

**IMPLEMENTING MANUAL FOR GRANT CONTRACTS**

**2nd Call for proposals under the IPA II Cross-border Cooperation Programme Serbia and North Macedonia 2016-2020**

*Version 1*

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**LIST OF ABBREVIATION**

|  |  |
| --- | --- |
| **AO** | Antenna Office (of the Joint Technical Secretariat) |
| **CA****CBIB+** | Contracting AuthorityCross-Border Institution Building |
| **CFCU****DEI** | Department for Contracting and Financing of EU Funded Projects, Ministry of Finance of the Republic of SerbiaDirectorate for European Integration  |
| **DoA** | Description of the Action |
| **EUD** | EU Delegation |
| **GC** | General conditions applicable to EU financed GC for external actions of the Grant contract |
| **GS** | Grant scheme |
| **JTS****MEI****OS** | Joint Technical SecretariatMinistry of European Integration of the Republic of SerbiaOperating structure |
| **PRAG** | Procurement and grants for European Union external actions - practical guide |
| **TD** | Tender dossier |
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# INTRODUCTION

The **purpose of this Implementing Manual for CBC grant contracts awarded** with related annexes is to help grant beneficiaries to understand, interpret and apply the provisions of the Grant contract. This document provides an overview of procedures and practical aspects of implementation of grant scheme contracts financed under the 2nd Call for Proposals of the IPA CBC Programme Serbia-North Macedonia 2016-2020.

The grant contract implementation procedure is based on relevant national legislation and EU Regulations and Procurement and Grants for EU External Actions - ***Practical Guide (PRAG) – 2021.0 version (valid from 15/12/2021 to 23/06/2022) with annexes.*** This document is not intended to replace the procedures and PRAG, but rather to provide summary and guidance to grant beneficiaries on application of these rules and procedures. The Grant Beneficiaries should observe the contract and its annexes as their formal obligation.

For references on specific issues the full version of Practical Guide (PRAG) – 2021.0 version (valid from 15/12/2021 to 23/06/2022) with annexes is to be consulted. The document is available on the following web site: [https://wikis.ec.europa.eu/display/ExactExternalWiki/ePRAG"](https://wikis.ec.europa.eu/display/ExactExternalWiki/ePRAG) (in the list of the previous version choose 2021.0)

***NOTE:*** *In the case of any discrepancies of this document with the provisions in PRAG and grant contract, the latter shall prevail.*

The annexes of the Implementing Manual consist of templates, documents and instructions that will facilitate grant implementation. Each section of the Manual is linked with the relevant annexes.

## Legal bases and institutional set up

This Implementing Manual is targeting Grant Beneficiaries which are implementing grant contracts under the 2nd Call for Proposals of the IPA CBC Programme Serbia-North Macedonia 2016-2020 (hereinafter ‘the Programme’). The Programme is implemented under the framework of the Instrument of Pre- Assistance 2014-2020 (IPA II) and is the result of joint planning efforts made by the governments and other stakeholders of the two countries. IPA II supports cross-border cooperation with a view to promoting good neighbourly relations, fostering European Union integration, and promoting socio-economic development. The legal provisions for its implementation are stipulated in the following pieces of legislation:

* Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-Accession Assistance (IPA II)
* Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action
* Commission Implementing Regulation EU no 447/2014 of 2 May 2014 on the specific rules for implementing the IPA II regulation.
* Signed Grant Contract with all annexes for the Action.

The Programme analyses the socio-economic situation of the border region, sets out a common strategy for remedying problems identified and formulates joint thematic priorities for development. As specified in its programme document, its implementation is carried out through calls for proposals such as this one. These calls will be launched at regular intervals in order to fund cross-border cooperation projects that will contribute to achieving the strategic objectives agreed upon by the participating countries. More details about this IPA II Cross-Border Cooperation Programme 2016-2020 can be found on the web page [www.eu.rs-mk.org](http://www.eu.rs-mk.org) and are available for download on the web page of the Ministry of European Integration of the Republic of Serbia <https://www.mei.gov.rs/src/fondovi/fondovi-evropske-unije/ipa-instrument-za-pretpristupnu-pomoc/prekogranicna-i-transnacionalna-saradnja/> , and on the web page of the [www.mls.gov.mk](http://www.mls.gov.mk)

The Programme is implemented jointly by both countries.

In the Republic of Serbia, the responsible national institutions as part of the **Operating structure** are:

* Ministry of European Integration (MEI) as **Serbian CBC Body**;
* Ministry of Finance of the Republic of Serbia, Department for Contracting and Financing of EU Funded Programmes (CFCU) as **Contracting Authority**.

In North Macedonia, the responsible national institutions as part of the Operating structure are:

* Government of North Macedonia – Ministry for Local Self Government, responsible for the overall coordination of the programme (CBC body) in this country;
* The Control Body responsible for expenditure verification incurred by partner country beneficiaries. Such verification shall examine the administrative, financial, technical and physical aspects of operations, and shall relate to compliance with applicable legislation (including state legislation)

Moreover, the implementation of the Programme is overseen by a **Joint Monitoring Committee** (hereinafter JMC) composed of representatives of both participating countries' institutions and civil society.

The Operating structure and the JMC are assisted by the **Joint Technical Secretariat** (hereinafter JTS) based in Leskovac, Republic of Serbia, and staffed with experts from Serbia and North Macedonia. The JTS is the administrative body responsible for the day-to-day management of the Programme including support and advice to potential applicants as well as to the grant beneficiaries. The JTS has an **Antenna Office (hereinafter AO)** located in Kumanovo, North Macedonia.

## **Programme bodies’ role**

All relevant programme bodies that are involved in the implementation are presented below. Each is responsible for carrying out specific tasks and/or ensuring that the Programme is working efficiently.

**Contracting Authority**: Department for Contracting and Financing of EU Funded Programmes (CFCU) of the Ministry of Finance of the Republic of Serbia **(hereinafter CA)** acting as the CA. CA is responsible for selection of operations, contracting and signature of contracts, overseeing contracts’ implementation, verification of narrative and financial reports (on the spot check and desk-based verifications) and payments in collaboration with the Control Body from the partner country. CA perform its tasks irrespective whether the Coordinators are in Serbia or North Macedonia. In the CA appointed **Project Manager** will be responsible for the Action (project).

**Control Body:** Ministry for Local Self Government acting as the Control Body. Control Body is responsible for expenditure verification of the beneficiaries registered in North Macedonia i.e., declare to CA particularly regarding legislation applicable in North Macedonia and issue confirmation to the CA of the eligibility of the expenditures reported. Control Body and CA may conduct on the spot checks jointly for Coordinators/parties from North Macedonia.

**CBC Body:** The Ministry of European Integration of Republic of Serbia (MEI) is acting as Serbia’s CBC Body and the Ministry for Local Self Government of North Macedonia is acting as North Macedonia CBC Body. They are jointly responsible for the overall coordination of the programme i.e., programming, implementation, monitoring, reporting and evaluation at programme level as well as establishment and management of JTS, establishment and organisation of JMC, publicity and visibility of the programme. The **Programme Coordinator** will be assigned for the Programme.

**Joint Technical Secretariat/Antenna office (JTS/AO):** Responsible for day-to-day implementation of the Programme, supports programme bodies in carrying out their respective functions, provides information to potential beneficiaries about funding opportunities, provides support, guidance and assistance to all grant beneficiaries in the implementation phase of the projects, monitors and reports the progress of ongoing projects and conduct on the Monitoring visits. The **Project Officer** from JTS/AO will be assigned for the projects.

