



GRANT IMPLEMENTATION GUIDELINES for Grant Beneficiaries

- Support to local self-government units - Exchange 5 Programme -



This document represents a part of the activities implemented within the **Exchange 5 Programme** funded by the European Union and implemented by the Ministry of Public Administration and Local Self-government (hereinafter: MPALSG) and the Ministry of Finance in cooperation with the Standing Conference of Towns and Municipalities – National Association of Local authorities in Serbia (hereinafter: SCTM).

These Grant Implementation Guidelines (also referred to as: Project Implementation Guide Grant Implementation Manual, Users' Guide) provide information on different modalities and procedures applied by the European Union in the areas of procurements (services, supplies and works), project finances, reporting, visibility and other areas important for the successful implementation of projects, which represent an integral part of the Grant Contract.

The Implementation Manual by no means replaces procedural requirements as indicated in the contractual documents of the grant contracts. Rather than that, it provides brief overview of the procedures with practical recommendations on implementation.

The provisions laid out in this Implementation Manual ARE NOT obligatory. According to the Article 1. of the General Conditions of the Grant Contract, the Beneficiary(ies) shall implement the Action in accordance with the Description of the Action in Annex I and the terms and conditions of the Grant Contract. However, the Beneficiary(ies) is recommended to utilise this Manual in order to make sure that the implementation of the project is aligned with the provisions set out within the Grant Contract.

In addition to the basic text of the Implementation Manual/Grant Implementation Guidelines, the CD contains additional documentation, models and annexes for procurement and finances, reporting forms, visibility manual/guide and items and other documentation you may find useful during project implementation. Although some documents are provided both in Serbian and English, please bear in mind these are unofficial translations included to facilitate understanding of the procedures, whereas the entire official documentation, including requests for payment, procurement reports, tendering documentation financial and narrative reports, must be completed in the language of the Grant Contract, i.e. in English.



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Instead of a Preamble

Dear Local Self-Government representatives, congratulations!

Your project proposals have passed the complex evaluation procedure and you have been awarded a grant from the European Union within the ***Exchange 5 Grant Scheme***. You may be faced with many challenges during the implementation of project activities. On one hand you are supposed to engage certain structures in your communities dedicated to project implementation, and on the other to establish a solid cooperation with the project partners - cooperation that we hope will not be limited only to the realisation of this project but will be extended after completion of the ***Exchange 5 Programme***.

We are certain that you will do your best to make realisation of your project successful and thus improve the functioning of your local self-government and life in your broader community.

These Guidelines represent our contribution to your future work related to project implementation. We have tried to cover the major fields and list and explain the most important facts. In this Manual you will find detailed information regarding the project finances and types of costs, types and specific procedures for the procurement, amendments, visibility, types of reporting and joint work regarding the project monitoring.

Besides the main text of the Guidelines, you will also find attached on the CD templates of contracts, reports, letters, tables and other documents you will find necessary during implementation of the project.

We do hope that this Manual will be useful to both the beginners and those more experienced in the project implementation.

We wish you a lot of success!

Exchange 5 Programme Team



GLOSSARY AND ABBREVIATIONS:

Action	Grant financed project
Beneficiary(ies)	Recipient(s) of the grant
CA	Contracting Authority - CFCU
CFCU	Ministry of Finance - Department for Contracting and Financing of EU Fund Programmes
(Project) Coordinator	Main interlocutor of the Contracting Authority (lead applicant in the application phase)
EUD	European Union Delegation
GC	General Conditions applicable to EU financed grant contracts for external actions
GS	Grant scheme
IPA	Instrument for Pre-Accession
ITT	Instructions to tenderer
MPALSG	Ministry of Public Administration and Local Self Government
PRAG	Procurement and Grants for European Union external actions – practical guide
SCTM	Standing Conference of Towns and Municipalities
Special Conditions	Grant Contracts
TCM unit	Division for Tender Preparation and Project and Contract Management (within CFCU)
ToRs	Terms of Reference
TS	Technical specification
VAT	Value Added Tax



1. INTRODUCTORY REMARKS

1.1 CONTRACTUAL DOCUMENTS

This document provides an overview of procedures and practical aspects of implementation of grant contracts financed under EU External actions. The document is intended more generally for the usage by Beneficiary(ies) which are implementing grant contracts under open calls for proposals or within direct grants, but is in particular targeted for the usage by the Beneficiaries of the projects awarded in the scope of the Exchange 5 Grant Scheme (EuropeAid/139223/ID/ACT/RS).

The grant contract implementation procedure is based on EU Regulations and on practical guide on Procurement and Grants for EU External Actions – (PRAG) – 2016 version. This document is not intended to replace the procedures and PRAG, but rather to provide summary and guidance to Beneficiary(ies) on application of these rules and procedures.

The basic document framework determining the rules of the grant contract is EU Financial regulation and Procurement and Grants for European Union external actions - a Practical Guide (PRAG). The document is available on the EuropeAid web site:

http://ec.europa.eu/europeaid/prag/?header_description=DEVCO+Prag+to+financial+and+contractual+procedures+applicable+to+external+actions+financed+from+the+general+budget+of+the+EU+and+from+the+11th+EDF&header_keywords=ePrag%2C+europa

The following national legislation is regulating grant implementation under IPA II:

- **Law on ratification of the Framework Agreement** between the Republic of Serbia and the European commission on the arrangements for implementation of Union financial assistance to the Republic of Serbia under the Instrument for Pre-Accession Assistance (IPA II)¹;
- **Decree on the management of EU pre-accession assistance** programmes under the instrument for pre-accession assistance (IPA II) for the period 2014-2020
- **Financial Agreement** signed between the Republic of Serbia and European Commission for the National IPA Programme for Serbia for the year 2014;
- **Law on Value Added Tax** and related **Rulebook on Method and Procedure of Claiming VAT Exemptions** with or without right to deduct Input VAT;

Implementation of the awarded projects starts after signing of the Grant contract with the Department for Contracting and Financing of EU Funded Programmes of the Ministry of Finance (CFCU) as the Contracting Authority (CA).

The implementation period of the Action starts and lasts as stipulated in the Special conditions of the Grant contract.

The execution period of Grant contract ends when the payment of the balance is made by the CFCU and, in any event, at the latest 18 months after the end of the implementation period.

The Grant contract consists of the following documents setting out the rules and procedures to be followed in the project implementation:

➤ ¹ Official Gazette of the Republic of Serbia no. 19, of December 29th, 2014



Special conditions – the Grant contract determines the basic rules of the contract including project implementation start date, implementation period, finances and reporting. The document, supplemented with annexes, represents the legal basis for contractual relation between the Beneficiary(ies) and the Contracting Authority:

- *Annex I Description of the action* - provides detailed description of the project as proposed by the Beneficiary(ies) in the application phase.
- *Annex II General conditions applicable to EU financed grant contracts for external actions* - sets up general and administrative provisions of project implementation. The document covers general management of the contract and financial rules and provisions.
- *Annex III Budget of the action* - provides detailed financial structure of the project as proposed by the Beneficiary(ies) in the application phase and agreed during the budget clarification process.
- *Annex IV Contract award procedures* - sets down the rules for secondary procurement by the Beneficiary(ies). All secondary procurement under grant contract needs to apply this set of rules.
- *Annex V Request for payments* - standard template needed when requesting funds from the CA.
- *Annex VI Model of narrative and financial report* - standard template used for reporting on activities and finances of the EU funded grant project. To be used in the exact form to report proceedings on the project, including financial aspects of the project implementation.
- *Annex VII Terms of reference for an expenditure verification of a EU financed grant contract* - Standard template for verification of the project incurred costs. Anticipates engagement of an independent auditor. The auditors' report needs to follow the templates provided in this annex. Report on expenditure verification should be submitted with the final report.
- *Annex IX Transfer of Ownership of Assets* - to be used in case of transfer of ownership of an equipment/supply to the local partners and/or final beneficiaries. Assets should be transferred before conclusion of the project and this annex filled and submitted with the final report.

The Beneficiary(ies) are encouraged to thoroughly read all documentation related to the Grant Contract. The provisions indicated therein and accompanying annexes need to be fully respected. Failure to respect the provisions can result, in the ultimate case, in cancellation of the contract and repayment of the already disbursed funds to the Contracting Authority.

1.2 PROJECT PARTICIPANTS

Participants in the project are: Contracting Authority, Beneficiaries, affiliated entities, line ministry and SCTM, associates and contractors.

The **Coordinator (signatory of the contract on behalf of other Beneficiaries)** and the **Contracting Authority** are the only parties to the Grant Contract.

Ministry of Finance, Department for Contracting and Financing of EU Funded Programmes (CFCU) is acting as the **Contracting Authority (CA)** and is responsible for financing, contracting, execution of payments and supervision of EU programmes and projects implementation. The CFCU is responsible for the following activities: verification of interim and final reports, providing comments or rejection to the notification letter in case of minor changes (GC) or preparing of addenda if necessary, in case of significant



changes to the contract, for EUD ex-ante approval, etc. The Head of TCM unit nominates the responsible Project Manager.

Beneficiaries refers collectively to all Beneficiaries, involved in the project implementation, including the (Project) Coordinator (Lead Applicant in the application form), signatory of the contract.

The Project Coordinator is a town or municipality that is nominated as coordinator in the grant contract. Project Coordinator is directly responsible, i.e. does not act as intermediary, for managing and implementing the project together with other grant beneficiaries and affiliated entities. Main roles of the Project Coordinator: to maintain the regular relation of the project with CA, to coordinate, implement and report on project activities, act on behalf of all other beneficiaries towards the CA and bear financial responsibility for the implementation of the project in accordance to grant contract.

Affiliated entity(ies) are not beneficiary(ies) of the action neither the signatory(ies) of the grant contract. However, they will participate in the implementation of the action and the costs they incur (including those incurred for implementation contracts they conclude) may be accepted as eligible costs, provided they comply with all the relevant rules already applicable to the beneficiaries under the grant contract. Affiliated entities are listed in the grant contract, Article 7.1, Special Conditions.

The Coordinator and Beneficiary(ies) are direct beneficiaries of the grant and they are jointly and severally responsible vis-a-vis the CA taking all necessary and reasonable measures to ensure that the project is carried out in accordance with the grant contract.

Ministry of Public Administration and Local Self-Government (MPALSG) is the Line Ministry / Entity, i.e. the final beneficiary institution responsible for the coordination of the technical implementation and monitoring of the Actions under grant scheme/grant contracts. MPALSG will carry out monitoring activities, review narrative part of the interim and final reports, conduct verification of the on-the-spot-checks on all grant contracts, provide opinion on issues related to contract addenda, provide advice on visibility issues, etc. A dedicated Project Manager will be nominated from their side.

SCTM will in the scope of the Exchange 5 Programme act as the technical assistance by providing support to the grant beneficiaries in project/Action implementation as well as final beneficiary institution (MPLASG) with procedural and technical issues and monitoring of awarded projects and verification of the Interim/Final reports.

Delegation of the European Union (hereinafter: EUD) has the responsibility for ex-ante approval of the overall activities under the contracts financed by the EU under Instrument for Pre-Accession Assistance (IPA II). Activities under the grant contract are not subject to ex-ante approval of the EUD except the addenda to the contracts.

Other organisations or individuals may be involved in the action. Such **Associates** play a real role in the Action but may not receive funding from the grant, with the exception of per diem or travel costs.

Contractors are subject to the procurement rules set out in Annex IV to the standard Grant Contract.

To secure successful implementation of the project activities, it is very important to have the project implementation team formed and familiarized with all key segments of the project, as well as with the outcomes to be achieved. In order to complete all project activities efficiently and effectively, the Beneficiary(ies) are responsible for setting up an efficient and reliable project team.

The Project Manager is responsible for the overall organization of the project implementation and bears key responsibility for the success of the project. This includes management of various components of the project that ensures all procurement procedures are respected, including preparation of all reports, implementation of visibility procedures, etc. She/he must be given sufficient authority to direct the project - it should be clearly defined and known to all participants in project implementation. Manager must be aware



of that responsibility and prepared to accept the role delegated to him/her. This person should have good organizational skills, ability to work as a team player and under tight deadlines. Manager work should be supported by the other project staff that can handle issues related to the thematic activities of the project, as well as the purely administrative and financial issues.

The Beneficiary(ies) is expected to implement the project in line with the principles of efficient and consistent project management. During the implementation process, the provisions presented by the Beneficiary(ies) in the original project application are taken as a basis for monitoring and checks:

- **Activities** - are observed in relation to the scope and timing proposed in project application. In particular the action plan, where time perspective of the activities is presented, represents one of the key elements for monitoring of project implementation. The beneficiaries should ensure that duration of the specific activities corresponds to the original plans.
- **Results and indicators** - proposed in the project application represent the framework and means to quantitatively check/monitor the project implementation. The Beneficiary(ies) should ensure that the results and indicators as proposed in the project application are fully realised in the project implementation phase.
- **Sustainability** - the Beneficiary(ies) is required to demonstrate in the conclusion phase that proper measures were taken to guarantee sustainability of the project activities and results. In this sense the Beneficiary(ies) would need to establish structures and strategy, which would: multiply the project results, continue activities upon the conclusion of the project, demonstrate clear and visible impact as proposed in the project application.

The Beneficiary(ies) is ultimately tied by the challenges/constraints and objectives as presented in the project proposal. At the end of the implementation phase Beneficiary(ies) should prove with considerable certainty that the originally planned objectives were realised.

1.3 OVERVIEW OF COMMUNICATION PROCEDURES

All documentation related to project realisation, including requests, reports, etc. must be in the language of the grant contract, i.e. **in English**.

Any requests and communication related to the grant contract, including the narrative and financial reports, requests for payment, requests for modifications, use of contingencies, visibility issues and other relevant documents, must be firstly submitted in writing to the **Exchange 5 Programme Team within SCTM**, i.e. to a **contact person** in the Programme Team in charge of your project, who will after review and agreement forward the respective documentation to the CFCU/CA and MPALSG.

The respective documentation is to be sent to the following address:

Standing Conference of Towns and Municipalities –
National Association of Local authorities in Serbia,
Exchange 5 Programme
Makedonska 22/8 floor
11 000 Belgrade

All printed materials and other visual tools shall require prior consent by the **CA and MPALSG**.



This is to be channelled via SCTM, i.e. first the visual idea should be delivered to the SCTM **Exchange 5 Programme Team** for consultations. The Exchange 5 Programme Team will forward the agreed final proposal to the Visibility Officers of the CA, MPALSG and the EU Delegation.

The information about final approval shall be given to the Beneficiary, by the SCTM Exchange 5 Team, within 15 working days* from the date of delivering the final version.

**The mentioned approval period can take more time depending on delivering timing e.g. vacations, Christmas and New Year holidays etc.*

1.4 PROJECT DOCUMENTATION

The Coordinator must retain original supporting documents for all expenditures incurred and must keep accurate and regular records and accounts on the project implementation and ensure access to the documentation (GC, 16.3).

