you will appoint the persons to take part in negotiations.

4. Do not split **artificially the contracts to circumvent** the procurement thresholds as all the amount may become ineligible.

The main characteristics of some of the procedures are as follows:

PROCEDURE	SPECIFICS
Invoice only (for the amount below 2.500,00€ for complete budget line or total amount of budget lines of similar nature which can be procured under one procedure)	<ul style="list-style-type: none"> <li>■ Based on the consultation of one potential supplier/provider;</li> <li>■ No tender documentation necessary.</li> </ul>
Single tender procedure (for the amounts above 2.500,00€ and under 20.000,00€ for complete budget line or total amount of budget lines of similar nature which can be procured under one procedure)	<ul style="list-style-type: none"> <li>■ Based on the market research;</li> <li>■ Simplified tender documentation for single tender (provided by CFCU);</li> <li>■ Preparation of single tender negotiation report.</li> </ul>
Simplified tender procedure (above 20.000,00€ and under 300.000,00€ for complete budget line or total amount of budget lines of similar nature which can be procured under one procedure)	<ul style="list-style-type: none"> <li>■ A draft version of the procurement documentation shall be submitted to the CFCU for the prior review;</li> <li>■ After an approval of this documentation by the CFCU, the Contracting Authority draws up a list of at least three service providers and justifies its choice;</li> <li>■ Simplified tender documentation for procedure (provided by CFCU);</li> <li>■ The chosen candidates must be allowed at least 30 days from the dispatch of the letter of invitation to tender to submit their tenders;</li> <li>■ If, having consulted the tenderers, the Contracting Authority receives only one tender that is administratively and technically valid, the contract may be awarded provided that the award criteria are met;</li> <li>■ Tenders must be opened and evaluated by an evaluation committee with the necessary technical and administrative expertise, appointed by the Contracting Authority.</li> </ul>

The Grant Beneficiaries are recommended to prepare after the beginning of the project implementation a **procurement plan (at the latest by the end of the first month of implementation)**, which indicates all of their planned procurement procedures. The template is provided in Tool 6.

#### TOOL 6 – PROCUREMENT PLAN TEMPLATE

Convenient tool to follow



To simplify the work of Grant Beneficiaries, the CA provides examples of tender documentation for single tender and simplified tender. The proper use of the provided template documents will be considered as compliance with the rules (basic procedural requirement of the Annex IV).

The provided templates are as follows:

- Single tender procedure packages
- Simplified (formerly known as Competitive negotiated procedure) package

For open tender procedures, the Grant Beneficiaries are recommended to use full PRAG templates. The appropriate use of these documents will be considered as compliance with international best practice.

### **SOME FREQUENT QUESTIONS AND ANSWERS:**

#### **1. Which procurement procedure should be used for procurement of goods/services/works below 2,500 EUR?**

Annex IV to grant contract is defining the framework for the procurement undertaken by Grant Beneficiaries in the context of European Union external actions. According to its provisions, the Beneficiary may decide to apply the procurement procedures set forth in the Practical Guide. So, if you are following PRAG this purchase should be done based on invoice. If you are following your own (internally defined or defined by national laws) procurement principles – this purchase shall than be done accordingly.

#### **2. Are there any different procurement rules that should be applied for the part of Action financed by the applicants' (the own co-financing to be provided by the Grant Beneficiaries)?**

Annex IV: Award procedure is integral part of the Grant contract, and there is no distinction between Contracting Authority's and applicant's contribution. Annex IV defines the requirements to be followed and it is applicable to the Beneficiary and all partners, as well as affiliated entities, regardless of their legal status (public or private) or nationality.

#### **3. Is it necessary to follow procurement rules for the personnel budgeted in Human resources?**

Annex IV Award procedure is applicable only to the procurement of the supplies/works/services. However, if the project team needs new employees, especially in the public institutions, local legislation should be followed.