## **Grant beneficiaries’ roles**

Balanced partnership between partners from the participating countries where project is implemented isone of the most important elements for the cross-border cooperation. In order to achieve the successful partnership, it is very important that all partners understand their role within the partnership and obligations towards project activities in line with EU, Programme and national rules applicable for the successful project implementation.

***NOTE:******Coordinator and Co-beneficiary(ies)*** *forming a partnership for project implementation are collectively referred to as the Grant beneficiaries or partners in this Manual.*

After the signature of the Grant Contract, in practice partners are signing the Partnership agreement that represents a formal written agreement defining roles, obligations and responsibilities between Coordinator and Co-beneficiary(ies) during project implementation.

**Coordinator** is appointed by the Co-beneficiary(ies) to oversee project implementation and is responsible for the preparation and management of the Action (project). Coordinator provides narrative and financial reports of the project, requests necessary payments, and is ultimately responsible for project finances and record keeping.

**Co-beneficiaries** are implementing part of the project activities and contribute to the achievement of project results and specific objectives in line with the mutual agreement between partners. Co-beneficiary is managing its part of activities (including financial part) and reports to the coordinator about the progress as well as any change occurs or obstacle.

The Partnership Agreement serves as a mutually binding contract and ensures that each partner accepts and carries out its assigned tasks. Partnership Agreement is a document laying down arrangements that guarantee sound financial management of funds allocated to the project and establishing cooperation principles which regulate the rights and responsibilities of project partners for successful implementation of the project activities. All project partners accept technical and administrative coordination by the Coordinator and accept to fulfil the obligations toward the Programme bodies.

*NOTE: Programme bodies are not parties to Partnership Agreements and therefore all legal disputes that may arise with regard to partnership are solely between project partners.*

## Communication

Since contractual parties are the CA and grant beneficiaries, only direct correspondence between those two parties shall be deemed official for the CA. Any other correspondence with third parties regarding contract implementation will not be taken into consideration and will not impose any obligation to the CA.

***NOTE:******The Coordinator is the only member of the partnership in direct contact with the programme bodies.*** *However, every project partner should have an overview of programme management structure in order to understand where different requirements come from.*

*Coordinator shall keep the Co-beneficiary(ies) informed on a regular basis of all relevant communication with the CA.*

To facilitate implementation of this grant scheme, **HELPDESK** is established in JTS office in Leskovac and Antena Office in Kumanovo. The purpose of the HELPDESK is to support grant beneficiaries in project implementation by providing all relevant instructions and information as well as advice on implementation and reporting issues prior to official submission to CFCU. Support will be provided through monitoring visits, e-mails/letters, telephone calls, and/or in person during implementation.

Please find below main contacts for the implementation process:

|  |  |
| --- | --- |
| **Institution/body** | **Contact** |
| **Joint Technical Secretariat - HELPDESK** | Trg Revolucije 45, II floor office 1016000 Leskovac, SerbiaPhone: +381 600616970 +381 600616971***E-mail:*** ***office@rs-mk.org*** |
| **Joint Technical Secretariat - Antenna Office - HELPDESK** | Goce Delcev street, Nova Jugoslavija square, Kumanovo, North MacedoniaPhone: +389 31443 401 and +389 72802525/+38971266699***E-mail:*** ***office@rs-mk.org*** |

# PROJECT SET UP

## **Setting up project team**

*Related annexes:* ***Annex 1.1****,* ***Annex 1.2***

The appointment of the project staff is to be carried out by project partners as soon as the Grant Contract enters into force and project implementation starts. The first phase of project implementation is important since it may influence the whole implementation process (e.g. delays at the beginning of project implementation may lead to difficulties in catching up later).

Project partners should have a clear vision of the project team management structure in advance, identify roles and allocate responsibilities to each project team member.

**The proper appointment of project team members is sole responsibility of project partners.** To complete all project activities efficiently and effectively, the Grant beneficiaries are responsible for setting up an efficient and reliable management and coordination team that can handle all the administration of the project. Project coordination includes both issues related to the thematic activities of the project, as well as the purely administrative and financial management of the project. It is recommended that project partners agree among themselves and nominate two positions that are crucial throughout the project period: Project manager and Financial officer.

**Project manager** - would be responsible for the overall organization of the project implementation. 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. This person should have good organizational skills, ability to work as a team player and under tight deadlines.

**Financial officer** - responsible for the accounts, financial reporting, the internal handling of the funds, as well as update of financial records and accompanying documentation. Financial officer would coordinate procurement activities if no specialist is nominated for this purpose. The financial officer should work in close contact with the project manager in order to enable efficient overall financial management of the operation. As an additional skill it is recommended to be quite familiar with spreadsheet programs such as Microsoft Excel.

## **Project management by the Grant beneficiaries**

*Related annexes:* ***Annex 1.1, Annex 1.5,*** *and* ***Annex 1.6***

Efficient project management by the Grant beneficiaries is one of the key factors of good project implementation. Monitoring process should be planned and integrated throughout the whole project implementation and managed by the project and financial managers.

The examples of **useful tools** that may help to achieve smooth cooperation among project partners and to foster project implementation are:

* Study your contract thoroughly
* Develop project monitoring tool
* Prepare for reporting
* Develop communication methods
* Create a systematic document filing system
* Start early with procurement procedures
* Use Helpdesk and be informed
* Prepare a Communication and Visibility Plan.

Therefore, it is **recommended to develop and maintain project-monitoring tools** to:

* Increase efficiency of the implementation.
* Timely implement activities and decrease possibilities for delays and other discrepancies.
* Deliver results and indicators.
* Track the actual performance and progress in project implementation against planned or expected.
* Identify the strengths and weaknesses in Project implementation to improve the performance.
* Ensure timely and appropriate intervention if the Project is not adhering to the plan and possible changes are needed.
* Follow disbursement per budget line as indicated in the contract on a regular, monthly basis, that will enable timely alert of possible overspending, savings, reallocations needed, and thus budget modifications.
* Build a solid basis for reporting, monitoring, and verification by the CA and JTS.

***NOTE:*** *Effective management structure and internal monitoring system could identify potential risks and therefore provide an opportunity to avoid delays in project implementation.*

# GRANT CONTRACT

The grant beneficiaries shall implement the Project under its own responsibility and in accordance with the Description of the Action in Annex I to the Contract with a view to achieving the objectives laid down therein. The grant beneficiaries shall implement the Project with the requisite care, efficiency, transparency, and diligence, in line with best practice in the field concerned and in compliance with the Grant Contract. The JTS will provide all necessary support during the implementation.

The Grant beneficiaries and the CA are the only parties to this Contract. The Coordinator has the sole responsibility as Coordinator of the project arising from the project implementation and to represent whole partnership (including Co-Beneficiaries) in front of the CA and other programme bodies.

**The implementation period** of the Action starts 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 CA and, in any event, at the latest 18 months after the end of the implementation period.