Documentation related to the implementation of the project can be divided into two categories:

1.4.1 TECHNICAL DOCUMENTATION

Beneficiaries must prepare and keep technical documentation for all relevant project activities.

The technical documentation should be sufficiently detailed to prove that the activities envisaged by the project have been implemented and appropriate services provided.

In general, for all expenditures the following must be ensured:

- **Proof of procurement** procedures, if applicable
- **Proof of commitments** such as contracts, order forms;
- **Proof of purchase and payment** such as invoices, receipts, bank statements, etc.
- **Accounting records** such as general ledger, sub ledgers and payroll accounts, fixed assets registers and other relevant accounting information.
- **Proof of delivery** of services, supplies and works

The table below summarizes in more detail the main supporting documents that the Grant Beneficiary should retain:

Documentation to be kept depending on the type of activity

ACTIVITY	DOCUMENTATION
Studies/Researches	<ul style="list-style-type: none"> ✓ sample of research or study ✓ reports on the conducted research or the study made
Publications	<ul style="list-style-type: none"> ✓ copies of produced publications (brochures, leaflets, posters, etc.)
Seminars, Conferences, Meetings	<ul style="list-style-type: none"> ✓ program / agenda ✓ list of presentations / conference reports ✓ working material ✓ list of participants



	<ul style="list-style-type: none"> ✓ list of speakers ✓ minutes (if necessary) ✓ press releases ✓ clippings from newspapers, photos ✓ filled feed-back questionnaires (if needed)
Trainings	<ul style="list-style-type: none"> ✓ detailed description of the training - modules of training, hour training per course, methods, etc. ✓ training schedule ✓ list of participants ✓ list of trainers / lecturers ✓ filled feed-back questionnaires (if needed) ✓ trainers reports
Study visits	<ul style="list-style-type: none"> ✓ report from a study visit ✓ list of participants

1.4.2 FINANCIAL DOCUMENTATION

The Project Coordinator is responsible for regular and accurate project financial management.

All costs, including all incomes and expenses incurred during project implementation, must be accurately recorded and there must be supporting documentation to be kept depending on the types of costs.

Method of keeping the financial records and accompanying financial documentation is further elaborated in Chapter 2.5. on Accounting principles and supporting documentation.

NOTE!

The Beneficiary(ies) shall keep all records, accounting and supporting documents related to the grant contract for five years following the payment of the balance.

All the supporting documents shall be available either in the original form, including in electronic form, or as a copy.

In addition, please consult Article 16. of the General conditions.

2. PROJECT FINANCES

2.1 PROJECT BANK ACCOUNT

Received grant funds should be clearly identified and segregated from the general account of the Beneficiary(ies) so as to ensure clarity in case of audit and that any interest accrued is reflected accurately.

Therefore, prior to signing the contract with the Contracting Authority, Coordinator will have to open a separate foreign currency bank account (bank account in euro) **that will be used specifically for the**



project (held with the Treasury). The name of the bank as well as the bank account number shall form an integral part of the grant contract. From this account the funds for travelling abroad and transfer of the funds intended for the foreign Beneficiary(ies) shall be **withdrawn directly**.

Additionally, for all **domestic payments**, funds from this foreign currency account shall be converted to the **project dinar account/sub-account (held with the Treasury)** where from all direct payments in dinars shall be effected, including transfer of funds to the local Beneficiary(ies) and Affiliated entities (local self-governments, non-for-profit organisations, public companies, etc.).

The Beneficiaries co-financing for project implementation (minimum 10% of the total project value) also needs to be realized through this special project dinar sub-account, apart from funds for salaries of employees which is the most common way of co-financing by LSGs. However, LSGs have to comply with the requirement that salary costs of their employees which participate under this Grant Scheme may be considered as eligible costs, to the extent that they relate to the costs of activities which the relevant LSG would not carry out if it did not undertake the project concerned.

The transaction of 10% co-financing does not necessary involve the budget revision: in case this contribution is foreseen through activities planned for this project year, it is only needed to transfer these resources on separate project (RSD) bank account and from this account make the payments.

The co-financing funds **do not need** to be paid in all at once (total amount of the 10% minimum) but as needed for the implementation of the concrete activity.

NOTE!

Depending on the type of costs, **the co-financing** shall be realised in the following way:

- **Salaries of LSG staff do not need to be paid via separate project account.** Salaries of municipal staff engaged in the project implementation shall, during the project period, be paid directly from the LSG account (supporting documentation to be kept is listed in Section 2.5);
- **The funds for all other costs included in the Beneficiaries co-financing portion must be firstly transferred to the dinar project account, and then further processed.**

2.2 PAYMENTS

Payment procedures are set out in Article 4 of the Special Conditions of the Grant Contract. Depending on the duration of the project and amount of the grant, CFCU will make payments pursuant to one of two available payment options – Article 15.1. of the General Conditions:

- *Option 1* will be applied for projects with an implementation period of **12 months or less or grant of 100 000 EUR or less**
- *Option 2* will be applied for projects with an implementation period of more than **12 months and grant of more than 100 000 EUR**

The payment dynamics in the grant contract is as follows:

2.2.1 INITIAL PRE-FINANCING PAYMENT

The initial pre-financing payment shall be made within 30 days from the signature of the contract. For the purpose of the initial pre-financing payment the signed contract serves as payment request.



For projects that fall under Option 1 an initial pre-financing payment of 80% of the maximum amount referred to in Article 3.2 of the Special Conditions (excluding contingencies) will be made.

For projects that fall under Option 2 an initial pre-financing payment of 100% of the part of the estimated budget financed by the Contracting Authority for the first reporting period (excluding contingencies) will be made. The part of the budget financed by the Contracting Authority is calculated by applying the percentage set out in Article 3.2 of the Special Conditions.

2.2.2 FURTHER PRE-FINANCING PAYMENT (INTERIM PAYMENT):

For projects that fall under Option 1 no further pre-financing payment is issued.

For projects that fall under Option 2 further pre-financing payments of 100 % of the part of the estimated budget financed by the Contracting Authority for the following reporting period (excluding not authorised contingencies) applies according to the following rules:

- a) The reporting period is intended as a twelve-month period unless otherwise provided for in the Special Conditions. When the remaining period to the end of the project is up to 18 months, the reporting period shall cover it entirely. The Coordinator shall present an interim report within 60 days following the end of the reporting period;
- b) 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;
- c) 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;

The total sum of pre-financing payments may not exceed 90 % of the amount referred to in Article 3.2 of the Special Conditions, excluding not authorised contingencies.

2.2.3 FINAL BALANCE PAYMENT:

For all projects a balance of the final amount of the grant is paid as a final payment. For ones that apply Option 1 - the balance will be up to 20%, and for those who apply Option 2 - the balance will be up to 10% of the grant.

The Beneficiary(ies) is required to indicate and prove own co-financing of the project with the final financial reports.

Further pre-financing payments and payments of the balance will be made **within 90 days** of receipt of the payment request by the Contracting Authority.

PAYMENT REQUEST

The Payment request (Annex V of the grant contract) for further pre-financing and final balance submitted by the Project Coordinator shall be accompanied by:

- **Narrative and financial report;**
- **Forecast budget** for the following reporting period in case of request of further pre-financing;



- **Updated communication plan**
- **Supporting documentation** – including detailed breakdown of expenditures, technical and financial documentation as it is described in the sections 1.4.1. and 2.5. of this guide

Grant Beneficiary shall submit Payment request with related documentation:

- **No later than 60 days** following the end of the reporting period for further pre-financing amount and
- **No later than 90 days** after implementation period for final balance amount.

During the process of approving the payment request, the Contracting Authority may request the additional information or modification of the final report. If that happens, time-limit starts running again on the date on which a correctly formulated request for payment is recorded.

The payment request is deemed accepted if there is no written reply by the Contracting Authority within the set deadline of 90 days.

NOTE!

Grant contract serves as the payment request for Initial pre-financing payment.

The Beneficiary(ies) should be aware of the fact that depending on the payment option applied, up to 10-20% of the total grant value shall be paid after all project activities have been completed and payments for them made. **The Beneficiary(ies) shall need to pre-finance these activities until the final payment is effected.** Also, Grant Beneficiaries must begin implementing their activities with their own contribution without waiting for the pre-financing to be paid.

In case of detected irregularity or unduly paid amount (e.g. during verification on-the-spot checks), **the irregular amount** will be either, **deducted** from the further pre-financing/final payment to the Grant Beneficiary - if the irregularity is confirmed during the Action implementation **or recovered** by the Grant Beneficiary if the irregularity is confirmed after the final payment has been made.

2.3 ELIGIBILITY OF COSTS

What are “eligible costs”? - eligible costs are expenditures that are to be allowed as a project cost. The project Coordinators need to be well familiarized with the eligible costs and make sure that all project expenditures belong to the group of “eligible”. Their responsibility is to ensure that project funds are spent in a timely manner and in compliance with both, the EU regulations and with local procedures. Accounts and expenditure relating to the project implementation must be easily identifiable and verifiable all in accordance with Article 14. of the General Conditions (Annex II to the Contract).

Project costs that you can consider to be eligible have to be:

- ✓ Incurred during the implementation of the project,
- ✓ Indicated in the estimated overall budget for the project (Annex III to the Contract),
- ✓ Necessary for the implementation of the project,
- ✓ Identifiable and verifiable, in particular being recorded in the accounting records of the Beneficiary(ies) and determined according to the accounting standards and the usual cost accounting practices applicable to the Beneficiary(ies),
- ✓ Comply with the requirements of applicable tax and social legislation,



- ✓ Reasonable, justified and comply with the requirements of sound financial management, in particular regarding value for money and cost-effectiveness.

Above mentioned eligibility aspects as per procedure and practical recommendations on application of these rules are presented in the table below:

Eligibility rule/aspect	What does it mean in practice
<i>They are incurred during the implementation of the project</i>	<ul style="list-style-type: none"> ➤ Only costs incurred during the grant contract implementation period are eligible. ➤ Preparatory costs are not eligible. Contract-award procedures may be initiated before the start of the implementation period, in accordance with the rules set forth in Annex IV. This allows for instance for the signature of a procurement contract before the start of the project in order to be already operational when the project starts. However, the respective costs will have to be generated (i.e. incurred) during the implementation period of the project in order to be eligible. ➤ The only exception are the costs which are related to final reports, including expenditure verification, audit and final evaluation of the project (these can be incurred after the implementation period of the project, but need to be justified as such). These costs may be considered eligible to the extent that these costs are reasonable and necessary for the project, and that it was not possible to incur them during the implementation period. They may not consist of a mere extension of the activities of the project.
<i>They are indicated in the estimated overall budget for the project</i>	<ul style="list-style-type: none"> ➤ Only the costs which are indicated in the budget table (as annexed to the contract – Annex III) are eligible although it is possible to remove a budget item or introduce a new one. A request for amendment to the contract has to be submitted by the coordinator according to Article 9. of the General Conditions. ➤ Caution should always be applied in making any modification to the human resources allocated to the project. In this case and in all doubtful cases, it is advisable to discuss and, if possible, agree in writing with the Contracting Authority beforehand.
<i>They are necessary for the implementation of the project</i>	<ul style="list-style-type: none"> ➤ Only the costs showing direct relation to the implementation are eligible. ➤ It is important to pay particular attention to explain which specific resources and related costs are needed for the implementation of the project, in order to justify their link with the project (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.
<i>They are identifiable and verifiable, in particular being recorded in the accounting records of the Beneficiary(ies) and determined according to</i>	<ul style="list-style-type: none"> ➤ Each cost needs to be properly registered, using separate accounting system (from the Beneficiary(ies) regular accounting). ➤ Each cost needs to be accompanied and proven with full financial



<p><i>the accounting standards and the usual cost accounting practices applicable to the Beneficiary(ies)</i></p>	<p>documentation (with the exception of simplified cost option, where only “proof that the cost generating event took place” is required).</p> <ul style="list-style-type: none"> ➤ It is strongly advisable for the Coordinator to keep (electronic) copies of all relevant documents and accounts and to carry out ex-ante and constant checks to ensure that supporting and accounting documents are available, correct, and duly filed and recorded.
<p><i>They comply with the requirements of applicable tax and social legislation</i></p>	<ul style="list-style-type: none"> ➤ Each cost incurred in the project needs to correspond to tax legislation (tax paid or tax exemption procedure properly implemented). ➤ Salaries need to correspond to tax and social legislation (all salary duties paid as per national legislation). ➤ The Beneficiary(ies) and the Affiliated Entity(ies) are fully responsible for the coordination and execution of all activities and have to ensure compliance with local, national, or applicable legislation.
<p><i>They are reasonable, justified and comply with the requirements of sound financial management, in particular regarding value for money and cost-effectiveness</i></p>	<ul style="list-style-type: none"> ➤ The costs incurred in the project need to comply with the principles of efficiency – market standards should be observed as reference in this case. ➤ The costs where the unit-rates significantly exceed the normal market rates will be considered as ineligible. ➤ The Coordinator is responsible for verifying and consolidating the information that will be provided to the Contracting Authority; therefore, it should as well make sure that the conditions for the eligibility of costs are met, through accurate supervision of the Beneficiary(ies) and Affiliated Entity(ies) and appropriate internal arrangements.

A distinction is to be made between:

1. Eligible direct costs;
2. Eligible indirect costs.

NOTE!

When filing the final report, **any unpaid amount above 500 EUR** must be clearly stated in the "List of Pending payments" in the financial report (*Appendix e3h7 - the Final sources of funding Worksheet*). This document should include the following information: Name of the provider, Object of the contract (*Final Audit, Works execution guarantee...*), Amount in EUR, Due date, Reference document (*Date and number of Invoice/ contract*), Explanation and comments (*why still not paid?*).



2.3.1 ELIGIBLE DIRECT COSTS

Since the Coordinator is responsible for proper implementation of the contract and for verifying and consolidating the information that will be given to the Contracting Authority, Coordinator must also ensure that the conditions for the eligibility of costs are met, by regular monitoring of the Beneficiaries and Affiliated entities and the corresponding internal arrangements. The Coordinator is ultimately responsible (financially also) for the project and must repay the Contracting Authority all costs declared as not eligible (see Article 18. of the General Conditions).

The eligibility of costs is also determined on the basis of compliance with the procurement rules defined in Annex IV of the grant contract. If Beneficiaries and Affiliated entities fail to comply with these rules, the Contracting Authority may not accept the incurred costs and may reduce the final amount of the grant accordingly.

NOTE!

To be considered eligible, the costs have to actually be made by Beneficiaries and Affiliated entities during the project implementation period and be recorded in their accounts (Coordinator and other project participants).

The eligible direct costs can include:

2.3.1.1. The cost of staff assigned to the project are eligible if the engagement of project team members and experts is necessary for the implementation of the project and if the positions are stated in the project proposal and the approved budget.

They correspond to (actual) net salaries plus social security charges and other remuneration-related costs included in gross salaries. Salaries and costs must not exceed those normally borne by the organisation which is a final beneficiary of the approved funds or its partner organisation. Project team salaries should correspond to their actual scope of engagement in the project realisation. The final reports should include engagement of project team in line with the percentages presented in the approved budgets.