## Monitoring, Evaluation, Compliance

**Planning, monitoring and evaluation** come together as Results Based Management (RBM) aimed at achieving improved performance and demonstrable results. RBM implies a shift from inputs to results and is a set of iterative steps aimed at ensuring the attainment of the desired change. IPA II, which SOPEES is a part of, is strongly embedded in this shift. RBM is a management strategy by which all actors, contributing directly or indirectly to achieving a set of results, ensure that their processes, products and services contribute to the achievement of desired results (outputs, outcomes and impact). The six steps of the RBM include:

1. Clearly identifying program beneficiaries and designing programs to meet their needs;
2. Defining realistic expected results, based on appropriate analysis;
3. Identifying and managing risks;
4. Monitoring progress towards results with the use of appropriate indicators;
5. Increasing knowledge by learning lessons and integrating them into decisions and;
6. Reporting on results achieved and the resources involved.

*According to OECD:*

*Monitoring is a continuing function that uses systematic collection of data on specified indicators to provide management and the main stakeholders of an on-going intervention with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds.*

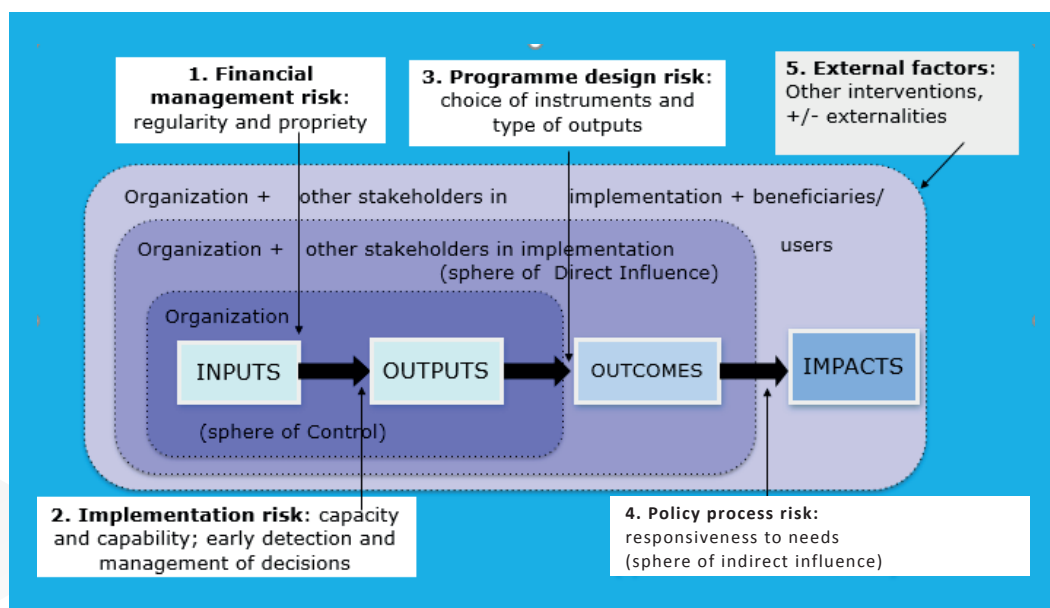
*Evaluation is the systematic and objective assessment of an on-going or completed action or policy, its design, implementation and results.*



Within your grant actions – you will monitor actions internally and you may commission an external evaluator to help you understand change you have/not produced. Externally, you will be monitored by the PIUs through monitoring visits and your compliance with the grant contracts shall be verified by CFCU, through on the spot verifications. TA SOPEES Project is also tasked to conduct overall programme evaluation of the sectoral programme. So, internal monitoring, external monitoring, compliance verifications, overall programme assessment – this all constitutes the RBM activities under SOPEES.

## INTERNAL M&E

According to Article 8(1) of GCs GBs have to include all the **monitoring and evaluation (M&E) arrangements** in their description of the action. The logic of intervention, your log frame matrices, articulate the pathway to change under your grant actions - clear definition of results, measurable indicators and systematic M&E arrangements are key factors of success. Results? These are outputs, outcomes and impact as defined in your log-frames, as the result chain. In simple terms, it is about monitoring risks and monitoring progress towards results.



Take for example the diagram on the left – it shows you links between your results and risks:

- On the level of inputs (this is your budget) you may encounter financial management risks.
- On the level of output, you may encounter implementation risks. You may not be able to contract a proper trainer. You may be in delay in production of certain outputs.
- Finally, on the level of outcomes, you may encounter pro-



gramme design risks – perhaps your action is not producing the change as desired, due to wrong methodology. If this is the case – well, then you have to rethink.