## **Grant contract structure**

The Grant Contract between Grant beneficiary and the CA is the main document that defines the responsibilities of different parties, reporting requirements, eligibility of costs, accounting, payments, etc. Grant Contract consists of documents that set out rules and procedures to be followed in the project implementation. Please find below list of documents that Grant Contract comprise, which are compulsory and may not be changed without a written agreement with the CA.

| Document | Description |
| --- | --- |
| Special conditions (Grant Contract) | * The Grant Contract determines the basic rules of the contract including implementation period, finances and reporting.
* Altogether with annexes[[1]](#footnote-2), represents the legal basis for contractual relation between the grant beneficiary and the CA
* Defines maximum grant available, co-financing requirements, payment dynamics.
* Defines implementation period and lists all the annexes related to the implementation phase.
 |
| Description of the action (DoA) and Logical framework matrix | * Annex I **to the Grant Contract** provides detailed description of the project as proposed by the grant beneficiary in the application phase.
* Impact, outcomes, outputs and activities, with related indicators and targeted values set in the DoA and logical framework should be closely followed and monitored.
* Any changes that affect the expected results (impact, outcomes, outputs) shall be justified and agreed in writing with the CA before the modification takes place (see *Section 4* below).
 |
| General conditions | * Annex II **to the Grant Contract** sets up general and administrative provisions of project implementation.
* This Annex describes obligations on reporting, provision of information, ownership of equipment, evaluation/monitoring, accounts, technical and financial checks, extension, suspension, termination of the projects, payment methods and other legal issues.
 |
| Budget of the project | * Annex III **to the Grant Contract** provides detailed financial structure of the project as proposed by the grant beneficiary in the application phase and agreed during the budgetary clearing process.
* Amendments of the budget should be implemented in line with the prescribed rules and procedure (see *Section 4* below).
 |
| Award procedures | * Annex IV **to the Grant Contract** - *Procurement by Grant Beneficiaries in the Context of European Union External Actions* sets down the rules for procurement by the grant beneficiaries.
* Used when purchasing services, supply or works (normally under main budget headings 3, 4, 5 and 6).
* Grant beneficiaries shall ensure that the rules and principles are fully respected (see *Section 6* below).
 |
| Request for payment and Financial identification form (FIF) | * Annex V **to the Grant Contract** is standard template needed when requesting funds from the CFCU and FIF providing bank account.
* Used for the further prefinancing payments and balance of the final amount of the grant.
 |
| Model of narrative and financial report | * Annex VI **to the Grant Contract** is standard template used for reporting on activities and finances of the EU funded grant project.
* Templates to be used in the exact form to report progress achieved on the project, including financial aspects (costs incurred and paid in the reporting period). (see *Section 8* below).
 |
| Terms of reference for an expenditure verification of a EU financed grant contract | * Annex VII **to the Grant Contract** is standard template for verification of the project incurred costs (This Annex is only required for the project where the grant size is higher than 100 000 EUR).
* Anticipates assignment of engaged independent auditor. The auditors' report needs to follow the templates provided in Annex VII (see *Section 5* below).
 |
| Model financial guarantee | * Annex VIII **to the Grant Contract** is standard template required from the CA necessary to secure the CA’s initial payment from to grant Beneficiary, if relevant as per GC.
* Financial guarantee needs to be provided if it is anticipated in the special conditions (Article 4).
 |
| Transfer of Ownership of Assets | * Annex IX **to the Grant Contract** is template to be used in case of transfer of ownership of an equipment/supply to the local partners and/or final beneficiaries.
* Coordinator should ensure transfer of ownership before conclusion of the project. Certificate to be provided with the final report.
* *If there are no final beneficiaries of the project to whom the equipment, vehicles and supplies can be transferred, the Coordinator shall submit a justified written request for authorisation to the CA, with an inventory listing the items concerned and a proposal concerning their use, in due time and at the latest with the submission of the final report.*
* Please see rules and procedure set for transfer of ownership in the Annex II - General conditions of the Grant contract.
 |

## **General principles and rules for implementation**

The following points should also be considered and paid attention to during the implementation of the grant contracts:

* The **EU finances a specific percentage of the total eligible costs** rather than a particular part of the Project.
* Same **eligibility rules** are applicable to the **total amount of the Project** (i.e. both, grant and beneficiaries co-financing).
* If at the end of the Project, the total eligible costs of the Project are less than the estimated total eligible costs as referred to in Article 3.1 of the Special Conditions, **the grant shall be calculated by applying the percentage laid down in Article 3.2 of the Special Conditions.**
* No increase in the amount of the Grant is possible.
* In awarding any contracts required for the purposes of the Project, the Grant beneficiary must comply with the rules and principles set out in **Annex IV** to the contract (Procurement by Grant Beneficiaries in the Context of European Union External Actions).
* Contract award procedure must be in accordance with the principles of **transparency, confidentiality, and fair competition** for potential contractors and taking care to avoid any conflicts of interest.
* Grant Beneficiaries must take all necessary measures to ensure **the visibility of the EU financing**. Such measures must comply with the Communication and Visibility Manual for EU External Actions laid down and published by the European Commission, that can be found at: <https://ec.europa.eu/international-partnerships/system/files/communication-visibility-requirements-2018_en.pdf>
* Procedures applied, outputs delivered and expenditures incurred related to the project’s implementation must be **recorded, filed and kept as hard copies together with relevant supporting documents** for the verification procedure.
* All kind of support should be provided to the CA, Control body, EU Commission representatives and/or audit during the on-the-spot visits.
* No transfer of funds should be realized from the grant bank account to any other one, apart from the parties involved in the project and project staff, suppliers, service providers, contractors etc.;
* In principle, no cash payments should be done from the grant bank account. All payments should be made via bank transfers;
* Upon completion of the Project, a bank statement expressing whether any interest has accrued to the project bank account should be submitted to the CA with the Final Reports;
* All expenditures included in the “Budget for the Action” (**Annex III** to the Grant Contract) must be incurred during the project implementation period except the costs by nature requiring after payment such as social security taxes for staff salaries, utility bills for the last month, cost for expenditure verification and/or evaluation costs. All payments should be made before the Final Report is submitted to the CA. Please note that, all payments must have legitimate proofs;
* **No double financing** is allowed i.e., there can be no duplicate European Union funding of the same expenditure;
* In line with the **no-profit rule**, any income of the project must be indicated in the estimated budget and the final financial statement. If the final amount results in a profit for the beneficiaries, the amount of the grant will be reduced by the percentage of the profit corresponding to the Union contribution to the eligible costs of the project actually incurred by the beneficiaries;

# AMENDMENTS TO THE CONTRACT

*Related annexes:* ***Annex 2.1 – Annex 2.6***

During the project lifecycle, due to unforeseen reasons some modifications might be necessary in relation to the specific details of the project implementation defined in the Grant Contract, as well as in the approved application. In all such cases, the grant beneficiaries should contact the JTS immediately to inform about the situation and the planned modification. The JTS, based on the type of modification, in accordance with the procedures described in the following sections, will advise Coordinator about the procedure to be followed and the necessary documents to be submitted. Afterwards Coordinator proceeds with preparation of the necessary documentation and official submission of the request to the CA.

***NOTE:*** *All modification* ***must be communicated between Coordinator and Co-Beneficiary(ies)*** *and* ***agreed****, especially the ones related to budget modifications.*

The amendment of the grant contract is depending on the type of required modifications, i.e.:

* **Minor amendments** which do not require addendum to the contract, but Coordinator should notify CA without any delay.
* **Major amendments** which do require prior approval of the CA and addendum to the contract.