During the project implementation, there may be a need to engage experts in specific areas covered by the project or for project management needs, and which are not part of the organization involved in the implementation of the project. In that case, it is necessary to hire external experts. For their engagement, several types of contracts can be used, such as: a copyright contract, an employment contract, or an agreement on temporary and occasional work. The type of contract you will determine depends on the type of work to be performed and the estimated duration of engagement on a specific project. During the engagement procedure, Beneficiaries and Affiliated entities have to respect Annex IV of grant contract.

NOTE!

Please bear in mind that the costs of salaries of local self-government employees may be considered as eligible costs to the extent they relate to the costs of activities which the relevant public authority would not carry out if it did not undertake the project concerned. In other words, tasks assigned to staff engaged in project are directly linked to project activities not to regular tasks within partner institution;

A Local self-government shall adopt a **Decision on the need to engage local self-government officials/staff on the project activities** that would not have been realised by the municipality if there were not for the project. The respective Decision should contain the names of the staff members involved in the project, description of activities to be realized and duration of the engagement.



Both EU and national regulation have to be followed during the project implementation. In case of service contract, the applicable national regulation (municipality systematization act and all other relevant regulations) have to be applied, particularly in case of civil servants [please refer to the point h) of the art. 14.11 of the General conditions].

Financing of municipal staff salaries has to be calculated on the basis of existing employment contracts.

Engagement of external staff (managers, assistants, experts), already engaged under a full-time contract by another employer, can be up to 30% of full working time (1/3 of 40-hour working week) in line with the National Labor Law.

Each staff member shall prepare a time sheet which is to be verified by the Project management as a confirmation verifying his/her participation in realisation of approved project activities.

2.3.1.2. Travel costs and per diems for staff assigned to the project, provided that they do not exceed standard market rates of those normally borne by the Beneficiaries or other participants in the project.

i) Per diems for staff for travels in the country

The per diem represents the cost of food and transport in the place of traveling. From 01.02.2019. the non-taxable amount of per diem for the official trip in the country is 2.349,00 RSD. The obligation of financial staff is to monitor this amount and to adjust it, if necessary.

If a general act, decision or contract, stipulates the amount of a per diem exceeding the non-taxable amount, the wage tax shall be payable at a rate of 10% on the difference. This tax represents the non-eligible cost borne by the organization that made it.

When determining the per diem, you also need to keep in mind that a person who officially travels has the right to a full amount of a daily allowance if he/she is longer than 12 hours on the trip. For the period from 8 to 12 hours, the employee is entitled to half of the per diem. For a period of less than 8 hours on the trip, the person is not entitled to a daily allowance.

Per Diem rates for travels in the country, if foreseen by the project, shall be calculated in line with the rate approved in the budget, in accordance with local legislation and the maximum allowed rate.

ii) Per diems for staff for travels abroad

Provision of cost reimbursement for the time spent on a business trip abroad is regulated in Article 118, item 3 of the Labour Law and the Decree on reimbursement of costs and severance pays of public servants and officials ("Official Gazette of RS", no. 98/2007, 84/2014 and 84/2015).

In accordance with the mentioned Decree, per diem for a business trip abroad covers the costs of food and local transport in the place of stay. Travel and other expenses are covered based on the submitted bills.

You should also be aware of the provision stated in the Decree saying that person that travels officially has right to receive a full per diem if he/she is on business trip for period of time longer of 12 hours. For the period ranging from 8 to 12 hours, this person shall be assigned a sum of half per diem. If the person spent less than 8 hours on an official business trip abroad, he/she shall not be entitled to per diem for abroad; instead this per diem shall be assigned a sum of per diem for domestic travel.

NOTE!

You should be aware about the difference between the local rules for calculation of per diem rates and those applied by the EC.



According to the EC rules, per diem covers all costs related to the business trip abroad, whereas in the local legislation, per diem relates solely to covering costs of food and local transport abroad, while the costs of accommodation and all other costs pertinent to the trip abroad are recognised entirely according to the bills submitted. Travel expenses are not included in per diem rates both in line with the EC rules and local legislation.

When calculating per diem rates you should combine both systems.

The total costs incurred during your stay in one of the European Union countries, including accommodation, food and local transportation, must not exceed the maximum per diem rates as per the EU list of per diems available on the following page:

http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm

All exceeded costs shall not be considered eligible.

iii) Other travel related costs

Besides for per diem, you may separately submit bills for the following costs:

- a) Accommodation - costs of accommodation will be reimbursed to the public servants and officials in the amount stated in the hotel bill paid for the overnight stay and breakfast, except in a 5-star hotel, i.e. top-category hotel. To the employees who are not public servants and officials, hotel bill can be accepted regardless of the hotel categorisation). Accommodation costs are recognized in the amount of the VAT base;
- b) Travel expenses (ticket, reservation, airport fee, luggage transport, etc.). Transport costs (according to the attached tickets if VAT is not disclosed) are recognized in their entirety and are not taxed.
- c) Other costs (costs of obtaining travel documents, phone, telegrams, and fax expenses, taxi fees if no adequate public transportation is available).

Example: Per diem calculation based on the example of study visit to Slovenia for the needs of the **Exchange 5 Programme**

In accordance with the Decree for all countries, the rate of per diem is €15.

If we assume that the accommodation will be covered separately (via agency, account, etc.), one will get 100% of the total amount, i.e. €15 in cash for the food and local transport expenses.

When calculating the costs for the grant awarded under the ***Exchange 5 Programme***, you must have in mind that the maximum per diem rate for Slovenia is €180.

If an employee takes €15 in cash (in accordance with the local legislation), she/he cannot spend more than €165 in total for the accommodation (bed and breakfast), transportation from/to the airport, taxi and other related costs.

Please bear in mind that the total value of costs - hotel, per diems and local transportation, may not exceed the maximum rate permissible by the EU (€180 in the above example).

2.3.1.3. The costs of purchasing equipment and supplies specifically dedicated to the purposes of the project, provided that ownership is transferred at the end of the project (Annex IX of the Grant Contract) when required in Article 7.5 of the General Conditions.



2.3.1.4. Depreciation, rental or leasing costs for equipment (new or used) and supplies specifically dedicated to the purposes of the project.

2.3.1.5. The cost of consumables e.g. commodity, registers, fax toners, paper etc. as per approved budget of the project.

2.3.1.6. Costs of service, supply and work contracts awarded by the Beneficiary(ies) for the purposes of the project. These subcontracting expenditures may only cover a limited portion of the project (e.g. contract with a private computer school, for the purpose of training and improvement of computer skills of employees), and shall respect the contract-award rules and rules of nationality and origin set out in Annex IV of the grant contract;

2.3.1.7. Costs arising directly from the requirements of the grant contract, such as:

- dissemination of information
- compulsory audit (expenditure verification at the end of the project implementation)
- translation/interpretation costs (in the country and abroad)

These costs also include financial service costs (in particular the cost of transfers).

2.3.1.8. Duties, taxes and charges, including VAT, paid and not recoverable by the Beneficiary(ies)

OTHER BENEFICIARIES' and AFFILIATED ENTITIES' COSTS are eligible according to the approved budget and above-mentioned eligibility rules are also applied to them.

The method of payment must be specified in the Agreement on Cooperation between the Project Coordinator and the Partner so that the Treasury could realise Request for Payment. The Agreement on Cooperation should also comprise the dynamics of transferring the funds to the other Beneficiary(ies) and Affiliated entities.

Possible modalities of paying the costs of a partner:

- a) **Advance payment 1:** following the payments/percentages that the Coordinator is receiving from the Contracting Authority (e.g. first advance payment in the amount of 100% of expenses for the first year of project implementation, etc.)
- b) **Advance payment 2:** funds transfer according to the project phases or for implementation of certain groups of activities
- c) **Funds transfer after the finalisation of activities** – generally the funds for EU partners are transferred in advance for travel expenses and per diems, and for salaries, after finalisation of the activities

Following the implementation of the activities, each Beneficiary/Affiliated entity is obliged to submit to the Coordinator the financial report on funds spent along with the documentation required for expenditure verification.

2.3.2 CONTINGENCY RESERVE

In line with the criteria of the Call for Proposals, all applicants could include the amount of the maximum 5% of the sub-total of total direct eligible costs of the project as a budget reserve for unpredictable situations – contingency reserve. These means can be used exclusively in the case of unforeseen circumstances that have an impact on the implementation of the project and are necessary for achieving the project results.



NOTE!

The resources approved under this budget line can be used only with the prior written authorisation of the Contracting Authority, upon duly justified request by the Coordinator.

The request for using the contingency reserve should include the Explanation Letter listing the unforeseen circumstances that have an impact on the project implementation, as well as a budget proposal where all planned costs will be presented (use the format of the Notification Letter – template annexed on CD in Annex 1). Budget shall be presented by using Annex VI – Financial report – sheet for Addenda or use of Contingencies. Situations produced by poor management by the Beneficiaries may not be accepted as reason to justify the use of the contingency reserve.

Only after receiving the written approval by the Contracting Authority you may start with the realization of the activities and related costs.

2.3.3 INDIRECT COSTS

According to the criteria of the Call for Proposals for Exchange 5 grant scheme, all applicants could include the maximum amount of 7% of the total direct eligible costs of the project as indirect costs.

Indirect eligible costs: are not identified as specific costs associated with the concrete project activities. However, they are incurred by the Beneficiaries in connection with the eligible direct costs for the project. Indirect costs are eligible if it is proved that they do not include costs budgeted for another part of the project, i.e. they are not assigned to another budget heading of the project. These costs can include all supporting administrative, technical, and logistic costs that are general for the operation of various Beneficiary activities and cannot therefore be completely linked to the project as they represent only one part of these activities.

Indirect eligible costs relate to the work and general activities of the Beneficiary: they cannot be attributed entirely to the project, but the project partially generates them.

NOTE!

The final amount of indirect costs depends on the amount of the total direct costs indicated in the final financial report approved by the Contracting Authority and cannot exceed the percentage specified in the grant contract.

These costs do not need to be supported by accounting documents.

NOTE!

The final amount of eligible costs will be calculated on the basis of reported eligible expenditures after adequate controls performed by CFCU and MPALSG IPA Unit. Costs which are non-eligible according to the applicable eligibility rules cannot be claimed even if they are included in the approved Action budget. Also, expenditures that do not clearly relate to the project activities or are in excess to the reported activities - will be ineligible.



2.3.4 NON-ELIGIBLE COSTS

There are number of specific costs that are **NOT** considered as eligible for the project. This means that if Beneficiary/Affiliated entity makes any of these costs, these are not allowed to be covered from the grant.

The following costs shall not be considered as eligible for the projects financed under Exchange 5 grant scheme:

1. debts and debt service charges (interest);
2. provisions for losses or potential future liabilities;
3. costs declared by the beneficiary(ies) and financed by another action or work programme receiving a European Union grant;
4. purchases of land or buildings, except where necessary for the direct implementation of the action, in which case ownership must be transferred in accordance with Article 7.5 of the General Conditions of the standard grant contract, at the latest at the end of the action;
5. currency exchange losses;
6. credit to third parties;
7. in-kind contributions;
8. taxes, including VAT, duties and charges.

NOTE!

If some of the above costs occur during implementation of the project, the Beneficiaries will have to cover these from their own resources.

2.4 RULES FOR CURRENCY CONVERSION

According to Article 15.9 of the General Conditions, the Contracting Authority shall make payments to the Coordinator to the bank account referred to in the financial identification form, which allows the identification of the funds paid by the Contracting Authority. The Contracting Authority/CFCU shall make payments in the currency set in the Special Conditions (i.e. in euros).

During the course of the project, funds held in the project bank account in euro shall be exchanged and transferred to the Beneficiary's dinar account.

Pursuant to domestic legislation, the payment of donations in euros is recorded in the books of account at the official middle exchange rate of the National Bank of Serbia (NBS) on the day of payment. Conversion of funds is done from the foreign currency account to the project dinar sub-account at the official NBS purchase price for foreign currency on the day of payment.

The NBS updates exchange rate on daily basis: around 14 o'clock the website shows the exchange rate of the previous day, whereas before 14 o'clock this rate will be updated and show the rate of the current day: www.nbs.rs (on the website content menu click on the section Exchange Rates List).

Reports shall be submitted in the euros and may be drawn from financial statements denominated in other currencies, on the basis of the Beneficiary(ies)'s applicable legislation and applicable accounting standards.

In such case and for the purpose of reporting, conversion into the euro shall be made using the exchange rate at which each of the Contracting Authority's contribution was recorded in the Coordinator account. In particular, for reporting purposes, Beneficiaries will use the euro exchange rate **on the day the payment is made to the project bank account**.



If at the end of the project, a part of the expenses is pre-financed by the Beneficiary(ies) (or by other donors), the conversion rate to be applied in the financial report to this balance is the one set in the Special Conditions according to the Beneficiary(ies)'s usual accounting practice. If no specific provision is foreseen in the Special Conditions, the exchange rate of the last instalment received from the Contracting Authority/CFCU will be applied.

NOTE!

For reporting purposes all costs incurred by the project must be accounted using the rate of exchange at which the Contracting Authority's contribution was recorded in the Coordinator's account.

Costs incurred in other currencies than the one used in the Beneficiary(ies)'s accounts for the Action shall be converted according to its usual accounting practices, provided they respect the following basic requirements:

- 1) they are written down as an accounting rule, i.e. they are a standard practice of the Beneficiary(ies),
- 2) they are applied consistently,
- 3) they give equal treatment to all types of transactions and funding sources,
- 4) the system can be demonstrated and the exchange rates are easily accessible for verifications.

The use of different exchange rates (one at the point of exchange from euro to dinar and another at the point of expenditure in the financial report) expectedly cause exchange differences, i.e. differences related to costs presented in the financial report.

In the event of an exceptional exchange-rate fluctuation, the Contracting Authority and Beneficiaries shall consult each other with a view to amending the project in order to lessen the impact of such a fluctuation. Where necessary, the Contracting Authority may take additional measures such as terminating the grant contract.

2.4.1 VALUE ADDED TAX (VAT)

Expenditure incurred and paid by grant shall be exempt from VAT, custom duties and other levies having equivalent effect in accordance to the Framework Agreement between Partner Country and the European Union for the Instrument for Pre-Accession Assistance (IPA II) and respective national legislation related to this.

NOTE!

Value Added Tax (VAT) represents a non-eligible cost that cannot be covered either from the grant or from co-financing.

However, VAT will be considered as part of the estimated total accepted costs of the project for the purpose of co-financing only in the case that the Beneficiary(ies) (or, where applicable, its affiliated entity(ies)) can show they cannot reclaim them. They will have to prove that the necessary steps to obtain an exemption or the recovery of paid taxes vis-à-vis the relevant authorities were undertaken. Forms of evidence are listed in the Annex J/e3a1 "Information on the tax regime applicable to grant contracts" (can be found annexed on CD).

All payments from the EU grants are VAT exempted.