- On the level of impact, while there are risks, they relate to policies that are often outside you.

**Bear in mind** – you are bound by your log frames that are the part of the contract. No baselines, no possibility to see the change. No source of data, no possibility to inform the indicators. Hence, if there is something at fault with your log frames, you must revise them. If not, data collection throughout the action is the key.

Internal monitoring process:

- tracks the actual performance or situation against what was planned or expected according to pre-determined targets,
- highlights the strengths and weaknesses in project implementation enabling managers to deal with the problems, find solutions and adapt to changing circumstances in order to improve the projects performance,
- provides an “early warning system”, which allows for timely and appropriate intervention if a project is not in line with the initial plan,
- ensures adequate risk assessment and establishes timely prevention and/or mitigation measures.

Before the project implementation starts, all project partners should be informed that monitoring will take place during course of the project.

Monitoring answers to the **What** question bringing alerts and allowing identification of corrective measures. Evaluation answers the **Why** question.

The following table can help you distinguish between monitoring and evaluation.



	Monitoring	Evaluation
<b>Objective</b>	To identify implementation problems To assess the progress towards objectives	Learning and accountability To assess actual outcomes and impacts
<b>Timing</b>	Continuous, all along the intervention's duration. It produces data in time series.	In specific moments of the intervention's cycle
<b>Users</b>	GBs, CA, PIUs	GBs, CAs, PIUs, stakeholders
<b>Responsibilities</b>	Operational staff and/or external monitors	Internal and/or external evaluators
<b>Focus</b>	On implementation: <ul style="list-style-type: none"> <li>• Interventions' progresses and first results.</li> <li>• Inputs, activity execution, delivery of outputs and contribution to the achievement of outcomes</li> <li>• Efficiency and effectiveness</li> </ul> Key question: <b>What</b> is the intervention doing and how implementation is progressing?	On results: <ul style="list-style-type: none"> <li>• Outcomes and intermediate and long-term impacts</li> <li>• Strategic aspects (relevance, coherence, EU added value) and sustainability</li> <li>• Explores unintended results</li> </ul> Key question: To what extent and why is the intervention producing (or failing to produce) specific outcomes and impacts?
<b>Methods</b>	Greater emphasis on quantitative indicators Output and process indicators Quick exercise gathering data from systematised internal systems but also external missions	Greater emphasis on qualitative indicators Outcome and impact indicators More rigorous and sophisticated exercise, gathering data emerging from primary data sources, such as research
<b>Reports</b>	Standard and comparable formats Report progress	Less standardised presentation In-depth analysis on selected issues linked to the achievements of intended objectives Provide lessons and recommendations
<b>Dissemination</b>	Limited	Wider

Note that, if you had planned external evaluation under the grant action, all mid-term and final evaluation reports produced throughout the action have to be shared with the CA.





### TOOL 7 – MONITORING INFORMATION

Convenient tool to follow

To facilitate your internal M&E, a template for the quarterly monitoring reports is prepared, as tool 7. Regular completion of these will help you monitor the action, will help you in successfully undergoing external monitoring and will also facilitate your interim and final reporting. However, it will not help you fully capture the outcome change – unless your M&E strategy actually allows it. Buying 2 solar systems – this is an output. Reducing your energy bill – an outcome. Similarly training 2 people is an output. Increasing their knowledge – this is an outcome, but appropriate measurements have to be in place to determine it and capture it.

### EXTERNAL MONITORING/COMPLIANCE VERIFICATIONS

During the external monitoring/compliance verification process the following aspects of quality implementation are taken into account:

- **The Procedures:** Compliance with procurement rules, eligibility of costs, visibility, documentation, archiving, bookkeeping, accounting and reporting requirements, contract modifications rules. The results are non-compliances and irregularities identification.
- **Progress:** Monitoring of progress against grant contract results and grant scheme results.
- **Problems encountered:** financial and procurement related issues, administrative problems, technical difficulties in implementation.

While CFCU conducts 'on-the-spot verifications', 'monitoring support visits' are conducted by PIUs.