The following general **principles should always apply**:

* Modifications MUST NOT in any way put in question **basic purpose or objectives of the Project, grant award decision** or **equal treatment principle** of all applicants.
* Proposed project changes (minor or major) will be accepted only in **duly justified cases.**
* Maximum amount of the **grant cannot be increased**.
* Beneficiaries must duly justify its request and provide relevant supporting documentation. In case the requests are inadequate or with poor justification they will be rejected by the CA.
* **Major amendments** must be duly justified and requested at least **30 days before the date on which the amendment should enter into force**. Please note that requests with inadequate or no justification could be rejected.
* Any modification extending implementation period of the contract must be such that final payments can be completed before the end of the **disbursement deadline of the related Financing Agreement**.
* Requests for contract modifications must be signed by the authorized person(s) of the Grant beneficiaries.
* It is recommended that the last request for project modification (including budget and application) can be submitted to the JTS for review not later than two (2) months before the end date of the project implementation period and then officially submitted to CA**.**
* It is recommended that project changes related to extension of project implementation period should be requested only **once during the project lifecycle**.

## **Minor amendments to the contract**

*Related annexes:* ***Annex 2.6***

Minor modifications relate to administrative and technical changes and do not have significant impact on the project implementation, its intervention logic (objectives, outputs, results, indicators), its cross-border character, its budget, etc.

Minor amendments to the contract may include:

* Minor changes of **activities and/or action plans** with no budgetary implications such as timeline of implementation of activities of project that may include either delays in implementation of particular activities or rescheduling of particular activity for an earlier date of your project implementation period.
* **Budget modifications** where the financial impact is limited to a transfer between items **within the same main budget heading** including cancellation or introduction of a new item.
* **Budget modifications** that do not affect the basic purpose of the project and the financial impact is limited to a **transfer between budget headings involving a variation of 25% or less** of the amount originally entered (or as modified by addendum) under each relevant heading for eligible costs (not applicable to the headings for Indirect costs and Contingency).
* **Administrative changes** such as: change of project staff, address or phone/fax number, bank account, legal name or auditor which may be opposed by the CA in duly substantiated circumstances.

*NOTE****:*** *The 25% limits shall not be* **considered separately for each single budget change** *of the respective budget heading.*

*That means that the* **amount of each new reallocation between budget categories is cumulated** *to the total amounts of previous reallocations until the cumulated amounts of such reallocations reach 25 % of the original amount of the respective budget category on project level. Changes within a budget category (reallocations between budget lines) are not limited but should be notified and justified accordingly.*

The Coordinator ***will ensure that the JTS is consulted and notified in advance***. CA should be informed without delay about minor modifications and at latest in the next report. CA may issue Administrative order for minor modifications.

Written notification to the CA is done through **Notification Letter with justification and the relevant supporting documentation** by the Coordinator. Notification letter should be signed, stamped, and sent to the CA via email and hard copy via post.

***NOTE:*** *It is strongly recommended that Coordinator in advance consults with the JTS before submitting notification officially to CA.*

*The notification letter must be properly justified with a description of the change and the reason for modifications with relevant supporting documentation.*

***CA reserve the right to oppose the minor changes*** *in case where introduced changes are not in accordance with the principle of sound financial management principle and project purpose.*

## **Major amendments to the contract**

*Related annexes:* ***Annex 2.3, Annex 2.4,*** *and* ***Annex 2.5***

Amendments going beyond the scope and limits of minor changes, described in previous section of this document are considered as major changes. Major changes are considered to be substantial deviations from the approved application. They are considered as exceptional cases. The maximum grant referred to in Article 3.2 of the Special Conditions may not be increased.

**It is strongly recommended to consult in advance JTS about intended modification.**

Major modifications in the contract require a formal Addendum to the contract which may be requested either by the Coordinator or initiated by the CA. Major amendments must be duly justified and requested at least **30 days before the date on which the amendment should enter into force**. The request for Addendum should include a detailed justification for the modification and all relevant supporting documentation. JTS provides support to grant beneficiaries in preparation of request for Addendum.

***NOTE:*** *Please note that major modifications are subject of ex-ante approval by the EUD prior to approval by the CA which may prolong the process.*

Major amendment to the contract may include:

* **Extension of the project implementation** period or early closing of the Grant Contract.
* **Significant changes in activities** that effect the basic purpose of the project as long as the proposed changes do not question the grant award decision and are not contrary to the equal treatment of applicants.
* **Budget changes** such as transfers amongst budget headings involve a variation of more than 25% of the amount originally entered (or as modified by addendum) under each relevant heading for eligible costs; Use of the **contingency reserve**, if applicable;
* **Partnership changes** such as change of project partners (addition or replacement). However, it is important that the partnership tries to explore all solutions to avoid partner changes. Individual approach in designing modification request related to partnership change is required.

# FINANCIAL MANAGEMENT AND RECORD KEEPING

It is a specific requirement under the contract that the funds received from the EU Commission are 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. It is obviously that a separate bank account will be opened specifically for the project. However, this is not always feasible but, in that case, a sub-account reference within an organization’s main bank account can be opened. There may be cases where a new bank account or sub-account cannot be opened. In these cases the Coordinator must justify why it cannot open either a new account or sub account and provide a clear indication how they intend to maintain a segregation of the funds from the point of reception through to disbursement, and accurately calculate and notify any interest accrued.

Only in exceptional cases (for example in case of salaries of public institutions) financial transactions could be implemented from regular Beneficiary(ies) accounts which should be subject to previous agreement with the CA.

The Grant beneficiaries shall keep accurate and regular accounts of the implementation of the Project using a separate accounting and double-entry book-keeping system. The accounts shall comply with the accounting and bookkeeping policies and rules that apply in the country concerned and shall enable income and expenditure relating to the Project to be easily traced, identified and verified.

Grant Beneficiaries must prepare and record all technical and financial documentation for all project activities. They must retain **original supporting documents** for all expenditures incurred and must keep accurate and regular records and accounts on the project implementation. Documentation needs to be kept for 5 years (3 years for grants below 60.000 EUR). It is also expected that Grant Beneficiaries respect all local regulation for accounting and financial management as well as regulations stated in the Grant Contract.

In order to properly manage project finance, it is advised:

* Advance payments from the project budget should be carefully considered. In the case of procurement procedure, the Coordinator would review risk on case-by-case basis
* No transfer should be realized from the project bank account to any other one, apart from the parties involved in the project such as the project staff, suppliers, service providers, contractors etc.
* In principle, no cash payments should be done from the project bank account. All payments should be made via bank transfers apart from small payments all in accordance with local regulation
* Upon end of the Project, a bank statement and a letter taken from the bank expressing whether any interest has accrued to the project bank account should be submitted to the CA with the Final Reports
* All expenditures included in the "Budget for the Action" (Annex III to the Grant Contract) covered by the "co-financing" and "final payment" must be incurred during the project duration except for the costs of expenditure verification, audit and final evaluation of the action, which may be incurred after the implementation period of the action. All payments should be made before the Final Report is submitted to the CA and in duly justified cases may be paid afterwards, provided they are listed in the final report together with the estimated date of payment. Please note that, all payments must have legitimate proofs.

## Eligibility of costs

The grant is awarded to the Project on a cost-reimbursement basis. Budget for the Action (**Annex III** to the Grant Contract with modification if applicable in case of addendum) gives a cost estimate of the Project eligible costs. On the bases of review of Interim and Final Reports, the CA together with Control Body determine which costs are eligible for payments. Balance of the final grant amount is calculated based on the actual eligible costs and not on the bases of budget costs. Ineligible costs may result in a lower payment than the Grant beneficiaries may have expected or recovery of the pre-financing payment.