All Beneficiaries and Affiliated entities can be VAT exempted if they submit valid documentation in time to the Tax Administration Office. If the documentation is not valid and it does not arrive in time, the Beneficiaries and Affiliated entities shall bear the cost of VAT.

The necessary prior step, enabling the regular VAT exemption throughout implementation, is for the Beneficiaries to firstly register signed grant contract in electronic application of the Tax Administration, and then access to the VAT exemption procedure for a specific pro forma invoice. When registering the project for purposes of VAT exemption, Beneficiaries/Affiliated entities will provide a copy of the grant contract with translation of the significant elements and submit it in PDF format in the electronic application of the Tax Administration.

NOTE!

The VAT exemption is possible exclusively prior the date of services/supplies/works provision.

For every cost, before it is incurred, the filled request for Value Added Tax exemption (PPO-PDV form) should be submitted electronically to the Tax Administration Office in Belgrade. However, in order to ensure correctness of VAT exemption requests, prior verification can be required, meaning that PPO-PDV form (word document) should be firstly checked with STCM Exchange 5 team and subsequently with the Contracting Authority. This is required in the period of two weeks before the date of services/supplies/works provision. Once the CA issues its consent on the form, the Beneficiary should proceed with the electronic submission to the Tax Administration Office.

During the filling of the PPO-PDV form, please note following:

1. *International contract data*: enter following “ИПА II – Оквирни споразум између Републике Србије и Европске комисије о правилима за спровођење финансијске помоћи Европске уније Републици Србији у оквиру инструмента за претприступну помоћ (ИПА II)“
2. *No. of the International contract*: IPA2 Сл. гласник РС 19/14
3. *Date of signature*: enter **29.12.2014**.
4. *Name and number of the project*: enter the **full project name and number from the grant contract** (take care not to insert the number under which the project is recorded in internal files).
5. *Project value*: the **amount of the grant** is entered (not the total value of the project).
6. *Value of goods and services according to the pro forma invoice*: the amount is entered **without VAT**².

Upon receipt of the authorised (*оверен*) PPO PDV form through the Tax Administration electronic application, the Beneficiary shall submit this PDF form to the Contractor and to the Contracting Authority. Please see detailed instructions and steps related to VAT exemption procedure on CFCU website at the following address: <http://www.cfcu.gov.rs/tag.php?tag=tax>

For any further information, please contact appointed CFCU employee for VAT exemption:

Ms Nevenka Tripković, nevenka.tripkovic@mfin.gov.rs

Please also note that pursuant to the Law on VAT („Official Gazette of RS “, no. 84/04, 86/04 - correction, 61/05, 61/07, 93/12, 108/13, 68/14 – other law, 142/14, 83/15, 108/16, 113/17, 30/18), the applicable Rulebook on VAT exemption is to be adjusted accordingly in order to allow for the submission of the PPO-PDV form only electronically, via the Tax Administration portal, as of 01.01.2019³.

² For accommodation and hotel services net value is reduced for the city taxes and insurance costs.

³ For further instructions on the electronic submission and the usage of new applicative software please consult the users guide at: <http://www.purs.gov.rs/pravna-lica/pregled-propisa/korisnicka-uputstva/5343/korisnicko-uputstvo-za-refakciju-i-oslobadjanje-od-placanja-pdv-a.html>



2.5 ACCOUNTING PRINCIPLES AND SUPPORTING DOCUMENTS

The Beneficiary(ies) is responsible for regular and accurate keeping of the project financial accounts based on the double-entry book-keeping system.

In order to withdraw funds from the account, the Coordinator has to make a written Request for Conversion and send it to the Treasury. This request must specify the following: the number of the foreign currency bank account, the number of the dinar account and the sum of the money requested. The request should be signed by the authorized person. The Treasury shall thereafter convert and transfer the funds to Coordinator dinar account.

The Beneficiary(ies) must accurately record all costs, including all incomes and expenditures incurred during the project implementation. In that respect they will establish a unified project file where all the supporting documentation will be collected. The documentation will be kept by the Beneficiary(ies) and the Coordinator shall inform the Contracting Authority of their precise location.

All the supporting documents shall be available either in the original form, including in electronic form, or as a copy. There is no obligation to translate all the supporting documents in the language of the contract or in any European language. As a general rule, in the case of local languages, no systematic translation of supporting documents (purchase orders, invoices, etc.) is needed. Nevertheless, the intelligibility and translation of key parts of relevant documents should be envisaged to ensure comprehensive internal control and supervision or coordination level, as the case may be.

For final project reports all expenditures must be presented in the form of templates provided in the Annex VI of the grant contract. The reports, as required under the Article 2 of the general conditions, need to be presented in the English language (language of the contract). Copies of documentation should be submitted with these reports. The originals will be made available for inspection by the Contracting Authority and/or any nominated EU bodies.

The minimum supporting documentation that needs to be submitted with the financial reports/available for expenditure verification:

	Expenditure	Supporting documents
1	Salaries	<ul style="list-style-type: none"> ✓ Decision of appointment of project staff members, ✓ Staff and payroll records such as contracts, salary statements and time sheets, ✓ Contracts with project staff members (originals or copies to be kept on file), ✓ Time-sheets of project staff members with clear description of performed tasks (originals to be kept on file), ✓ The bank statements proving actuality of expenditures (originals to be kept on file).
	<i>Clear records of all local staff and expatriate staff costs that relate to the project should be kept. Information that should be kept includes the working contract and the details of calculation from gross salary to net salary including relevant social security and insurance contributions. Signed and approved time-sheets are the soundest way to demonstrate the distribution of a person work on a project. All these costs must be documented for the Beneficiary(ies) and Affiliated Entity(ies).</i>	
2	Travel-costs and per-diems	<ul style="list-style-type: none"> ✓ Travel warrant or similar, ✓ Proof of purchase/payment such as invoices and receipts, ✓ For fuel and oil expenses, a summary list of the distance covered, the average consumption of the vehicles used, fuel costs and maintenance costs (Car log, fuel bill),



		<ul style="list-style-type: none"> ✓ Boarding passes, train tickets, bus tickets, rent of vehicle or other proof of travel, ✓ The bank statements proving actuality of expenditures (originals to be kept on file)
<p><i>Boarding passes - Air fares must be substantiated by the passenger receipt and proof of payment. Exceptionally, for circumstances where "traditional" original boarding passes are not provided by the airline company, other adequate alternative and/or corroborative evidence may be accepted (attendance list of a conference, hotel bills, credit card accounts, copy of passport entry/exit stamps, declaration on honor, etc.) provided that the person concerned undertakes not to have been or be refunded by any other means of this expense.</i></p>		
3	<p>Equipment purchase, External services, Works</p>	<ul style="list-style-type: none"> ✓ Proof of purchase such as invoices and receipts/ Invoices for implementation of external services/ Invoices for implementation of works ✓ Contracts with the sub-contractors with all relevant annexes (originals to be kept on file), ✓ Market analysis, ✓ Tender documentation on the basis of which the purchase has been made – for all supplies above 2.500 EUR (originals to be kept on file), ✓ Proof of sending the tender documentation to at least three potential tenderers under competitive negotiated procedure (originals to be kept on file), ✓ Offers received in the tendering process with envelopes/proof of receipt (originals to be kept on file), ✓ Evaluation reports and other documents related to the evaluation process (originals to be kept on file) ✓ Proof on delivery of equipment – acceptance certificates, origin certificates (originals to be kept on file)/ implementation of services – reports, documents, time-sheets if fee-based, other proof as applicable/ implementation of works – acceptance certificates, report from supervision of works (originals to be kept on file). ✓ The bank statements proving actuality of expenditures (originals to be kept on file).
<p><i>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 (Article 10. of GC). Consequently, Beneficiaries must award these contracts in accordance with Annex IV. These costs are thus not considered as human resources (budget heading 1) but as other costs/services (notably budget heading 5 or 6).</i></p>		

Above list of documents is not exhaustive. Other supporting documentation that may also be requested for inspection:

- 1) For Conferences and meetings:
 - Signed attendance lists,
 - Presentations and other materials used,
 - Photos of events.
- 2) For visibility:
 - Copies of publications in printed media,



- Copies of media plans and recording of ads/presentations in electronic format.
- 3) Proof that taxes and/or VAT that have been paid cannot actually be reclaimed,
- 4) Accounting records (computerised or manual) from the Beneficiary(ies)'s accounting system such as general ledger, sub-ledgers and payroll accounts, fixed assets registers and other relevant accounting information.

NOTE!

It is strongly advised that the Coordinator verifies the compliance and completeness of above-mentioned documents continuously during the implementation of the project and keep relevant copies.

According to Article 16.7 of the General conditions, the Beneficiary(ies) shall keep all records, accounting and supporting documents related to the Contract for five years following the payment of the balance and in any case until any on-going audit, verification, appeal, litigation or pursuit of claim has been disposed of.

2.6 SIMPLIFIED COSTS

For Beneficiaries who have simplified cost options included in some of the budget lines within the approved budget, such costs will not be the subject of a detailed ex-post cost check.

Auditors will not be obliged to check the accompanying documentation nor the costs realized, but will verify the correctness of the formula for calculating costs based on given input elements and relevant quantitative and qualitative information.

If the audit / inspection finds that the methods of calculating the unit costs, lump sums or total sums of are not in accordance with the relevant conditions or factual facts (for example, the event that was to happen has never happened), the Contracting Authority may consider such costs as ineligible.

2.7 FINANCIAL REPORTS

Depending on the implementation period of the project, Coordinator will need to prepare financial reports (see Chapter 6 – Reporting for more details).

For the projects with an implementation period of 12 months - Final financial report, and for the projects with an implementation period of more than 12 months - Interim financial report and Final financial report.

1. **Interim financial report** - report which you submit after 12 months of project implementation
2. **Final financial report** - report which you submit after finalisation of the project. Please remember, the final payment of the grant value shall be paid within 90 days after the Contracting Authority has approved the Final report (Article 15.4. of the General Conditions).

Likewise, the Coordinators shall have to submit to the **Exchange 5 Programme** quarterly reports on financial project balance - project financial monitoring grid (available annexed on the CD);

Models of the listed reports are described in more detail in Sections 6.1., 6.2. and 6.3. of this Users' Guide/Manual.



3. PROCUREMENT

The Beneficiary(ies) has the **overall responsibility** for implementation of the project funded by the European Union in scope of the **Exchange 5 Grant Scheme**. They will be considered as a **contracting authority** for realisation of all activities which includes procurement of goods, services or works.

Procurement enables timely acquisition of goods, works and services, taking into account:

- ✓ the objectives of the organization that carries out procurement,
- ✓ fairness, integrity and transparency of the procedure through bidding,
- ✓ economy and effectiveness,
- ✓ to get the best value for invested money.

NOTE!

Beneficiaries must apply the procurement principles and rules contained in Annex IV "Procurement by grant Beneficiaries in the context of European Union external actions" of the grant contract, which indicates that if procurement by the Beneficiary(ies) is required, 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.

Failure to comply with these principles and rules, lead to ineligibility of the costs relating to the procurement of goods, services or of works.

Beneficiary(ies) is responsible for the entire procurement process: from preparing all relevant documents for specific procurement (including technical specifications/Terms of Reference (ToR)) and launching a call to tender, to selection process, final selection of the supplier/service provider and fulfilment of the contract obligations.

When procuring supplies, services or works the Beneficiary(ies) shall avoid any conflict of interests and respect the following basic principles:

- Where an open tender procedure is not launched, Beneficiary(ies) shall justify the choice of tenderers that are invited to submit an offer;
- Received offers shall be evaluated 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).
- 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 shall be kept in procurement files.

Beneficiary(ies) may decide to apply the procurement procedures set forth in the PRAG (Procurement and Grants for European Union external actions - A Practical Guide, 2016 version) available at:



http://ec.europa.eu/europeaid/prag/?header_description=DEVCO+Prag+to+financial+and+contractual+procedures+applicable+to+external+actions+financed+from+the+general+budget+of+the+EU+and+from+the+11th+EDF&header_keywords=ePrag%2C+europa

If procedures set in PRAG are correctly followed the principles above will be deemed complied with. Therefore, Beneficiary(ies) are strongly recommended to use basic PRAG rules in implementation of their procurement procedures.

The provisions of Annex IV apply mutatis mutandis to contracts to be concluded by the Beneficiary(ies)'s affiliated entity(ies).

The procurement process, be it related to services, supplies or works, shall have five phases:

- ✓ *First phase* is the planning phase which includes planning of procurement (market analysis, procurement plan, etc.);
- ✓ *Second phase* is the preparatory phase which includes preparation of tender dossier;
- ✓ *Third phase* implies launching the procurement procedure and selection of the most advantageous tender;
- ✓ *Fourth phase* implies signing of the contract with the selected tenderer(s);
- ✓ *Fifth phase* is the final phase of procurement process includes performance of the contract

Prior to the commencement of any procurement procedure, whether it be services, delivery of goods or the performance of works, the subject of procurement must be foreseen by the grant contract and the funds for its procurement must be available in the project budget.

At the very beginning of the project implementation, the Coordinator should prepare and submit to the Contracting Authority procurement plan (table 1 and annexed as excel template on CD) that is in accordance with the project documents. The procurement plan should include the following information: the contracting authority (one of beneficiaries or affiliated entity(ies)), the subject of the procurement, the estimated value of the procurement (the amount from the project budget), type of contract, the procurement procedure that will be used, the budget line(s) from which the procurement is financed, the expected date for launching the procurement procedure, expected date of contract signature and expected duration of contract implementation.

table 1.

Ref No	Contracting authority	Subject of the procurement	Value of the procurement	Type of contract	Procurement procedure	Budget line	Expected date for launching the procurement	Expected date of Contract signature	Expected duration of Contract implementation

The purpose of this activity is to ensure that Coordinator is aware of two main principles to be followed when planning the procurements:

1. the subject-matter of procurement cannot be split artificially in order to avoid using prescribed procurement procedures;



2. the subject-matters of procurement should be consolidated so estimated value is correctly identified.

Coordinators are expected to submit procurement plans within one month from the start of the project implementation. The procurement plan will serve to the CA as a tool to monitor the procurement process and as source to determine the risk levels of the procurement procedures. In addition, the Contracting Authority can be informed of the exact date of opening sessions at least a week before, so that representatives of the Contracting Authority can attend as observers the opening and evaluation of the tenders received, if applicable.

The rules of nationality and the rules of origin

In implementing the procurement procedures, the Beneficiary(ies) will follow the nationality rule and rule of origin.

According to nationality rule, participation in tender procedures managed by the Beneficiary(ies) is open on equal terms to all natural and legal persons effectively established in a EU Member State or a country, territory or region mentioned as eligible by the relevant regulation/basic act governing the eligibility rules for the grant as per Annex a2 to the PRAG. Tenderers must state their nationality in their tenders and provide the usual proof of nationality under their national legislation. This rule does not apply to the experts proposed under service tenders financed by the grant.

Under Exchange 5 Programme, supplies may originate from any country if the amount of the supplies to be procured is below 100.000 € per purchase. In this case Beneficiary(ies) does not need to acquire Certificate of origin for the purchased supplies.