### ON-THE-SPOT VERIFICATIONS

On the spot verifications are conducted by the CFCU (at times jointly with the PIUs) at key time moments, such as upon submission of reports. Minimum of 2 scheduled visits are planned to each grant action, within the implementation/execution period. Number may change depending on the identified project's risks and nature of such risks. The schedules of on the spot verifications are agreed with the Coordinator. During these verifications, project documentation is thoroughly examined, verification of the physical existence of the equipment procured is done, quality of the implementation of the activities is assessed and compliance with the secondary procurement procedures also takes place. The following table reveals some of the issues that are checked:



MAJOR ITEMS TO BE CHECKED DURING THE ON-THE-SPOT VERIFICATION
<b>PREPARATION</b>
Original copy of the contract available Original copy of addenda (if applicable) available
<b>DOCUMENTS VERIFICATION</b>
Availability of produced documents, confirming that activities are in progress and/or completed If there have been changes to the nature of the activities, have they been reflected in addenda/notification if necessary
<b>COST VERIFICATION</b>
Availability of invoices and/or other supporting financial documentation confirming the completion and/or progress of activities Accounting documentation
<b>VISIBILITY</b>
Are all visibility requirements fulfilled according to the contract

### TIPS FOR SUCCESSFUL ON-THE-SPOT VERIFICATIONS:

- Have a meeting with key staff and partners to prepare for the visit;
- Have your records and documentation organized;
- Be prepared to briefly explain the status of each project activity;
- Calculate your spending and compare with initial plans;
- Do not forget to mention if you experience any problems and/or have encountered any financial issues;
- Present the status of your procurement procedures against your Procurement plan;
- Be aware of visibility requirements which must be fulfilled.

### AD-HOC VISITS

These visits are carried out with notification and aim at assessment of specific project implementation aspects: risk management, collection of additional information; verifying if information on the spot corresponds with the information received by the CFCU and the PIUs.



### VERIFICATION AND MONITORING/SUPPORT VISITS:

PIUs will be conducting monitoring/support visits. They shall focus on assessing the progress of your action – against results contracted and against quality defined in proposal. Some, may serve to ascertain sustainability of the action. For example, below are some of the issues that may be the focus on these visits:

MAJOR ITEMS TO BE CHECKED DURING THE MONITORING VISITS
<b>PROJECT PROGRESS</b>
<p>Are the activities implemented in line with the contract including the schedule foreseen in the contract?</p> <p>If there have been changes to the nature of the activities, have they been reflected in addenda/notification if necessary?</p> <p>Are the outputs/results (if indicated) of the project being achieved in line with the contract</p> <p>Do the grant beneficiaries use log-frame indicators in order to assess project progress against indicators?</p> <p>Are the specific objective(s) of the project achieved?</p>
<b>VISIBILITY</b>
<p>Are all visibility requirements fulfilled according to the contract?</p>
<b>SUSTAINABILITY</b>
<p>Outputs/results of projects are still in use</p> <p>Studies/analysis which are developed through the project are &lt;in process of adoption or they are adopted&gt; or &lt;are in process of incorporation or they are incorporated in the relevant legal act(s)&gt;, in accordance with national legislation</p> <p>Equipment is maintained and in use</p> <p>Works constructed under the project are maintained and in use</p>

## Reporting

As a part of your grant contacts, in **Annex VI**, you are provided with the templates for interim and final reports. The narrative and financial reporting is described in Article 4 of the SC of the contract and complemented by Article 15(1) to 15(5) of GC explaining the conditions for payment claims and the documents to attach. Important templates therefore to consider are:

- Annex V to contract: model of payment request (to be sent alongside interim and final reports) and
- Annex VI to contract: model narrative and financial report and
- Annex VII to contract: model of expenditure verification report.

The period covered by the narrative report matches with the period covered by the financial report. This period should be clearly stated in the reports. The reports, both narrative and financial, (as well as expenditure verifications and detailed breakdown of expenditure, where applicable) must cover the whole action as it was presented in the application and accepted by the Contracting Authority, not only the share financed by the EU contribution.