Coordinator has responsibility to ensure that project funds are spent in a timely manner and in compliance with the EU regulations and with local legislation and thus, expenditures incurred are legal and regular. Accounts and expenditures incurred during project implementation must be easily identifiable and verifiable.

**Article 14.1 of the** **General Conditions** (Annex II to the Grant Contract) defines the general principles for eligibility of costs as follows:

* Costs **actually incurred during the project implementation period, except** for the costs related to final report, expenditure verification audit and final evaluation of the Project. Signature of a contract, placing of an order, or entering into any commitment for expenditure within the implementation period for future delivery of services, works or supplies after expiry of the implementation period do not meet this requirement. Cash transfers between the coordinator and/or the other beneficiary(ies) and/or affiliated entity(ies) may not be considered as costs incurred.
* Costs are **indicated in the estimated overall budget** of the Project (Annex IIIto the Grant Contract) which can be modified in case of Addendum if applicable).
* Costs are **necessary for the implementation** of the Project,
* Activities for which the Coordinator requests payment (for which costs incurred) should correspond to those described in Description of the Action (Annex I to the Grant Contract);
* They comply with the principles of **sound financial management** in particular **value for money** and **cost-effectiveness**. Budgeted unit-rates are not automatically eligible (with the exception of simplified cost option). Beneficiaries need to observe principles of economy and efficiency throughout the implementation (measured by normal market standards).
* Costs are **identifiable, verifiable and documented** in the accounting records (supported by the original documentary evidence). Each cost is recorded in accounting records and backed by proper financial documentation. The Beneficiaries are using accounting system and codification of transactions which allows transparent and separate identification of project- related costs
* Costs comply with the requirements of the **national regulations** and applicable tax and social legislation.
* Costs are **not double funded**.
* The relevant **procurement rules and principles** have been respected (Annex IV of the Grant Contract)
* Costs incurred should be paid **before the submission of the final reports** and in duly justified cases may be paid afterwards, provided they are listed in the "List of Pending payments" in the final financial report (8\_Annex G\_6\_2\_Financial report.xlsx of the Grant Contract- worksheet "Final sources of funding"). The following details should be provided: 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).

Budget structure and type of costs may vary depending on the Project under the grant contract. Basic information on the eligibility of expenditures under each budget headings is as follows:

|  |  |
| --- | --- |
| **Budget heading** | **Eligible expenditures** |
| **1.Human Resources** | ***Salaries**** Staff members working on the project can either be **already employed** in the project partner organizations **or newly employed** specifically for the project purposes in line with project partner`s internal rules and national legislation. **Please note** Coordinator cannot engage project staff from partner organization through any service contract).
* **Staff costs** are related to activities which the partner organization will not implement if the project was not contracted. In other words, tasks assigned to staff engaged in project are directly linked to project activities not to regular tasks within partner institution.
* **Other eligible personal:** unemployed persons, employed with certain percentage of working time up to fulltime employment (100%), retired persons.
* Project staff engaged and percentage of engagement should be indicated in the Decision of project staff nomination and/or budget, and/or employment contract/decision. Please note that the percentage of the engagement presented in the Decision must be aligned with the information provided in the Budget of the Action.
* Salary costs should not exceed those normally borne by the Grant beneficiaries. **Please note** that unit price of salaries during project implementation is not acceptable.
* **Type of contracts** must be in line with the national regulations.
* Staff employed can only be **natural persons**.
* Salaries should be reasonably justified through **timesheets** and related to activities. All staff is filling in timesheets (including 100% engaged). Percentage of engagement should be further reflected in the working hours in timesheets considering total working hours in the respective month and thus in the salaries. **Please note** that non-working days are not eligible except in duly justified cases approved by CA.
* Cost of staff assigned must include **actual salaries** plus **social security charges and taxes** in line with the national regulations.
* Engagement procedure for external staff must be justified and transparent in line with the national regulations. Please note that transparent and free of conflict of interest procedure of selection and engagement of project staff should be applied (publications, terms of reference, criteria for selection, etc.)
* Proof of payment of these costs must be available.

***Per diems*** * Per diems are only allowed for the **staff assigned to the project** related to their participation in meetings, seminars, conferences study visits and other similar activities, related to the project.
* Per diems should not exceed those normally borne by the Grant beneficiary and must be **in accordance with Serbian /** **North Macedonia** **law** and in line with grant beneficiary’s book-keeping;
* Per diems cover all meal, inner city travel and hotel expenses, and are calculated on overnight basis.
* Per diems for the trips within country and abroad, for the participants in seminars/trainings etc.
* One per diem is for the travels of more than 24 hours.
* Half per diem is for the travels of 12 to 24 hours.
* Per diems should not be higher than the EU maximum rates published on: [Documents library | International Partnerships (europa.eu)](https://ec.europa.eu/international-partnerships/documents-library_en?keyword=per%20diem%20rates)
* Per diems should be traceable: number and names of staff, number of times the per diem was paid, per diem rates and countries concerned, beneficiary's records (accounting, payrolls, etc.), project number
* One daily allowance is for the travels of more than 12 hours.
* Half daily allowance is for the travels of 8 to 12 hours.
* Daily allowance should be traceable: name of staff, number of days the daily allowance was paid, daily allowance rates and countries concerned, beneficiary's records (accounting, payrolls, etc.), project number, etc.
 |
| **2. Travel**  | * Travel is organized in accordance with project activities and related activity outputs must be available related to the travels. *For example:* in case of travel for trainings, list of participants is required and all other training material including photos.
* **International travel** sub-heading is used to cover transport expenditures of experts who travel abroad, from/to the implementation place of the Project.
* **Local transportation** sub-heading is used to cover intercity transport expenditures within a country.
* Fuel for the business vehicle or private vehicle used for that purpose (decision and specification of private vehicle used is required and authorization for use of organization’s vehicle).
* Tickets, rent-a- car costs, transportation by bus or taxi. All means should be justified.
* **The principle of sound financial management shall be respected and applied to the choice of transport and accommodation, always using approach of cost-efficiency (most economic travel option).**
* No business or first-class tickets for air or train transport are eligible and any exception to this principle must be duly justified (**short justification** of such cost incurred must be provided in report from travel mission, as well as proof that the relevant costs are in line with principle of sound financial management (it is the most economical travel option) or that they are cost-effective (e.g., through screenshots or booking webpages, etc.)).
 |
| **3. Equipment and supplies**  | * Equipment contributes to the project purpose and complement project activities. *For example: office furniture/IT equipment purchased for the purpose of equipping established youth centre under the project which will employ project target group and provide services to the target group.*
* IT equipment (including printers, laptops, etc.), furniture, vehicles, machines, tools, spare parts and other correspond to the project activities.
* The purchase of equipment and supplies are eligible provided they are included in the budget and **correspond to market rates.** Unit price should correspond to normal market rates.
* Purchase equipment in line with the **procurement rules and principles** in accordance with the Annex IVto the Grant Contract
* Full cost of **renting or leasing of equipment** can be reported only when equipment is used 100% for the project implementation. And when equipment is rented or leased just for a certain period of time, the rental or leasing costs are eligible just for this respective time period.
* Rental should be proved to be the most economic and cost-effective way of getting the equipment for the project purposes.
* VAT exemption procedure to be implemented
 |
| **4. Local office / project costs**  | * Covering costs related to offices of the Grant beneficiaries where project activities take place and project staff is located.
* Office rent, utilities (e.g., electricity, heating, water), office supplies, archives, maintenance, cleaning and repairs, security, communication (e.g., telephone, fax, internet, postal services, business cards)
 |
| **5. Other costs, services**  | * Costs for subcontracted services, such as publications, visibility material, translation/interpretation of the outputs or documents directly linked to the activities, studies or surveys (e.g. strategies, concept notes, design plans, handbooks, brochures, surveys), training services (e.g. lecturers fees), travel and accommodation for external experts, speakers, chairpersons of meetings, service providers and stakeholders, external researches, services related to the organization of events or meetings (organization or participation), technical and financial expertise, etc.
* Retroactive service contracts are not acceptable.
* Service procured in line with the **procurement rules and principles** in accordance with the Annex IVto the Grant Contract
* Conditions/criteria that might limit service providers/experts and prevent their participation in tender procedures implemented by beneficiaries (project partners) are **not acceptable.** Tender dossier must clearly indicate what type of external expertise is needed for the project.
* VAT exemption procedure to be implemented.
* Procured services should correspond to standard market rates.
 |
| **6. Other**  | * Covering costs which are not considered elsewhere.
* Construction, reconstruction, or other works are usually planned under this budget heading;
 |
| **8. Provision for Contingency Reserve**  | * **Not exceeding 5 %** of the direct eligible costs which is already set in the contracted budget.
* Only can be used for unexpected expenditures incurred during the implementation of the project with the **prior written authorization** of the CA (addendum if applicable).
 |
| **10. Indirect costs/Administrative costs** | * Indirect costs usually refer to as administrative costs cover the administrative overheads incurred by the Grant beneficiaries, provided that does not include costs already declared under another budget line and eligibility conforms to Art. 14, 16 and 17 of the General conditions
* A fixed percentage of the direct eligible costs of the Project, laid down in the Article 3 of the Special Conditions may be charged
 |