If the amount is 100.000 € or more, the supplies purchased under the grant contract must origin from an eligible country. Contractors must present proof of origin to the Beneficiary(ies) at the latest when the first invoice is presented. The certificate of origin must be made out by the competent authorities of the country of origin of the supplies and must comply with the rules laid down by the relevant EU legislation.

3.1 TYPES OF CONTRACTS AND AWARD PROCEDURES

The first step in any procurement, before launching the process, is to determine what is to be purchased, whether supplies, services or works and to estimate approximate value of the procurement. In accordance with this information, the Beneficiary shall then decide what type of the contract and what procedure should be prepared.

3.1.1 TYPES OF CONTRACTS

There are three types of contracts that can be used for procurement:

1. Services Contracts
2. Supply Contracts
3. Works Contracts

1. Service Contracts

During the project implementation, external associates shall be hired, i.e. companies providing consulting services, in accordance with the description of the project and the approved budget. For procurement of services from such companies, most often implying production of studies or technical assistance, Service contracts shall be used.

Service contracts shall comprise study and technical assistance contracts.



Study contracts includes studies for the identification and preparation of projects, feasibility studies, economic and market studies, technical studies and audits.

A technical assistance contract is a service contract where the contractor is called on to play an advisory role, to manage or supervise a project, or to provide the expertise specified in the contract.

A service contract may be concluded in two different ways:

- 1) Global price - where specified outputs are set out. The service will be paid on the basis of the delivery of the specified outputs. Examples of global price activities: studies, evaluations, audits, organisation of events such as conferences, trainings, etc. feasibility studies, economic and market studies, technical studies, drafting a legal document, evaluations and audits. Payments might be totally or partially withheld if the contractual results have not been reached. Partial payments have to be determined according to the partial implementation of the outputs, and are subject to:
 - several budget lines per output, which may be required but are not compulsory
 - negotiations with the service provider;
- 3) Fee-based - where the output is unpredictable, or where the workload to achieve the specified output is impossible to quantify in advance. Therefore, it is economically more advantageous to pay the services on the basis of time actually worked. Examples of fee-based activities: Project supervision, technical assistance, etc.

2. Supply Contracts

Supply Contracts are used for the purchase, leasing, rental or hire purchase (with or without option to buy) of products. A supply contract may include installation of the equipment and relevant trainings, if applicable (i.e. provided that supply component is the main one in in terms of value).

3. Works Contracts

Works Contracts shall be used either solely for execution of works or both for designing and execution of works regardless of resources, and in accordance with the requirements requested by the Beneficiary in tender documentation. A “work” means the outcome of building or civil engineering works taken as a whole that is sufficient in itself to fulfil an economic or technical function. Works contracts may include supplies and services up to a certain extent depending on the subject of the procurement (i.e. provided that works component is the main one in in terms of value). National regulations and requirements must be fully respected prior to construction/reconstruction works starts (licenses, permits etc.) as well as during implementation.

3.1.2 WHICH TENDER PROCEDURE TO APPLY

The basic principle to be respected when awarding a procurement contract is the principle of competition. The purpose of this principle is to:

- to ensure that operations comply with the awarding principles; and
- to obtain the quality of services, supplies or works wanted, at the best possible price.

There are several different procurement procedures, each allowing a different degree of competition. The rules for applying the specific procurement procedure are summarized in the table below:

Type of contract	Single tender	Competitive negotiated procedure	Local open procedure	International open procedure
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				/ Restricted (services)
Service	Equal or less than 20.000 €	More than 20.000 € and less than 300.000 €	N/A	Equal or more than 300.000 €
Supply		More than 20.000 € and less than 100.000 €	Equal or more than 100.000 € and less than 300.000 €	Equal or more than 300.000 €
Works		More than 20.000 € and less than 300.000 €	Equal or more than 300.000 € and less than 5 MEUR	Equal or more than 5 MEUR

Contracts equal or below 2.500 € are awarded on the basis of invoice. (Direct purchase)

The thresholds given in the table are based on the maximum budget for the contract in question (including any co-financing) without VAT. Where contracts are subdivided in lots, the value of each lot is taken into account when calculating the overall threshold.

All basic principles of procurement must be complied with (including the eligibility, exclusion and selection criteria), regardless of which procedure is used.

NOTE!

No procurement may be split artificially (broken down into several purchases of smaller values) to circumvent the procurement thresholds. Sometimes it is required to combine several budget lines from the grant budget under one procurement procedure for related services/supplies.

Taking into account the value of grants covered by the Exchange 5 Grant Scheme, the procurements will be predominantly made by use of:

1. Purchase based on invoice only
2. Single tender
3. Competitive negotiated procedure

3.1.2.1 PURCHASE BASED ON INVOICE ONLY – DIRECT PURCHASE

In cases where the budgeted amount for specific purchase is equal or less than 2.500 EUR, the Beneficiary(ies) are allowed to implement the purchase only by asking one provider/supplier pro-forma invoice (direct purchase). The latter should respond in clear manner confirming the preparedness and ability to supply goods/supplies or deliver services. It is recommended to keep on records documentary proof of the procedure – e-mail enquiry by Beneficiary(ies) and pro-forma invoice by supplier/provider.

3.1.2.2 SINGLE TENDER

The Beneficiary may sign service, supply and works contracts of value up to €20.000 on the basis of a single tender.

Single tender procedure implies obtaining a competitive offer from at least one tenderer. However, it is advised to obtain 3 quotes for each procurement in order to ensure that the prices are in line with the market



prices and that the tender meets specified requirements for the product, services or works that are the subject of the procurement. This will also demonstrate that the procurement process was conducted in a fair and transparent manner. The quality and financial aspect of procedure needs in any case to correspond to standard market conditions, otherwise the generated costs might be considered ineligible.

The Beneficiary(ies) would implement evaluation of the received tender (YES/NO estimation whether it complies with the requirements) or comparison between tenders in cases where more tenderers are invited.

When using this procedure Single tender report (Annex A10b of the PRAG – can be found on CD) must be produced, explaining how participant(s) in the negotiations were chosen, how the price was set and the grounds for the award decision.

The tenderers should be given sufficient time for submission of their offers.

The Beneficiary(ies) needs to ensure clear audit and documentary trail of procedure – the enquiry, tenderers response and evaluation must be properly documented. The Beneficiary(ies) are recommended to sign contract with suppliers/providers.

Appointment of evaluation committee is not mandatory under this procedure (but it is advisable).

3.1.2.3 COMPETITIVE NEGOTIATED PROCEDURE

Competitive negotiated procedure is used in the following situations:

- Service contracts under the value of €300.000 and over €20.000;
- Supply contracts under the value of €100.000 and over €20.000;
- Works contracts under the value of €300.000 and over €20.000.

NOTE!

Procurement procedures under competitive negotiated procedure may be lengthy, so please bear this in mind while planning implementation of other grant activities and procurement procedures.

According to this procedure, the Beneficiary draws up a list of at least three suppliers at its own choice. After doing so, the Beneficiary shall send the invitation letter to participate in the procurement procedure along with the tender documentation to the candidates from the list. The candidates must send their replies directly to the Beneficiary no later than the date and time shown in the invitation to tender.

The chosen candidates must be allowed at least 30 days from the dispatch of the letter of invitation to tender to submit their tenders.

Under this procedure appointment of evaluation committee is mandatory.

If, following consultation of 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.

In the case of failure of this procedure, the contract may be awarded by negotiated procedure. **An approval of the European Commission is required for the negotiating procedure to be initiated.**

NOTE!



Documentation for single tender and competitive negotiated procedures are annexed on the CD of this Implementation Manual in Annex 2 - Procurements

Any tender documentation, especially Terms of Reference and Technical Specifications, **may not be disclosed to any third party** and must be kept confidential until they are made available to all tenderers at the same time in the procedure.

Please bear in mind that CFCU and MPALSG IPA Unit will require complete tender documentation in the verification process of the Interim/Final reports prior to payments.

EVALUATION COMMITTEE

Nomination of the Evaluation Committee

Evaluation Committee should be appointed timely and formally by the Grant Beneficiary. This committee shall comprise of a non-voting Chairperson, a non-voting Secretary and an odd number of voting members (minimum of three). At least one substitutes member should be nominated. Observers may be nominated as well.

The Evaluation Committee members should attend all meetings. Any absence must be recorded and explained in the Evaluation Report. All voting members of the Evaluation Committee have equal voting rights. The voting members must possess the technical and administrative capacities necessary. Persons authorized to sign contracts with awarded tenderer or appoint Evaluation Committees on behalf of the Grant Beneficiary cannot be in the Evaluation Committee.

Impartiality and confidentiality

All members of the Evaluation Committee and any observers must sign a **Declaration of Impartiality and Confidentiality** document (Annex 3.2 to this Guidelines). Any Evaluation Committee member or observer who has a potential conflict of interest due to a link with any tenderer must immediately withdraw from the Evaluation Committee. She/He will be excluded from participating further in any capacity in the evaluation meetings and will be replaced. In this case **evaluation process must be restarted**. Any assessment by a voting member withdrawing from the Committee at whatever stage of the evaluation has to be disregarded.

No information about the examination, clarification, evaluation or decisions about the contract award can be disclosed before the contract signature. Any attempt by a tenderer to influence the process in any way (whether by initiating contact with members of the Evaluation Committee or otherwise) may result in the immediate exclusion of its tender from further consideration.

The tender offers should not leave the room/building in which the committee meetings take place before the end of the evaluation process. They should be kept in a safe place during evaluation process.

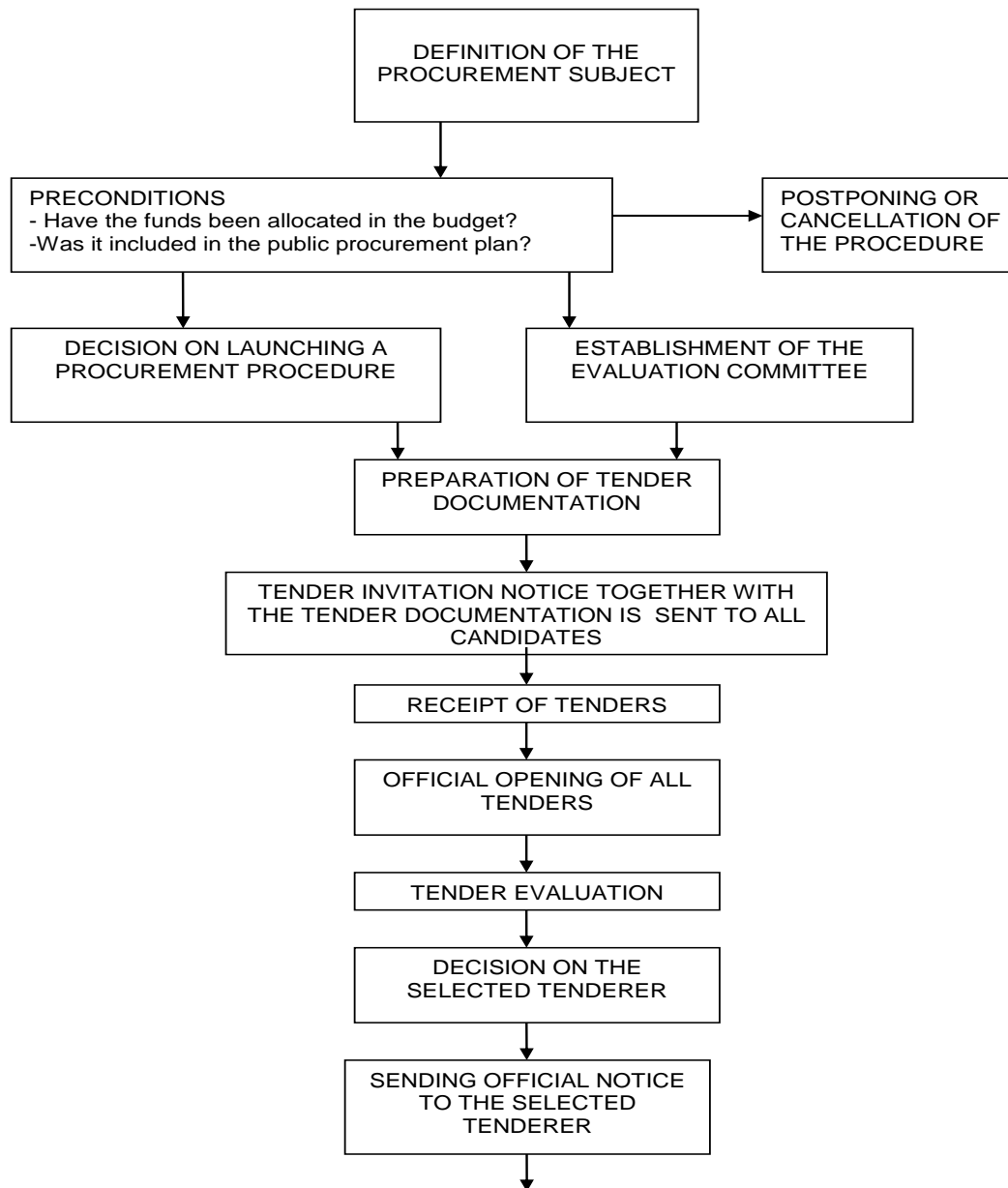
Responsibilities of the Evaluation Committee Members

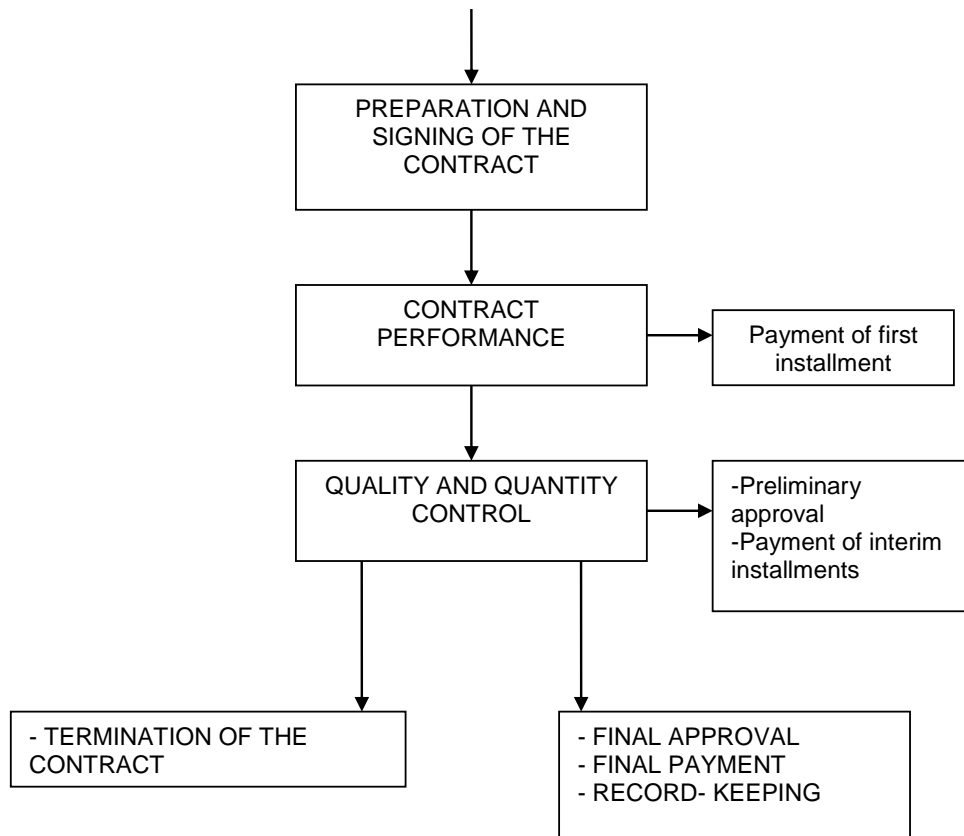
The Chairperson is responsible for coordinating the evaluation process in accordance with the procedures of this Guide and for ensuring its impartiality and transparency.