Also, bear in mind that, the Coordinator must provide an **expenditure verification report** for: any **final report** in the case of a grant of more than EUR 100 000. The expenditure verification report shall conform to the model in **Annex VII** of the grant contract and shall be produced by an auditor approved or chosen by the Contracting Authority. The auditor shall meet the requirements set out in the Terms of Reference for expenditure verification in Annex VII.



The purpose of reports is to explain:

- the results achieved and the related costs identified in the financial report
- the deviations that may have occurred (possibly subject to an amendment in accordance with Article 9) as compared to the initial proposal with regards to results and to means and costs.

Each narrative report also includes an updated **logical framework matrix**. The logframe matrix presented for the description of an action is updated for reporting purpose by adding one column providing the actual value of the results indicators for each relevant level of the chain of the results (**Current value**, marked yellow in the table below). Any necessary update/modification of the targets, baselines, sources of verification related to these indicators should be made in the same log-frame matrix with due consideration to the rules for amendments.

	Results chain	Indicators	Baseline (incl. reference year)	Current value DATE OF REPORT	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact							
Specific objective(s): Outcome(s)							
Outputs							
Activities							

It is important that the **‘focus on results’** be kept in mind when preparing the reports, in order to provide information on the type of costs incurred and to **understand their relation with the results**/activities of the action. The narrative report may contain sensitive information, for instance on the beneficiaries’ evaluation of the collaboration with local authorities. When some information needs to be kept confidential, the Coordinator must request it as soon as possible and come to an arrangement with the Contracting Authority on the parts concerned.



- Each **Interim report** (narrative and financial), covering the elapsed reporting period (12 months) shall be submitted within 60 days following the end of the reporting period (so 12 months plus maximum 60 days). If you are, for whatever reason unable to submit report in due time, you should inform the Contracting Authority of the reasons and provide a summary of progress of the grant action.
- The **Final report** has to give an overview of last period's implementation and of the action as a whole for all its duration. The final report must always include a detailed breakdown of expenditure covering the whole action and, in addition, an expenditure verification report if requested in accordance with Article 15(7) of GC. The information on transfers of ownership (where applicable) has to be provided using the template in Annex IX. The copies of the proofs of transfers have to be attached according to Article 7(5). Final reports shall be sent within 3 months after the end of the implementation period (as defined in Article 2 of the SC).

## NARRATIVE REPORT

When reporting on progress against results, you will be using **interim/final narrative report**. The sections are presented below:

SECTION	WHAT TO WRITE?
Executive summary of the Action	<ul style="list-style-type: none"> <li>▸ global overview of the Action's implementation for the reporting period</li> <li>▸ the level of achievement of the outcome(s)</li> <li>▸ the likeliness of reaching the final target(s)</li> <li>▸ any modification that should be brought to the log-frame matrix</li> </ul>
Results and Activities	<ul style="list-style-type: none"> <li>▸ assessment of the results of the Action</li> <li>▸ the level of achievement of all the results on the basis of the corresponding current value of the indicators</li> <li>▸ any unforeseen positive or negative results</li> <li>▸ observations on the performance and the achievement of outputs, outcomes and impacts (for each)</li> <li>▸ elaborate on all the topics/activities covered and implemented</li> <li>▸ any problems (e.g. delay, cancellation, postponement of activities) which have arisen and how they have been addressed (if not applicable, mark N/A)</li> <li>▸ any risks that might have jeopardized the realization/explain how they have been tackled (if not applicable, mark N/A)</li> </ul>
Log frame	<ul style="list-style-type: none"> <li>▸ Updated version of the Logframe matrix, highlighting the changes eventually introduced</li> </ul>