***NOTE:*** *Always consult* ***budget justification*** *for the contracted budget (Annex III of the Grant Contract). Any discrepancies will not be deemed eligible except in case of formalized modifications with the CA approval.*

*Final eligible costs will be calculated based on verification findings of the reported expenditures during controls performed by CA and Control Body.*

*Costs which are non-eligible according to the applicable eligibility rules cannot be claimed even if they are included in the approved project budget. Also, expenditures that do not clearly relate to the project activities or are in excess to the reported activities will be ineligible*

Any costs that do not satisfy one of the criteria listed above for eligible costs are considered non-eligible costs. In addition, the following costs are **specifically non-eligible as listed in the Art. 14.11 of the General conditions and Special Conditions Article 7.2.3**:

a) debts and debt service charges (interest);

b) provisions for losses or potential future liabilities;

c) costs declared by the Beneficiary(ies) and financed by another action or work programme receiving a European Union grant (including through European Development Fund);

d) purchases of land not built on and land built on in the amount up to 10 % of the total eligible expenditure for the operation concerned shall be eligible for funding if it is justified by the nature of the action and provided in the annual action programme, 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

e) currency exchange losses;

f) credit to third parties, unless otherwise specified in the Special Conditions

g) in kind contributions

h) performance-based bonuses included in costs of staff.

i) fines, financial penalties and expenses of litigation

j) consultant fees between the beneficiaries/partners for services or work carried out within the project

k) remuneration of any kind for staff of any of the beneficiaries being hired as external experts or freelance consultants in partner’s institution or vice-versa

l) negative interest charged by banks or other financial institutions.

***NOTE:*** *In case of engagement of* ***public official, in line with the definition of Law on prevention of corruption****, to prevent conflict of interest in performing public function, Coordinator shall provide to CA statement/confirmation with this regard by the Agency for prevention of corruption.*

## Supporting documentation

*Related annexes****: Annex 3.1 – Annex 3.9***

Type of supporting documents depend on the type and nature of the expenditure and the underlying actions or transactions. Financial documentation proves existence of the incurred expenditures and related technical documentation should be sufficiently detailed to prove implementation of activities, delivery of services and outputs under Project.

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

* **Proof of procurement** procedures (market research, tender dossier, evaluation part, offers),
* **Proof of commitments** such as contracts, order forms;
* **Proof of** **purchase and payment** such as invoices, receipts, bank statements, etc.
* **Proof of delivery** of services, supplies and works such as contractors’ reports, service outputs (in line with the activities envisaged in Description of the Action), delivery notes or provisions/final acceptance certificates, etc.
* **Accounting records** such as general ledger, sub ledgers and payroll accounts, fixed assets registers and other relevant accounting information.

The table below summarizes the main supporting documents that the Grant Beneficiary should retain depending on the type of expenditure and submit together with the Interim/Final report under supporting documentation (see *Section 8* *Reporting* below):

|  |  |
| --- | --- |
| **Type of expenditure** | **Supporting documents** |
| **Horizontal**  | * **Detailed breakdown of expenditure** (Excel document)(*see Annex 3.2*) with chronological overall list of expenditures (Coordinator and Co-beneficiary(ies)) incurred and paid during project implementation in the reporting period for each budget heading and related budget lines.

In addition, document should provide **separately Detailed breakdown of expenditures for each grant beneficiary** involved in project implementation (Coordinator and Co-beneficiaries). **Coordinator prepares overall Detailed breakdown of expenditures on the bases of separate lists of expenditures provided by the Co-beneficiaries.** Please note that separate Detailedbreakdown of expenditures MUST comply to the overall Detailedbreakdown of expenditures.**For the Final reporting, document should encompass all payments from the beginning of project implementation.** **Grant beneficiaries should pay close attention to apply correct reporting exchange rate in the documents! Please see *Section 5.5* below.** * **Bank statement** with received CA initial pre-financing and Bank statement with transfers to Co-beneficiary(ies).
* **Bank statement on interest yielded** on the project account (Final reporting).
* **Expenditure verification report** (Final reporting), if applicable.
 |
| **Human Resources** | **Please note that all documentation related to the salaries must be mutually consistent and in line with the figures reported in the financial report!!** * Dated **Decision on the project team establishment** (*Annex 1.2*) and staff assigned to the Project with position title, job descriptions, percentage of working time engagement, period of engagement and type of contract. Any project staff changes should be reflected in this document (Annex to the Decision). Decision cannot be made retroactively.
* **Job description** should be formalized in relevant document providing information on tasks and responsibilities related to the project (e.g. engagement contract).
* **Contract** in line with the national regulations in Serbia and North Macedonia