The Secretary of the Committee is responsible for carrying out all administrative tasks related to the evaluation process, preparation of Evaluation Report and supporting documents.

The voting members of the Evaluation Committee have collective responsibility for decisions taken by the Evaluation Committee.

Graph 1: Competitive negotiated procedure - Steps





3.1.2.4 OPEN PROCEDURE (INTERNATIONAL OR LOCAL)

In exceptional cases, projects financed from Exchange 5 Grant Scheme, will make procurements using open procedure. This procedure is related only to the supply and works contracts. For open tender procedures, the Beneficiary(ies) are recommended to use full PRAG templates. In an open tender procedure all interested economic participants may submit their tenders. This procedure is given a maximum publicity though its publication in the Official Journal of the European Union, on the Internet and in any adequate media (international open procedure). In the case of a local open procedure, a call for participation in a tender is published in the appropriate national media.

Under the open procedure, any natural and legal person interested in submitting a tender may receive, at their own request, the tender dossier (for which a charge may be requested) in accordance with the procedure publicised in a public call. All tenders will then be compared in line with the selection procedure (for example: examination of financial, economic, technical and professional capacities of tenderers) and evaluation (comparison of tenders), compliant to the principles of fair competition.

Under the open procedure no negotiation is allowed.



NOTE!

In regard to the project's secondary procurement process, the Contracting Authority/CFCU will carry out following two activities, targeting different phases of planning and implementation of procurement procedures:

- 1) *Verification of procurement plan and its update*
- 2) *Ex post verification of procurement procedures*

SCTM Exchange 5 Programme Team will be providing consultative services in terms of advisory role on procurement-related issues, while the responsibility for proper implementation of all procurements remains up to Beneficiaries.

Tender documentation shall be prepared in accordance with the best international practice. Tender documents must provide to tenderers all necessary terms and information in order to adequately prepare their offers: the procedures to be followed when applying to a tender, documents to be submitted, where and when, clearly stating the selection criteria, eligibility criteria, evaluation criteria, contractual obligations, delivery, guarantees, payment options and other conditions of contract implementation, etc.

Contracting Authority will also carry out ex-post verification of procurement procedures. Coordinator should deliver procurement documentation as supporting documentation together with submission of Interim/Final report. In addition, in line with Article 10. of the General conditions of the grant contract, the Coordinator is obliged to submit a comprehensive and detailed Report on the award and implementation of contracts. The ex-post verification process of procurement procedures ends with the opinion on the compliance of the project's secondary procurement process with Annex IV of the grant contract and subsequent verification of eligibility of corresponding project expenditure.

In the table below are presented some of the key challenges and practical recommendations related to the procurements and relevant documentation:

<i>MARKET CONDITIONS</i>	<ul style="list-style-type: none"> • When preparing technical specifications or terms of reference it is very important to comply with normal market standards for similar type of services, supplies or works. Tenders will be checked in the monitoring process and if the prices exceed normal market standards such costs/tenders cannot be accepted as eligible costs. • The CFCU will use references from other similar projects, historical data and market research when checking the procurement procedures in interim and final reports
<i>COMPLIANCE WITH THE OBJECTIVES, ACTIVITIES AND RESULTS</i>	<ul style="list-style-type: none"> • One of the conditions for eligibility of costs is that "costs need to be necessary for implementation of the action". This means that close relation to objectives, activities and results of the project need to be demonstrated. • Specific attention should be dedicated to comparison of invested resources and outputs from tender procedure. In case of excessive inputs vs. limited outputs or in case of poor quality of outputs, such costs cannot be accepted as eligible.
<i>List of invited entities</i>	<ul style="list-style-type: none"> • Make sure you have some information that invited companies can meet selection criteria as set out in the Contract Notice



	<ul style="list-style-type: none"> • Make sure you have proper justification on why the specific tenderers were invited, for example “based on the initial market research, we have established that these tenderers are competent and competitive providers”
<i>Contract notice</i>	<ul style="list-style-type: none"> • Please specify the budget in the service contracts (sometimes this requires combining of several budget lines from the original grant budget) • Check if the contract should be divided into lots – principal approach is that one whole lot can be provided by one tenderer. More lots in principle mean more administration. • When preparing selection criteria: Make sure the criteria are not restrictive but at the same are time demanding enough to attract only serious companies You may use the “Average” criteria since Tenderers must present average annual turnover and average number of staff If annual average turnover is to be the criteria, make sure it is not over exceeding the budget of the project. Minimal average turnover could be equal to the size of the service/supply For professional capacity do not require more staff than necessary for contract implementation, be realistic. Full time and part-time staff could be separated. Technical capacity of the Tenderer should prove that company can complete the similar size/complexity jobs.
<i>Instructions to tenderer (ITT)</i>	<ul style="list-style-type: none"> • In case of service tender, please state the value of the contract (based on your grant budget and market research). • Tenders must arrive in time, as presented in the Tender dossier – sufficient time as per procedure is to be given. Allow at least 30 days for Competitive Negotiated Procedure. • Decide if you would require supporting documents from the Tenderers and when
<i>Terms of reference (ToR) for services</i>	<ul style="list-style-type: none"> • Services: Be very careful in selecting the “type” of procedure. If tangible results of the requested service are requested, such as catering for xx people, overnight stay for xx training participants, development study or research, xx leaflets or brochures, created web site etc. “GLOBAL PRICE” procedure (and documentation) should be used. • In case that the outputs are not exact, such as hiring a company that will provide a group of experts for training, monitoring of procedures please use “FEE BASED” procedure (and documentation) • In case of “FEE BASED” procedure make sure that the profile (qualification and skills, general and specific experience) for each expert is clearly defined. At the same time avoid restrictive criteria. • With fee-based contracts you would normally require CV of experts with the offer. In some cases, CVs are also required for global price contracts. • It is recommended to request reports of external service providers to prove occurrence of costs.
<i>Technical specification (TS) for supplies and works</i>	<ul style="list-style-type: none"> • Make sure that the brand names are not mentioned • MINIMAL technical criteria for the desired equipment need to be clearly defined – the selection criteria is price and tenderer might offer minimum requested quality to get lower price • Other conditions to be defined in case of works contracts (technical equipment, staff etc.)



<i>Draft Contract</i>	<ul style="list-style-type: none"> • The price stated in the Article 1 is without VAT • In addition to the core text of the contract all the indicated annexes – offer, budget etc. – form an integral part of the contract • In case you are making a pre-finance payment certain risk implies - pre-financing guarantee could be requested from the Contractor
<i>Organization and methodology (for service tenders)</i>	<ul style="list-style-type: none"> • In case of service tender this document is a template document for Tenderer to complete. Technical evaluation is implemented on the basis of organization & methodology section.
<i>Administrative/Evaluation grid (for service tenders)</i>	<ul style="list-style-type: none"> • Please specify criteria for technical evaluation, either use what is proposed in the annexed template or make your own maximum scores per criteria • Grids' structure and scoring must not be altered once the tender is launched;
<i>Tender Submission Form</i>	<ul style="list-style-type: none"> • In case you have tender divided into Lots, for each lot a separate tender submission form must be delivered by the Contractor • Tender submission form needs to be adjusted to the selection criteria requirements set in the Contract Notice;



4. AMENDMENTS TO THE CONTRACT

What are amendments?

Amendments are larger or smaller changes to the contract.

Beneficiaries should implement the grant contract as it is planned, specifically by the Project Document (Annex I) and the Project Budget (Annex III). However, during the project implementation, there may be a need to make certain changes to the contract, both in terms of project activities, the duration of the project and the financial part of the contract.

All changes needed – the contract amendments – need to be in a requested form, in line with General conditions of the Grant Contract, approved and signed by the Contracting Authority, in order to become an integral part of the Grant Contract.

In accordance with Article 9.1 of the General Conditions of Grant Contract, contract modifications are possible only during the execution period. The execution period shall mean the period during which the contract is valid, i.e. from the signing of the contract to the final payment, and in no event later than 18 months after the end of the implementation period.

NOTE!

The change may not have the purpose or result of such an amendment to the Grant Contract that would call into question the award decision or be in conflict with the equal treatment of the grant applicants.

Amendments to the contract shall be approved only in cases when the amendment requested proves to be necessary for continuation of the project implementation. In all other cases the Beneficiaries are expected to implement the project within the signed Grant Contract.

Pursuant to Article 9. of the General Conditions, the amendment of the grant contract is two folded depending on the type/nature of required modifications, i.e:

- (a) **Notification** – used for minor contract modification, change that does not significantly alter project implementation.
- (b) **Addendum** – used for substantial modifications in the grant contract. It is signed by all parties before implementing the change. Major modifications to the contract, require strong justification, No objection statement by MPALSG IPA unit and EUD ex-ante control and approval.

NOTE!

When there is a need to make a change in the Grant Contract, it is always recommended to contact and consult the responsible project manager in the CFCU and responsible manager in the MPALSG IPA Unit, when applicable. When the agreement is reached on the level of amendment (minor or substantial change), the necessary documentation and request should be officially submitted to the CFCU .

When preparing an amendment, the following general principles should apply:



- ✓ *The amendment may not have the purpose or the effect of making changes to this Contract that would call into question the grant award decision or be contrary to the equal treatment of applicants.*
- ✓ *Grant contract can only be modified during its execution period stipulated in the Contract (article 2.4 of the Special conditions).*
- ✓ *The maximum EU contribution and percentage of eligible or accepted costs financed by the Contracting Authority may never be increased.*
- ✓ *The Beneficiary(ies) must dully justify its request. In case the requests are inadequate or with poor justification they will be rejected by the CFCU.*
- ✓ *Requests for substantial contract modifications must allow an adequate time-limit (minimum 30 days) for the addendum to be signed by all parties, before the modifications are intended to enter into force.*
- ✓ *Requests for contract modifications must be signed by the authorised person(s) of the Project Coordinator. Requests signed by other persons of the Project Coordinator/Beneficiaries, (project manager, secretaries, etc.) will be rejected.*

4.1 AMENDMENTS THROUGH NOTIFICATION

Minor contract modification is a change that does not significantly alter project implementation and may be implemented in the Grant Contract through a 'Notification letter'.

Minor modifications that require only written Notification letter may include:

- ✓ Minor changes in activities with no budgetary implications
- ✓ Budget modifications that do not affect the basic purpose of the project 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
- ✓ Change of address or phone number
- ✓ Change of bank account
- ✓ Change of auditor
- ✓ Change of key-experts such as coordinator, trainers, etc.

NOTE!

In line with Article 9.4. of the GC the Coordinator may amend the Contract (budget or Description of the project) and inform the Contracting Authority accordingly, in writing and at the latest in the next report. However, in order to prevent potential irregularities and non-eligible costs, Contracting Authority will issue the provisional approval of the proposed changes in the project budget or Description of the Action.

Notification letter 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.

In a case of change of the address, bank account or auditor, the notification is submitted to the Contracting Authority as soon as possible.

4.1.1 MINOR MODIFICATIONS IN THE PROJECT ACTIVITIES

Modification in the Description of the project can be requested only during the project implementation period. Modifications to the "Description of Activities" are allowed as long as they do not affect the basic purpose of the project or do not call into question the initial grant amount / equal treatment of the candidates.



A unilateral amendment affecting the primary purpose of the project may lead to the termination of the grant contract in accordance with Article 12.2. General conditions.

4.1.2 MINOR MODIFICATIONS IN THE PROJECT BUDGET

The Beneficiaries can benefit from some flexibility within the budget, as long as it does not affect the "basic purpose" of the project and the changes do not call into question the initial allocation of funds/equal treatment of the candidates. It is difficult to provide a detailed description of what is the main purpose of the project because this implies different meanings in accordance with the specifics of the project and therefore requires a case-by-case analysis. However, as a general rule, all adjustments to the objectives of the action, target groups, place, activity, or sustainability of actions, results and indicators, etc., it is likely to affect the purpose of the action and the Contracting Authority can refuse them.

As long as it does not affect the main purpose of the project, Beneficiary can:

- Transfer funds between lines or to introduce new lines within the same budget heading
- Transfer the part of the budget that is under one heading to another heading (for example from 1 to 6), as long as this transfer does not imply a variation (and increase and decrease) of more than 25% of the headings to which this transfer relates.

In order to calculate the amount of variation, it should be noted that:

- The 25% variation also calculates (cumulatively) the original value of the heading from which the funds are taken and the original value of the heading to which the funds are added;
- Consecutive unilateral budget changes are taken into account cumulatively. This means, for example, that if the heading has already been increased by a one-off change of 20% of the original value (determined by the original budget), then this heading cannot be increased by more than 5% of its initial value (thus achieving a total limit of 25% of starting value).

Coordinator is responsible for preparation of the Notification letter (template can be found annexed on CD in Annex 1). It can be submitted to the Contracting Authority via e-mail signed and stamped by the Coordinator. The Contracting Authority checks delivered Notification letter and annexes (if applicable). If additional clarifications are to be obtained from the Coordinator, Contracting Authority sends comments to the Coordinator. If there are no (further) comments on submitted Notification letter, the Contracting Authority issues the provisional approval of the proposed change.

4.2 AMENDMENTS THROUGH ADDENDUM

Substantial modifications in the grant contract require a formal addendum to the grant contract to be signed before their implementation/effect.

Amendment requiring formal addendum (in line with Article 9. of the General Conditions) may be requested by the Coordinator or initiated by the Contracting Authority.

Substantial modifications that require addendum are as follows (list is not exhaustive):

- Extension or early closing of the grant contract;
- Significant changes in project activities that affect the basic purpose of the project as long as the proposed changes do not question the grant award decision and are not contrary to the equal treatment of applicants;
- Transfers amongst budget headings; involving variation of more than 25% of the amount originally entered under each relevant main budget heading;
- Change of project Partners (addition or replacement);
- Changes in organisation's name or legal status.



NOTE!

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 grant contract should not be amended.

Beneficiaries are advised to avoid making changes to their projects that are so demanding that they require the addendum. The procedure for approving the addendum can be long and complicated.