SECTION	WHAT TO WRITE?
<b>Contracts above € 60 000 awarded</b>	<ul style="list-style-type: none"> <li>▶ List all contracts (works, supplies, services) above € 60 000 awarded for the implementation of the action during the reporting period, giving for each contract: the amount, the name of the contractor, brief description on how the contractor was selected.</li> </ul>
<b>Updated action plan for the future activities of the project (interim report only)</b>	<ul style="list-style-type: none"> <li>▶ Advice is to copy ENTIRE action plan and insert additional columns (months 1-12 first year, second year) if there were delays in implementation. In other instances, you are presenting plans in the next reporting period.</li> <li>▶ Mark changes in the reporting period</li> <li>▶ Mark planned changes for the upcoming reporting period (the following 12 months)</li> <li>▶ Explain the planned changes below the table</li> </ul>
<b>Beneficiaries/affiliated entities and other Cooperation</b>	<ul style="list-style-type: none"> <li>▶ Partnership and cooperation among beneficiaries (specific information for each beneficiary)</li> <li>▶ Relationship with State authorities and how this affects the Action</li> <li>▶ Relationship with associates/sub-contractors/Final beneficiaries and Target groups parties</li> <li>▶ Synergy and links with other actions</li> </ul>
<b>Visibility</b>	<ul style="list-style-type: none"> <li>▶ All visibility materials produced and public events undertaken including any other relevant info</li> </ul>

## FINANCIAL REPORT

When reporting on the costs incurred/spent, you shall be using the **financial report**.

The financial reports must have at least the same level of detail as the budget annexed to the contract. Any relevant variation from the budget initially submitted must be explained. The financial reports must be consistent with the records, accounts, and ledgers of the beneficiaries and affiliated entities.

Interim financial report – includes the following sheets, that ask you for the stated information, for example:

In forecast budget and follow up:

- Use Columns A to E, for budget for the 1st year of the project implementation as per the contracted budget;
- Use Column F to present real costs incurred in the reporting period;
- Use Columns G to J – to present expected budget for the remaining implementation period of the project.

**1. Forecast budget & follow-up:**

- Previous period (forecast) - as contracted
- Real previous period - as reported
- Following period i.e. difference between Real previous period and original Budget

**2. Addenda or use of contingencies:**

- contracted budget.
- use of contingency/addenda
- new addendum

**3. Interim report:**

- Contracted budget.
- Reallocation allowed
- Expenditure incurred: reported period, before reported period, cumulated costs

In the sheet for Interim report:

- Columns A to E, present the budget as per the contract or last addendum signed;
- Column F – presents the modifications of the budget approved by the CA with an No objection i.e. modifications <25% (+/- xxxx EUR);
- Columns G to J – present expenditures incurred –insert the costs incurred during the reporting period;
- Column J – insert the costs incurred during the period before reporting period;
- Column K – insert the formula which represents the cumulative amount of column I and column J.

**TOOL 8 – REPORTING  
TEMPLATES (INTERIM AND FINAL  
NARRATIVE AND FINANCIAL)**

Convenient tool to follow

Attached to these Guidelines – you may find Tool 8– Reporting checklist which you may use while preparing your reports.

Copies of invoices, contracts or order supporting documenting justifying the expenditure made have to be attached to the reports (including interim and final). Also, copies of studies, evaluations, press releases, training presentations should be attached, in case the respective costs are being claimed under the direct costs. The Contracting Authority may always ask for more specific information (for example copies of supporting documents during verifications. Further details are provided in Tool 9.

**TOOL 9 – FINANCIAL  
REPORTING DETAILS**

Convenient tool to follow



**SOME TIPS FOR REPORTING:**

- Get feedback on the process and the progress of your project from your external evaluator/critical friend, you may also organise a 'reflection and development workshop' or other assessment event involving your project partners/target group representatives to identify:
  - ▷ what went well – and why
  - ▷ what didn't go so well or not well at all – and the reasons why
  - ▷ what should be done differently – and why
  - ▷ what should stay as originally planned – and why?
- Interim Reports are only concerned with a limited part of the timescale of the project, e.g. the first or second year of implementation only. The Final Report should cover the whole project period.
- In completing section about Assessment of the implementation of the action activities and its results of the report do not work on completing it in the order of the format, instead:
  - ▷ first write about the project Activities carried out in the period covered by the report
  - ▷ secondly write about the Outputs
  - ▷ thirdly write about the Outcome(s)
  - ▷ after that complete updated Log-frame.
- Take sufficient time to prepare report – it will not be done in 1 day;
- If there are problems/issues report on it, do not hide problems and challenges.
- Elaborate clearly: a) What has been achieved in activities implementation, b) Are there any delays? c) What needs to be achieved in the upcoming period;
- Elaborate clearly on results achieved using log-frame. It is very important to demonstrate in the final report the status about the indicators;
- Specific attention to be dedicated to financial reports – checks and supporting documentation to be provided accordingly.
- If you have to commission an auditor – start on time.