**For Serbia**, the following is acceptable: Employment contract (*Ugovor o radu*), Global price contract (*Ugovor o delu*) and Contract on additional work (*Ugovor o dopunskom radu*) with additional up to 1/3 of the regular working hours. Also, for national administration (e.g. local self-governments), Contract on temporary and occasional assignments (*Ugovor o privremenim i povremenim poslovima*) is acceptable in duration of 120 days. Please note that contracts such as Copyright Contract (*Ugovor o autorskom delu*) are **NOT acceptable**. **For** North Macedonia**,** the following is acceptable**:** Employment contracts in line with the national legislation, (Dogovor za delo) <https://av.gov.mk/zakoni.nspx>.https://mtsp.gov.mk/content/pdf/trud\_2017/pravilnici/16,11-%D0%B0%D0%BA%D0%BE%D0%BD%D0%A0%D0%B0%D0%B1%D0%9E%D0%B4%D0%BD%D0%BE%D1%81%D0%B8.pdf * In case of externally engaged staff, **documents evidencing transparent procedure, selection process** and fulfilled requirements for the position in question (CV).
* **Calculation of project team salaries** (*Annex 3.3*)
* Payroll slips and Bank statements.
* **Statement on paid all relevant taxes and social security contributions** (*Annex 3.4*) or other documents issued by the competent authority such as Individual tax application issued by the Tax administration and related bank statement.
* Monthly **Timesheets** (*Annex 3.5*) for all project staff assigned to the Project (prepared in detail, signed by the experts and the representative of the Grant beneficiaries). Time sheet is filled in by working hours. **Please note** that indicated percentage of working time should be reflected in the Timesheets considering total working hours in month in question.
* For the project staff engaged through Global price contract (Ugovor o delu) with percentage of working time of more than 33%, **Statement on engagement with another employer** (*Annex 3.6*) at the same time of engagement on project indicating name of the employer, period of employment and percentage of working hours (for Serbia)
* **Overview of the Per diems** paid with clear list of staff with dates and hours (start-end) and purpose of travel as well as travel orders, travel reports, documentary evidence of payment, bank statements where applicable.
* Internal Rulebook which regulates application of per diems.
 |
| **Travel**  | * **Proof that expenditures incurred** such as plane tickets, e-tickets, boarding pass, taxi bills, bus tickets.
* Pro-forma invoice, bank statement, VAT exemption if applicable
* **Travel orders** and related **travel reports** from the mission
* **Overview of the travels** (see *Annex 3.9*) during reporting period with names of persons travelled, destinations, dates and purpose. This should be consistent with travel orders and reports.
* In case of private vehicle used for the business purposes, **Decision and specification of private vehicle use** is required
* In case of organization’s vehicle use, **authorization for use of organization’s vehicle** is required
* For **fuel**, **overview** (see *Annex 3.9*) of the vehicle used, distance covered (car log), who travelled, purpose of travel, fuel bills and calculation of average consumption. In case of fuel cards, invoices issued and card listing. Costs reported should be in line with the ones reported in the financial report. Vehicle used should be organizations vehicle or private vehicle in line with the Decision on vehicle used for business purposes. This should be consistent with travel orders and reports.
* In case of procurement procedure, evidence of the procurement procedure applied in line with the Annex IV of the Grant Contract.
 |
| **Local office** | * Lease contract, if applicable
* Invoices
* Other bills and overview of cost incurred under budget line and calculations if any
 |
| **Supplies** | * In case of procurement procedure, evidence of the procurement procedure applied in line with the Annex IV of the Grant Contract and contract laying down the equipment to be purchased. Please see ***Section 6.3*** below related to tender documentation.
* **Proof of delivery** of supplies such as: Delivery notes/provisional/final acceptance certificates.
* Pro-forma invoice, **Invoices,** **Bank statements, VAT exemption** where applicable and **accounting records**
* Proof of respect of **visibility rules** (photos) and where relevant, EU and national legislation in terms of environmental impact.
* **Transfer of ownership** certificate (at least with Final report) or if there are no final beneficiaries of the project to whom the equipment, vehicles and supplies can be transferred, the Coordinator shall submit a justified written request for authorization to the CA, with an inventory listing the items concerned and a proposal concerning their use, in due time and at the latest with the submission of the final report.
* **Certificate of origin** if applicable
 |
| **Services** | * In case of procurement procedure, evidence of the procurement procedure applied in line with the Annex IV of the Grant Contract and Contract laying down the service to be purchased.Please see *Section 6.3* below related to tender documentation.

**Please note** that type of service contract should be in accordance with unit define in budget of the contract (Annex III) and all other following documents (invoice, reports etc) should be also in accordance with budgeted units.* Proof of delivery of services such as: **surveys /studies;** approved **report**s; in case of **seminars, conferences, working meetings** proof of attendance programme/agenda, list of participants signed, list of speakers, presentations/conference reports and hand-outs, minutes (if applicable), press clippings, photos, video recordings; **in case of training courses** a detailed description of the training, training agenda, training material, list of participants, list of trainers/lecturers, training report and training evaluation report; **in case of publications** copies of publications, brochures, newsletters, booklets, posters, books, etc.;
* Pro-forma invoices, **Invoices** for implementation of external services, bank statements, **contractor’s report** on service provided in the reporting period and **bank statements**.

**Please note** that in the case that service contract includes more budget lines, with invoice should be provided specification of delivered services/outputs per budget lines.* **VAT exemption** where applicable.

**Please note** that reported costs for the subcontracted services will be considered for approval in the reporting period ONLY if the outputs are delivered as specified in the service contract regardless of the actual payments made to the service provider by the Grant beneficiaries. Therefore, it is advisable to link payments with the outputs expected by the service provider. **Therefore, it is not advisable to have advance payments to the subcontracted service providers.**  |
| **Works** | * In case of procurement procedure, evidence of the procurement procedure applied in line with the Annex IV of the Grant Contract and Contract laying down the works contracted. Please see *Section 6.3* below related to tender documentation.
* **Proof of delivery of works** such as Provisional/final acceptance certificates or other nationally regulated documentation for this purpose (e.g. works ledger)
* Legal documents specifying/proving any legal right/ownership under the real-estate law concerning the land and/or buildings where the works will be carried out
* Necessary **permissions** for the execution of the works, issued by the national/regional/local relevant authorities, where applicable
* Appointment of Supervisor/Engineer, appointment of the Works Contractor’s representative, date of Commencement of work.
* Pro-forma invoice, **Invoices** or Interim payment certificate/final payment certificate providing all relevant information in line with the applicable accountancy rules as well as references to the project and the programme and a detailed description of the infrastructures/works carried out in line with the contents of the contract (BoQ, Site diary, Construction book).

**Please note** that in the case that works contract include more budget lines, with invoice should be provided ***specification*** of executed works per budget lines.* **Bank statements and accounting records**
* Proof of respect of **visibility rules** (firstly photos of the visibility plate at the construction site and then on the constructed facility) and where relevant, EU and national legislation in terms of environmental impact.
* **Transfer of ownership** certificate (with Final report).
* **Certificate of origin** if applicable
* **VAT exemption** where applicable.
 |

Some of the above documentation might not be relevant in case where costs are implemented under Simplified Cost Option. In this case documentary proof is required “that the cost generating event took place”. Please see *Section 5.3* below related to the main requirements regarding simplified cost options.

***NOTE:*** *Where applicable documentation should be signed and stamped by the authorized persons of the Grant beneficiaries.*

*Documentary evidence should not be submitted for the indirect costs, only in duly justified cases upon CA request.*

## Simplified cost options

The use of Simplified costs options (hereinafter SCO) depends on definitions provided by the CA in the Guidelines for Applicants under the Call. The CA could (within the framework of procedures) decide on full or partial application of SCO. Simplified cost options can apply to one or more of the direct cost headings of the budget (i.e. cost headings 1 to 6), or to sub-cost headings or to specific cost items within these cost headings. Annex K of the Grant Contract contains elaborated rules of the SCO applications.