Coordinator is responsible for preparation of the request for addendum (template can be found annexed on CD in Annex 1). Coordinator will consult the responsible project manager at the CFCU and the MPALSG IPA Unit prior to the submission of request for addendum.

The proposal for Addendum is comprised of Addendum Request Letter describing reasons which generate the need for Addendum and amended Annexes of the Contract which are affected by the proposed change.

When preparing the Addendum Request Letter, it is necessary to provide all the information and reasons for the technical and financial changes of the contract. In order to ensure acceptance of the request, Coordinator must provide adequate explanation because requests that are inadequately justified will be rejected by the Contracting Authority as unjustified.

If the modification implies change to the budget of the project, Coordinator shall fill in Annex VI – Financial report – sheet for Addenda or use of Contingencies and attach it to the Addendum Request Letter.

The CFCU and the MPALSG IPA Unit will examine the request and issue approval if justification is substantiated and the initial grant award decision is not questioned or the request is contrary to the principles of equal treatment of applicants. Further on, CFCU is responsible for preparing addendum documentation which has to be submitted to EUD ex-ante control and approval. Upon receipt of the endorsement by the EUD, CFCU will send the 3 originals of the addendum to the Coordinator for the signature.

NOTE!

Having in mind the administrative procedures necessary for the approval of the Request for formal addendum to the grant contract, it is essential that the entire procedure for preparing and submitting the documents for the addendum is completed at least 30 days before the change(s) enters into force.

The addendum shall enter into force on the later date of signature by the Parties.



5. MONITORING

Monitoring is a systematic and continuous monitoring of project activities for the purpose of managing and making decisions during project implementation. It is a process of regular collection, analysis and use of information on all aspects of the project where, based on the defined project design, development of the project progress is being observed with an emphasis on results i.e. outputs and providing feedback on the project progress to the donor, Contracting Authority and beneficiaries.

Monitoring is an integral part of day-to-day project management, and it is considered as a procedure of checking whether a grant is used for the intended purpose of the contract, and to ensure that projects are implemented in accordance with the defined rules and procedures.

Depending on who is performing it, there are two types of monitoring: internal and external.

External monitoring is conducted by the Contracting Authority and MPALSG IPA Unit through so called "on-the-spot checks" and through other monitoring interventions. When it comes to "on-the-spot checks", there is a sequence in roles of various enrolled actors:

- MPALSG IPA unit conducts obligatory **verification on the spot checks** on all grant contracts, upon receipt of interim/final report;
- Based on the "on-the-spot checks" outputs and report, the MPALSG IPA Unit submits no objection statement or comments to the Contracting Authority related to the report in question
- In order to gain assurance on verification "on-the-spot checks" performed by the MPALSG IPA Unit or to check compliance of the implemented activities for which the grant beneficiary has submitted the request for payment with the terms with the grant contract, the Contracting Authority conducts monitoring "on-the-spot checks" based on:
 - 1) selection criteria and risk analysis and/or
 - 2) supervisory "on-the-spot checks"

In addition to this external monitoring, the grant beneficiaries should establish internal monitoring system to self-asses their performance.

NOTE!

The **CFCU, MPALSG IPA Unit and SCTM Exchange 5 Programme Team** shall be responsible for technical, financial and physical monitoring of all projects funded through **Exchange 5 grant scheme**.

Monitoring of granted projects shall be conducted throughout the entire project implementation process through:

1. On-the-spot visits to respective LSGs – discussions with all stakeholders, checking of project documentation and situation on-spot (especially regarding implementation of the procurement process, finances and visibility issues);
2. Quarterly progress reports – Coordinators are responsible for preparation of the reports. The reports are to be submitted up to the specified date to a contact person in the **SCTM Exchange 5 Programme Team** who will after review deliver it to the **CFCU and MPALSG IPA Unit** (for further information see Section 6- Reporting);



3. Interim reports - Coordinators are responsible for preparation of the reports. The reports are to be submitted up to the specified date to a contact person in the *SCTM Exchange 5 Programme Team* who will after review deliver it to the CFCU and MPALSG IPA Unit for endorsement (for further information see Section 6- Reporting);
4. Final reports - Coordinators are responsible for preparation of the reports. The reports are to be submitted up to the specified date to a contact person in the *SCTM Exchange 5 Programme Team* who will after review deliver it to the CFCU and MPALSG IPA Unit for endorsement (for further information see Section 6 - Reporting);
5. Regular communication with Beneficiaries and other forms of reporting if needed (requests for additional clarifications of reports or submission of additional documentation, etc.).

The **internal monitoring** system would use original benchmarks of the project application as a reference and follow them through the implementation. The aspects to be checked above all include:

- Timing and scope of activities implemented (referring to the original action plan);
- Scope of results and indicators delivered (referring to original quantified definitions of results and indicators in the project proposal).

The internal monitoring system would include inputs from all Beneficiaries, enabling the Coordinator overview and monitoring of Beneficiaries and/or affiliated entities. Other benefits from the internal monitoring system include:

- Increased efficiency of the project implementation and maximised use of the invested EU and own funds,
- Decreasing possibilities for delays and other discrepancies,
- Building a solid basis for reporting and monitoring by the Contracting Authority and MPALSG IPA Unit.

During the external monitoring, check on the following implementing issues will be checked:

- Financial and technical progress, extent of the activities implemented – whether and in what extent were the planned activities implemented, quality of delivered outputs and their compliance with project activities and results;
- Existence of physical proofs – in particular in purchase of equipment, construction;
- Existence of documentary records and adequate archiving – to support financial management, secondary procurement and prove delivery of external services;
- Visibility aspects – checking documentation, visibility outputs, to establish whether EU visibility guidelines have been fully respected;
- Coordination between partners;
- Identification and addressing challenges, discrepancies, external impacts, technical execution difficulties.

The basis for the monitoring will be the grant contract.

Frequency of monitoring visits shall be determined in the course of grant scheme implementation. As a minimum, the monitoring on-the-spot visits by the MPALSG IPA Unit will take place upon receipt of interim/final report. The Contracting Authority shall undertake monitoring on-the-spot visits based on selection criteria and risk analysis and/or supervisory "on-the-spot checks". In case of noted discrepancies and at the discretion of the Contracting Authority, the visits could be more frequent. On-the spot-visits by the SCTM Exchange 5 Programme Team will be implemented on the quarterly basis. These visits will be conducted after submission of each quarterly report.



On-the-spot visits by MPALSG IPA Unit accompanying the interim and final reports (on 12 months periods and at the end of the projects) will represent the basis for approval of the reports and payment requests by the Contracting Authority due to the fact that the objective of these visits is to control if all reported costs are in line with the terms of eligibility set in the Annex II (General conditions) to the grant contract and supported with relevant required documents.

NOTE!

The overall project documentation, technical and financial, that is the result of the project implementation, is subject to verification and Coordinator has to make it available for monitors during on-the-spot visit.

During the monitoring on-the-spot visits special attention will be, beside financial and visibility issues, devoted to the project indicators, which show whether and to what extent the objectives have been achieved. Monitors will review all relevant information in terms of the implemented activities, outputs, outcomes and impact of the project.

During on-the-spot visits Beneficiaries should respect following:

1. The meeting should be attended by: project manager, relevant technical staff, financial manager, other Beneficiaries/Affiliated entities and end-users (if needed),
2. The project manager should prepare the accurate version of the action plan, logical framework and budget,
3. Accurate quarterly report, financial report and balance sheet (overall and for each budget line) should be present. Financial control will be directed towards supporting documentation of costs (payrolls for each month, contracts with staff, VAT exemption requests, invoices, invoice dates, etc.),
4. Availability of documentation related to procurements (in accordance with article 16.3 of the General Conditions). Special attention will be paid to the procurements - goods, works and services (tender documentation, contracts with contractors, delivered supplies and services); In the case of services, contracts concluded with experts and accompanying documentation will be checked,
5. Produced Visibility material must be available and appropriately placed.

In case of delays regarding realisation of specific project activities, the Coordinator shall be responsible:

- To inform the **CFCU, MPALSG IPA Unit** and **SCTM Exchange 5 Programme team** about potential/actual delays in realisation of certain activities
- To clearly and precisely list in the Quarterly Report:
 - i. the reasons for delay (unavailability of trainers, necessity to re-launch the tender procedure, software-related problems, delays in obtaining approvals from the Mayor, etc.),
 - ii. consequences resulting from these delays (project activities to be delayed due to failure to carry out the activities preceding them),
 - iii. corrective measures to be taken.

An important aspect of monitoring is the risk identification/measuring process, in which it is endeavoured to determine the degree of possibility/probability that the grant Beneficiary(ies) might not be able to fully implement the project, i.e. whether Beneficiary(ies) will manage to achieve contractual objectives or not.

In addition to the above described administrative (procedural) monitoring, technical (policy) monitoring will be organized by SCTM Exchange 5 Programme team. In order to provide a high-quality thematic support to LSGs covered by the grant scheme, property management experts will analyse all financed projects, identify potential bottlenecks and best-practice potentials and prepare a list of milestones to be achieved by each of granted projects.

EXTERNAL AUDIT AND VERIFICATIONS



Apart from the monitoring and verifications done by the national authorities, the verifications might to be carried out by:

- European Commission;
- European Anti-Fraud Office;
- European Court of Auditors;
- Any external auditor authorized by the Contracting Authority.

The Grant Beneficiary have to take all steps to facilitate their work and, full audit on the basis of all accounting documents and any other document relevant to the financing of the Action.

*As already mentioned, the Grant Beneficiary must keep all records, accounting and supporting documents and therefore ensure **audit trail related to the grant contract implementation**.*

6. REPORTING

Grant Beneficiaries must draw up reports as their contractual obligations. These reports consist of narrative and financial parts with annexes (relevant supporting documents).

Report should provide explanation to:

- 1) Results achieved and relevant costs identified in the financial report;
- 2) Eventual deviations that have arisen (subject to Article 9) during the project implementation in comparison with the original project in terms of results and costs.

Project Coordinator shall bear the main responsibility for the project reporting. From the very beginning of the project until its end, Coordinators are obliged to keep records and store all data about the project. Firstly, because they always have to know what is the current status of the project and secondly because they have to be prepared for the expenditure verification that will be carried out at the end of the project.

Narrative reports provide information on implementation of the project activities, project management, involvement of project partners, relations with key stakeholders, visibility, progress on performance indicators, general assessment of the project as well as minor or major contract changes, if applicable.

Financial reports provide information regarding the actual expenditures realized during implementation of the project as compared to the foreseen amounts. The financial report should include the original budget and modifications (if any), as well as expenditures incurred in the reporting period.

NOTE!

During the whole project cycle **Coordinators shall have to prepare** three different types of administrative reports:

1. **Quarterly progress reports**
2. **Interim report on project implementation**



3. Final report on project implementation

It is recommended that Grant Beneficiary keep internal monthly activity updates on the implementation of the project/action. For this purpose, we recommend usage of the template annexed on the CD (Annex 3 – Reporting). In this way, all important events / dates will be recorded and you will have no problems preparing reports.

Following the Coordinator's obligation to provide information, **Quarterly reports** would serve as an operational tool for providing additional up-to-date information to the Contracting Authority and will not be subject of formal approval.

The **Interim and Final reports** are following the dynamics of requests for payments. These reports are drafted on the basis of standard template, provided with the contracting documents (Annex VI of the grant contract).

The reporting period is intended as a twelve-month period.

Within 60 days following the end of the reporting period, the Coordinator shall present an **Interim report** to the Contracting Authority.

The Coordinator shall submit the **Final report** to the Contracting Authority no later than three months after the implementation period as defined in Article 2. of the Special Conditions.

Both, Interim and Final report, shall be submitted with the payment requests, according to Article 15. of the General Conditions. If the Coordinator fails to provide any report or fails to provide any additional information requested by the Contracting Authority within the set deadline without an acceptable and written explanation of the reasons, the Contracting Authority may terminate such Contract according to Article 12.2 of the General Conditions.

NOTE!

MPALSG IPA Unit shall check the narrative and financial part of the reports (desk-based and on-the-spot check). Upon the submission of the interim/final report from the grant beneficiary to the Contracting Authority, the Contracting Authority transmits narrative and financial part of the report together with all annexes to the MPALSG IPA Unit with an instruction to carry out on-the-spot check to verify the facts stated in the interim/final report. Upon completion of the verification, the MPALSG IPA Unit submits the on-the-spot check report, related checklist and no-objection or comments on the narrative and financial part of the report, to the Contracting Authority for further control.

The time-limits for payments may be suspended by notifying the Coordinator that clarifications, modifications or additional information to the narrative or financial reports are needed, proper supporting documents have not been supplied or there are doubts on the eligibility of expenditure and it is necessary to carry out additional checks, including on-the-spot checks to make sure that the expenditure is eligible. The suspension is stopped on the day the reply/clarification is recorded i.e. the payment period starts running again as normal. If this reply/clarification is not sufficient, the suspension can be prolonged or started again, but it has to be explicitly notified to the Coordinator.

NOTE!



For calculation of implementation periods and deadlines for delivery of project reports, in line with Article 13. of General Conditions, national legislative prescribes the following rule to be applied: **Where the deadline is determined in months/years, the last day is the day of last month/year which by number corresponds to day on which the deadline started.**

6.1 QUARTERLY PROGRESS REPORTS

Basic purpose of the Quarterly progress report is to provide the clear picture about the achieved results as well as to identify all potential problems that need to be addressed so that all planned activities are carried out efficiently.

NOTE!

Quarterly progress report is consisting of the narrative and financial part, and as the title of the report is saying, **it should cover three-month periods**, starting from the contract signature.

Quarterly progress report must be submitted to the **SCTM Exchange 5 Programme Team** not later than up to the 5th day of the month for the previous period. Upon review by **SCTM Exchange 5 Programme Team**, quarterly progress reports will be delivered to the **CFCU and MPALSG IPA Unit**.

Financial part of the quarterly progress report is consisted of the budget of the project (Annex III to the grant contract) and four additional columns which reflect amount spent until the reporting period, respective balance during the period mentioned in the report (three months), total amount spent and remaining funds:

Coordinator:								
Project name:			Months:					
Costs	Amounts per grant contract				Amount spent up to date of the reporting period	Amount spent during the reporting period	Total amount spent	Remain ing funds
	Unit	# Units	Unit costs in €	Costs in €				
Categories from the approved budget (ANNEX III TO THE CONTRACT)								

The report is not related to payments and requires no approval. Information from the report shall be considered as part of the project implementation monitoring process.

Additionally, this report presents the basis for the preparation of the Interim and Final report on project implementation.

Coordinator shall prepare quarterly report in consultation with other Beneficiaries/Affiliated entities.

The format of the quarterly progress report (both narrative and financial) is annexed on CD (Annex 3).