**TOOL 10 – REPORTING CHECKLIST**

Convenient tool to follow



## SOME FREQUENT QUESTIONS AND ANSWERS:

**1. So, if my contract is of duration of 12 months, how many interim reports do I send?**

None, unless your reporting period is 6 months (foreseen in 'Collaborative grant scheme for innovative project ideas' GS).

**2. And 6?**

None.

**3. Can I contract an auditor in the beginning of the Action?**

Yes, if Contracting Authority is not providing you with an auditor, it is always better to consult them as early as possible. You were contacted already by CFCU to present the name of your auditor prior to contracting. If later, you want to change this, that can be done using exchange of letters of notifications.

**4. Can I have an expenditure verification contracted even if my grant is below 100,000?**

Yes.

**5. So, I have realized that my outcome indicator is bad, and I want to amend my targets? What do I do?**

You inform PIU and CFCU on these changes in due time and you report about them in the next Interim report.



# 6

## CHAPTER

### Visibility

According to Article 6(1) of GC - unless the European Commission agrees or requests otherwise, the grant beneficiary(ies) shall take all necessary steps to publicise the fact that the European Union has financed or co-financed the action. Such measures shall comply with the Communication and Visibility Requirements for European Union External Actions.

This important document is available at:

[https://ec.europa.eu/europeaid/sites/devco/files/communication-visibility-requirements-2018\\_en.pdf](https://ec.europa.eu/europeaid/sites/devco/files/communication-visibility-requirements-2018_en.pdf) .

This document describes the GBs legal obligations and the mandatory elements of the communication and visibility measures. It sets out requirements and guidelines for briefings, written material, press conferences, presentations, invitations, signs, commemorative plaques and all other tools used to highlight EU participation.

The activities regarding visibility at grant project level will be responsibility of the relevant Grant Beneficiary. The grant beneficiary **MUST** communicate the project and project results to the target groups (relevant audience – For whom your information is intended?) within the country where the action is implemented, within EU (if applicable).

According to Article 6(2) of your GC -- Grant Beneficiaries should take visibility activities very seriously and therefore it is recommended to create a “Communication & Visibility Plan” as per template provided as part of



these guidelines within their overall project activity plan. Attached to this Guidelines, in Tool 11, you can find the draft template for such plan. A section on the visibility and communication activities has to be included in all interim and final reports (as mentioned in the previous related Chapter).

In particular, the GBs shall mention the action and the SOPPES (therefore also European Union's) financial contribution in information given to the final recipients of the grant action, in its internal and annual reports, and in any dealings with the media.

### VISUAL IDENTITY

GBs should follow the unified SOPEES visual identity.

In the headers of documents, logo of the SOPEES Programme should be placed on the right-hand and EU's and Montenegro's flags on the left-hand side, beneath which the wording 'This programme is co-funded by EU and the Government of Montenegro' (Ovaj projekat je kofinansiran od strane EU i Vlade Crne Gore) should be placed. In the center of the headers of documents, you may place the logo and the title of your grant action.

In the footers of documents, the logos of the grant beneficiaries shall be placed, followed by the wording 'The project is implemented by (names of the grant beneficiaries). (Projekat sprovode (imena korisnika granta))

### LEAFLETS, BROCHURES AND BOOKLETS

The language used in publications should be simple, clear and void of EU jargon. Please refrain from producing leaflets which are a copy-paste of your Project Terms of Reference.

It is advised to use your own visual identity in your publications, use photos and illustrations to make publications more appealing to readers. Do use the language that your end user prefers – Montenegrin. Print materials in English only if necessary.

Leaflets are simple communication tools used for informing the public about the purpose of an EU project, the proceedings and findings. For example, they are usually A4 format; colour printed on both sides and folded in three parts.



Project brochures are among one of the most essential pieces in the communication tools package to be used during the implementation of a project. Project brochures should contain key information with high quality visuals/photographic illustrations, focusing on objectives, achievements, activities and outputs of the project, along with the correctly placed logos. They can be different in size, usually printed in colour.

On the booklets, EU and programme logo should be present on the cover sheet of the booklet. The details defined for the leaflets should be covered also for the booklets.

Before any printing it is necessary to coordinate with responsible person for visibility if the design and text is appropriate. Before investing time and money in printing please consider the cost benefit effect. For smaller scale project the printing costs should not be excessive.

### **WEB PAGES**

Since the internet entered in all pores of one society, the websites are becoming to be a basic requirement for communication, but separate websites are not always required for all actions since information can simply be made available via the website of the Grant Beneficiary. It is recommended that websites should only be created if the lifespan of the project is 2 years or longer and has a strong communication component. One should always consider the sustainability of a website, and may prefer to integrate it into the website of the project beneficiary institution.

### **PUBLIC EVENTS (INCLUDING PRESS CONFERENCES)**

Organizing a public event may offer excellent opportunities for generating interest in a project's achievements. Such events can include conferences, workshops, seminars, fairs, and exhibitions. Those attending to these training courses, conferences, seminars, fairs, exhibitions and workshops should be made aware that the EU is funding the event/project.

In order to easily plan any of the events here is the checklist that should be used to facilitate the event planning. The above presented checklist helps organizing the big events but it can easily be adjusted to fit any need.

### **DISPLAY PANELS**

Display panels can be used during events for introducing a project or placed at the main entrance of a training centre/Grant Beneficiary and/or its partner(s) project office etc. The size of panels varies depending



on its contents or whether it is to be portable or not. It is usually made of aluminium and is retractable with the printed roll up.

### **AUDIO-VISUAL PRODUCTS**

Depending on the size of the project and project activities the audio-visual material may be appropriate, but can be expensive to produce, so should only be prepared when there is a realistic chance of it being widely watched. Often there are more efficient ways to promote the project, for example by inviting a TV crew to make a story about the success of your project.

Audio-visual material should focus on the human aspect of your project and how the project has benefited citizens.

Interviews, media statements and TV appearances can be an effective way of informing a broad and diverse audience of your project activities and results. The project team, partners and stakeholders can also be spokespeople of the project and are encouraged to talk to the media but they must always clearly state in their interviews or media appearances that the project is funded by the EU, what the main objectives are related to the EU integration process and list concrete benefits for the citizens. You are encouraged to prepare a brief project fact sheet which you can always distribute to journalists, to make sure important information is not omitted.

### **SOCIAL MEDIA**

Social networking, photo and video sharing applications, blogs and represent the power of social media in our time. The main reason why social media has emerged as an efficient communication tool lies on its interactivity. Users are able to generate content as they have become active online members. Now users not only read information but create their own by expressing their views and sharing information with a potentially large audience. The distribution of online information usually helps reach a wider audience, as posts may deepen on many levels and go viral. Information is disseminated on Facebook and Twitter, pictures are displayed on Instagram and Flickr, community groups created on LinkedIn, videos uploaded to Vimeo and YouTube.

Social media channels of the grant beneficiary institutions should be the first channels of communication. In specific cases, if the project has a longer-term awareness raising component, consider creating your own social media platforms.



**PIUs from the line Ministries and CFCU should be consulted** before printing or producing any promotional materials. The purpose of this is not a censorship of any kind, neither editing nor proofreading, but only the verification of the EU visibility requirements.

### Steps to follow in this regard are:

1. Consult visibility guidelines
2. Prepare visibility material
3. Send visibility material to PIUs for consultation and clearance
4. Submit cleared visibility materials to CFCU
5. Obtain approval prior to publishing

### Here are some tips to be used:

- SOPEES logo should always be at the top of visibility materials - to be visible to the public and cameras, with clear funding indication "project funded by".
- Logos of GBs should not be placed in the same line as the SOPEES logo, with a clear indication "project implemented by".
- Promotional materials are usually aimed at local audiences so naturally, they should be primarily in local language, or in the language of the target group.
- Whichever communication tools you decide to use, your messages need to be adjusted to your audience.
- Refrain from using highly technical language, jargon and acronyms; stress how your project makes a difference for the people of Montenegro.
- Mind the environment when printing.
- When organising public events coordinate and agree with PIUs and CFCU
- Use accurate information



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