6.2 INTERIM REPORT ON PROJECT IMPLEMENTATION

Interim progress report is prepared for the first 12 months of the project implementation and it comprises the following:

1. Narrative report - Annex VI of the grant contract – Interim Narrative Report
2. Financial report - Annex VI of the grant contract – sheet for Interim Project Report
3. Request for further pre-financing payment - Annex V of the grant contract - Payment request for Grant Contract
4. A forecast budget for the subsequent reporting period - Annex VII of the grant contract – sheet for Forecast budget and follow-up
5. Updated communication plan
6. Supporting documentation – technical and financial documentation as it is described in the sections 1.4.1. and 2.5. of this guide

This report shall describe the implementation of the project in the reporting period according to the activities envisaged, difficulties encountered and measures taken to overcome problems, eventual changes introduced, as well as the degree of achievement of its results (impact, outcomes or outputs) as measured by corresponding indicators. It shall also include costs incurred during the reporting period. The Coordinator shall collect all the necessary information from all Beneficiaries/Affiliated entities and draw up consolidated report.

The report is to be prepared and signed by the contact person of the Coordinator. In order to be considered official, the report must also be verified/signed by the Mayor/president of municipality.

Information provided in the Interim Narrative Report must cover the specified reporting period and be compliant with information stated in the Interim Financial Report. The report must not be handwritten. Incomplete or poorly filled in reports will not be accepted.

NOTE!

In order to respect defined deadline of 60 days for delivery of the Interim report to the Contracting Authority, the report should be delivered to the **Exchange 5 Programme Team** not later than 4 weeks upon expiry of the reporting period.

The Interim report will be the basis for validation of costs by the CFCU.

It shall include all the supporting documentation. The Financial Interim report will contain copies of all invoices for the reporting period and bank reconciliation copies.

Narrative report should include information on implementation of the project activities, project management, involvement of project partners, relations with key stakeholders, visibility, progress on performance indicators, general assessment of the project as well as minor or major contract changes, if applicable. During the preparation of the Interim Narrative Report please indicate clearly in the specified sections



following: What has been achieved in activities implementation? Are there any delays? What needs to be achieved in the upcoming period? Elaborate clearly on results achieved and indicators. If challenges/issues have occurred in the implementation period it is recommended to indicate that and propose contingency scenarios.

Financial report provides information regarding the actual expenditures realized during implementation of the project as compared to the foreseen amounts. The financial report should include the original budget and modifications (if any), as well as expenditures incurred in the reporting period.

When filling the Annex VI, template for financial report, you should have in mind the following:

- Section “*Budget as per contract*”: enter information contained in the grant contract (check if the budget was modified compared to the project proposal version and include into the report the final version data)
- Section “*Reallocation*”: if reallocation was performed in the previous period, enter the modified budget into this section
- Section “*Expenditures Incurred*”:
 - (a) *Number of units*: enter the number of units used/procured in the reporting period;
 - (b) *Unit value in EUR*: enter the data on expenditure in EUR
 - (c) *Total cost in EUR*: total cost for the reporting period
 - (d) *Cumulated costs (before current period)*: value for all items is 0
 - (f) *Cumulated costs (from start of implementation to present report included)*: sum of c and d
- Section “*Variation in comparison with initial budget/reallocation*”:
 - (g) Difference of cumulated costs until present and budget as per contract/addendum
 - (h) Variation from budget as per contract/addendum

In accordance with Article 15.3 of the General Conditions, a **forecast budget for the for the remaining period** must be provided with any request for payment of further pre-financing instalment.

As a part of the supporting financial documentation the Coordinator shall submit the **Balance sheet** (template sheet and filled example can be found on CD). This sheet represents a chronological overview of the project revenues and expenditures. It is to be completed based on the project account bank statements and statement from the municipal budget in case of the municipal/town employees’ salaries payment.

Template Balance sheet:

Coordinator:													
Project name:													
Contract number:													
Date of payment	Budget heading	Budget line	Description	Ref. document	Date of document	Income	Costs	Number of the booking account (no)	Bank statement	Currency (RSD or EUR)	Exchange rate	Payed amount in EUR	Balance in EUR

When filling the Balance sheet please pay attention to the following:

- (i) In the column “date “insert the date written on the statement in which the change was registered.



(ii) Budget heading or line implies the number and name of the budget heading containing the respective cost (e.g. 1. Human Resources), whereas the budget line represents the number of the budget line within the respective budget heading wherefrom the funds are being spent (e.g. 1.1.1.).

(iii) "Description" implies description of a revenues or expenditures that clearly indicates which activity it refers to. For expenditures budgeted on a monthly basis, besides the description you should state the month in which it was incurred (e.g. Manager's salary for June). Likewise, for expenditures related to travel, place, date and duration of the travel.

(iv) The reference document is the basis for payment of the obligation incurred (contract, payroll, order for the business trip, account, etc)

(v) Revenues may be expressed in EUR for donor's payments and RSD for the Beneficiary(ies) co-financing portion. **The Beneficiary(ies) co-financing** represents the amount defined by the Grant Contract by means of which the Beneficiary is taking part in the project implementation. For all costs paid from the Beneficiary co-financing portion except employees' salaries, the amount required for payment of these costs must be transferred to the project account. Co-financing may be paid in several tranches.

(vi) The cost of employees' salaries paid from the Beneficiary account and representing the co-financing of the Beneficiary in the Balance Sheet, it is necessary to express revenue from the Beneficiary co-financing for the amount of the salaries paid.

(vii) In the column 'number of the booking account' you should enter the number of orders under which a change in your accounting is recorded.

(viii) The 'bank statement' shall contain the number of statements under which the change in your bank account (dinar or foreign exchange) is recorded.

(ix) In the currency column, enter the currency of the funds that are paid or paid out of your account

(x) In the course column, enter the exchange rate on the day of receipt of funds by the Contracting Authority

(xi) In the column 'paid amount at the rate in EUR' enter the value you receive by dividing the amount from the column of funds received or paid out with the exchange rate on the day of the receipt of funds.

(xii) In the last column, the rest of the exchange rate in EUR includes amounts that accompany each individual change that relates to the descriptions and amounts of the transactions listed in the change log.

NOTE!

Please keep in mind that VAT is considered ineligible costs, therefore the **costs included in the Balance Sheet should be expressed excluding VAT!**

6.3. FINAL PROJECT REPORT

The Final Project Report should primarily provide all necessary information concerning the implementation of activities, the utilisation of the inputs and the results accomplished over the duration of the project.

NOTE!



The **Final Project Report**, in accordance with the Grant Contract must be **delivered at latest 3 months** after the implementation period to the Contracting Authority, and to the **SCTM Exchange 5 Programme Team at least 2 months before this deadline**. After review by SCTM Exchange 5 Programme Team report will be forwarded to the Contracting Authority for final acceptance.

The Contracting Authority may request additional information on the report. If this is the case, the Coordinator is obliged to respond to the request in English within a maximum of 30 days.

If there is no written reply the payment of the **balance shall made within 90 days** of receipt of the payment request.

The Final Project Report should comprise:

1. Narrative report - Annex VI of the grant contract – Final Narrative Project Report
2. Financial report - Annex VI of the grant contract – sheet for Final Report and sheet Final sources of funding
3. Expenditure Verification Report – Annex VII of the grant contract, model report of factual findings filled by the independent auditor
4. Request for payment of the balance - Annex V of the grant contract - Payment request for Grant Contract
5. Transfer of Ownership of Asset – Annex IX of the grant contract
6. Supporting documentation – technical and financial documentation as it is described in the sections 1.4.1. and 2.5. of this guide

The purpose of the Final Report is to provide sufficient information to the Contracting Authority on project implementation and outcomes, as well as on the used financial resources, based on which the decision regarding approval of the final payment shall be made.

NOTE!

Supporting documentation for the reporting period related to the project activities/outputs must be structured in folders in line with the activities order, while financial supporting documents must be structured in folders in line with the budget headings/lines in chronological order.

The report is to be prepared and signed by the contact person of the Coordinator. In order to be considered official, the report must also be verified by the Mayor/president of municipality.

Information provided in the Final Narrative Report must cover the whole period of the project implementation and be compliant with information stated in the Final Financial Report. The report must not be handwritten. Incomplete or poorly filled in reports will not be accepted.

During the preparation of the Final Narrative Report you should follow the recommendations given for the preparation of the Interim Narrative Report. It is essential that this report is based on the opinion of beneficiaries and target groups. It is recommended to organise a formal meeting with certain number of project beneficiaries and other project participants in order to collect their opinions on project successes and good and down sides. It will also be important to consult other participants for the purpose of transparency and actual commitment regarding the project sustainability.

When completing the template of the Final financial report, please have in mind the following:



- Section “*Budget as per contract*”: enter information contained in the grant contract (check if the budget was modified compared to the project proposal version and include into the report the final version data)
- Section “*Reallocation*”: if reallocation was performed in the previous period, enter the modified budget into this section
- Section “*Expenditures Incurred*”:
 - (a) *Number of units*: enter the number of units used/procured in the reporting period;
 - (b) *Unit value in EUR*: enter the data on expenditure in EUR
 - (c) *Total cost in EUR*: total cost for the reporting period
 - (d) *Cumulated costs (before current period)*: enter the data from the Interim report
 - (f) *Cumulated costs (from start of implementation to present report included)*: sum of c and d
- Section “*Variations in comparison with initial budget*”: if the case of any alternations compared to the approved budget, please list the following information:
 - *In absolute value in EUR* - total amount in EUR
 - *In %* - amount in percentages
 - *Explanation for all variations* – explanation on how changes occurred

As a part of the supporting financial documentation the Coordinator shall submit the chronological overview of the project revenues and expenditures – Balance sheet. Balance sheet should be filled in accordance to the instructions mentioned in the section 6.2. Interim report on project implementation.

According to the Article 7.5 of the General Conditions, the equipment, vehicles and supplies paid for by the Budget for the project shall be transferred to the final beneficiaries of the project, at the latest when submitting the final report. For this purposes Annex IX of the grant contract shall be used.

7. PROJECT VISIBILITY

In the following text, the general information about the visibility are provided, and the detailed explanation can be found in the “**Visibility guide**” annexed to this Implementation Manual in Annex 4.

Ensuring visibility is one of the key aspects of implementation of grant contracts. The promotion activities are intended to promote the project and its activities on the one hand and on the other is promotion of EU initiatives in Serbia. Through the implementation of the project the Beneficiaries would promote positive impact of EU interventions in the sector and broader.

By signing the grant contract Beneficiaries have to accept and follow established procedures regarding the EU visibility.

The purpose of the project visibility procedures is that all projects funded by the European Union are adequately media-tracked, or more precisely, specific actions have been taken to present activities in the local community. They cover the written and visual identity of the EU (logo) and are to be used in briefings, newsletters, press conferences, presentations, invitations, signs and all other items or occasions that can be used to highlight the EU support.



In particular, the Beneficiary(ies) shall mention that the project was financially supported by the European Union in information given to the final beneficiaries of the project, in internal and annual reports, and in any dealings with the media. The EU emblem should be placed in all visible places and in all adequate situations.

NOTE!

The Beneficiaries shall in their promotional activities and actions about the project consistently make acknowledgement on the EU financial contribution.

The following text should be used immediately below or beside the EU emblem:

“Co-funded by the European Union”

Any notice or publication by the Beneficiary(ies) concerning or financed by the project, including those given at conferences, seminars or other public events, must specify that the project has received the EU funding.

Likewise, any publication in print or electronic format related to the project must include the following statement:

“This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of <name of the author/partner> and do not necessarily reflect the views of the European Union.”

For websites and social media accounts following disclaimer should be used:

“This <website/account> was created and maintained with the financial support of the European Union. Its contents are the sole responsibility of <name of the author/partner> and do not necessarily reflect the views of the European Union.”

For videos and other audio-visual material:

“This <video/film/programme/recording> was produced with the financial support of the European Union. Its contents are the sole responsibility of <name of the author/partner> and do not necessarily reflect the views of the European Union.”

NOTE!

All printed materials and other visual tools, shall require the prior consent of the CFCU and MPALSG IPA Unit.

The visual idea draft should be delivered to the *SCTM Exchange 5 Programme Team* for consultations. The *SCTM Exchange 5 Programme Team* will forward the agreed final proposal to the Communication and Information Sections of the CA, MPALSG and the EU Delegation.

The information about final approval shall be given to the Beneficiary, by the *SCTM Exchange 5 Programme Team*, within 15 working days* from the date of delivering the final version.

**The mentioned approval period can take more time depending on delivering timing e.g. vacations, Christmas and New Year holidays etc.*



At the very beginning of the project implementation the Coordinator shall prepare a project communication and visibility plan. The level of detail in the plan must be proportionate to the nature, scope and cost of the communication and visibility activities and products envisaged.

The communication and visibility plan must comprise the following elements:

Objectives

1. Communication objective(s)
2. Target groups
3. Key messages by target group (in relation to the action's operational objectives)

Activities

4. Communication tools and channels identified
5. Main communication activities envisaged and indicative schedule

Evaluation

6. Indicators by objective/target group
7. Means of verification/feedback

Resources

8. Human resources: communication focal point
9. Financial resources: budget available for communication activities

A template of the communication and visibility plan is annexed on the CD in Annex 4.

NOTE!

The communication and visibility plan is in English language and shall be firstly delivered to the SCTM Exchange 5 Programme Team at the beginning of the project implementation. The Team shall work with the Coordinator as might be necessary to improve the content of this plan and will subsequently forward it to the CFCU and MPALSG IPA Unit for approval. Approval can be expected within about two weeks.

The Report on the implementation of the communication and visibility plan is one of the mandatory items and is an integral part of the final project report.

The Beneficiaries will report on visibility aspects in their regular reports, mentioning the type, number of copies and number/scope of public reached. Copies of the materials/publications will be attached to the reports and maintained by the Beneficiaries on-file.

The Beneficiaries will make sure that the Communication and Visibility Manual for EU External actions is applied. Please find the document and supporting annexes on CD attached to this manual and on website:

https://ec.europa.eu/europeaid/sites/devco/files/communication_and_visibility_manual_en.pdf

More useful information, as well as good examples of communication and visibility in the promotion of project activities can be found on EUD and SCTM websites, as well as via the SCTM account on social networks Facebook and Twitter.



8. IRREGULARITIES

Suspicion of irregularity or fraud committed in the course of management and implementation of the grant financed by the CFCU can be reported **by e-mail** to the following addresses: cfcu.nepravilnosti@mfin.gov.rs; ipa.nepravilnosti@mfin.gov.rs, or directly to the e-mail address of the European Anti-Fraud Office (OLAF): olaf-courier@ec.europa.eu

Also, it can be reported **by post** to either of the following addresses:

Ministry of Finance,
Department for Contracting and Financing
of EU Funded Programmes (CFCU),
3-5 Sremska St.
V floor/registry office 502
11000 Belgrade

Ministry of Finance,
Department for managing EU Funds,

20 Kneza Miloša St.
11000 Belgrade

9. LIST OF ANNEXES TO GRANT IMPLEMENTATION GUIDELINES

- Annex 1- Amendments to the Grant Contract
- Annex 2 - Procurements
- Annex 3 - Reporting
- Annex 4 - Visibility
- Annex 5 – Other relevant documents