The **basic principles** that should be respected during implementation of the grant budgets applying SCO are as follows:

* **Approval based on documentary evidence that the output/results were delivered -** CA shall check at the latest before the payment of the balance, the fulfilment of the conditions triggering the payment of lump sums, unit costs or flat-rates, including, where required, the achievement of outputs and/or results.
* **Exemption of obligation for submission of financial documentation** - CA and auditors will not require nor check financial documentation of costs claimed under SCO. Regardless of that the grant beneficiaries have the obligation to keep the documentation on the file.
* **Compliance with basic principles of cost eligibility** – Regardless of the use of SCO the grant beneficiaries still need to comply fully with principles of cost eligibility which means: obligation to apply procurement rules and respect principles of origin; respect of principles of economy and efficiency respected; ensure that there is no overlapping of costs and must be necessary for implementation of the project

SCO could as well be questioned in the implementation phase in case that basic principles of cost eligibility are violated and deems as ineligible costs.

***NOTE:*** *In case of any doubt, CA shall request relevant financial documentation as well as other documentary evidence to perform verification checks in order to confirm these principles were respected.*

The table below provides some examples of supporting documentation and verification requirements in case of SCO.

|  |  |
| --- | --- |
| **Cost category** | **Supporting documentation and verification requirements** |
| **Salaries** | * Engagement contracts
* Timesheets by the project team member to prove that the work was realised
* Documentary evidence of activities implemented, or outputs produced by project staff – reports, studies, training materials, minutes of the meetings, attendance sheets, etc.
 |
| **Per-diems** | * Travel order for the project staff
* Documentary evidence of activities implemented, or outputs produced by the expert such as training materials, list of attendance at trainings, meetings, etc.
 |
| **Local travel** | * Travel orders and travel reports for the project staff, overview of the travels and purpose considering project activities, etc.
* In case of fuel: car logs, overview of the km passed, etc.
 |
| **Equipment purchase** | * Documentation on procurement procedure, if applicable
* **Proof of delivery** of supplies such as: Delivery notes/provisional/final acceptance certificates.
* Certificate of origin, if applicable
* Visibility compliance
* Existence and purpose of the purchased equipment
 |
| **External services**  | * Documentation on procurement procedure, if applicable
* Reports by the service providers
* **Proof of delivery of services** such as: **surveys /studies;** approved **report**s; in case of **seminars, conferences, working meetings** proof of attendance programme/agenda, list of participants signed, list of speakers, presentations/conference reports and hand-outs, minutes (if applicable), press clippings, photos, video recordings; **in case of training courses** a detailed description of the training, training agenda, training material, list of participants, list of trainers/lecturers, training report and training evaluation report; **in case of publications** copies of publications, brochures, newsletters, booklets, posters, books, etc.;
* Visibility compliance of final outputs
 |

## Payment procedures

***NOTE:*** *The payment procedure is linked to the approval of Interim/Final reports. Please see Section 8 Reporting of this Manual.*

In general, flow of payments are performed in the following way:

1. From CA to Coordinator
2. From Coordinator to Co-beneficiary(ies)
3. From Coordinator and Co-beneficiary(ies) to their project staff, entities contracted by Grant beneficiaries, administrative costs, etc.

Payment procedures are set out in Article 4 of the Special Conditions of the Grant Contract. The CFCU makes payments in the following manner:

**Option 1:** Projects with an implementation period of 12 months or less or grant of EUR 100 000 or less

* Initial pre-financing payment of 80 % of the maximum amount referred to in Article 3.2 of the Special Conditions (excluding contingencies) **within 30 days** from the contract signature;
* Balance of the final amount of the grant **within 90 days** from receipt of the payment request.

**Option 2:** Projects with an implementation period of more than 12 months and grant of more than EUR 100 000

* **Initial pre-financing payment of 100 %** **of the part of the estimated budget** for the first reporting period (excluding contingencies) financed by the CA **within 30 days** from the contract signature. The part of the budget financed by the CA is calculated by applying the percentage set out in Article 3.2 of the Special Conditions;
* **Further pre-financing payments of 100 %** of the part of the estimated budget financed by the CA for the following reporting period (excluding not authorised contingencies) **within 90 days** from receipt of the payment request on the bases of the Interim Report for the previous twelve months reporting period. Please note that:
	+ If at the end of the reporting period the part of the expenditure actually incurred which is financed by the CA **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 CA;
	+ Grant Beneficiary **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 CA 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;
	+ 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;
* Balance of the final amount of the grant **within 90 days** from receipt of the payment request.

***NOTE:*** *In case of detected irregularity or unduly paid amount (e.g. during verification on-the-spot checks and/or desk based control and/or whistleblower notification),* ***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 Project implementation) or r****ecovered within 45 days*** *of the issuing of the debit note**by the**Grant Beneficiary**if the irregularity is confirmed after the final payment has been made.*

## Payment request

The Payment requests shall comply with the model provided under **Annex V of the Grant Contract.**

For the **initial pre-financing payment**, the signed contract serves as Payment request.

***NOTE:*** *Grant Beneficiaries must begin implementing their activities with their own contribution without waiting for the pre-financing to be paid.*

The Payment request for further pre-financing and final balance shall be accompanied by:

* **Interim/Final Narrative and financial report** with supporting documents (see Section 5.2 above)
* **Forecast budget** for the following reporting period in case of request of further pre-financing
* **Expenditure verification report** if applicable (*please see General conditions*)
* **Detailed breakdown of expenditures**

***NOTE:*** *On the bases of the verification findings of the Interim/Final report, CA determines total amount of eligible costs and calculates amount for further pre-financing payment or final balance payment or recovery of funds.*

***Please double check calculation for requested further pre-financing payments or final balance payments including other information in the document before submitting to CA. Please see rules and procedure set for payments in the Annex II - General conditions of the Grant contract.***

Grant Beneficiary shall submit Payment request with related reports and supporting 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.

## Exchange rate

The CA makes payments to the Coordinator bank account opened for the purpose of project implementation as referred to in the financial identification form, which allows the identification of the funds paid by the CA. Payments shall be made in EUR.

In general grant beneficiaries in Serbia further on are making payments in RSD within Serbia in line with the national regulations while grant beneficiaries in North Macedonia in MKD in line with their national regulations.

For the sake of financial reporting, exchange rate used will depend on whether Coordinator is in Serbia or North Macedonia.

***NOTE:*** *Reporting exchange rate should be properly applied in Detail breakdown of expenditures for the grant beneficiaries in Serbia and North Macedonia.*

In line with the Article 7.2.2 of the Special conditions, for the reporting purposes for the grant beneficiaries, the exchange rate shall be the **INFOREURO exchange rate** of the month when Implementation of the Action begins, as defined in Article 2.2 in Special conditions.

## Expenditure verification report

Terms of Reference and model of the report are provided under **Annex VII of the Grant Contract.** The expenditure verification report in line with the Terms of Reference requirements for expenditure verification shall be produced by the certified Auditor approved by the CA.

The Auditor examines the expenditures incurred and declared by the Grant beneficiaries, assesses whether they are incurred, paid, supported by the relevant documentation and eligible and prepares a report using the template prescribed.

Expenditure verification report is obligatory for:

* Any request for further pre-financing and final payment in case of grants of more than EUR 5 000 000
* **Any final payment (accompanied with Final report) for grants of more than EUR 100.000**

The Grant Beneficiary is obliged to provide all documents and information to the Auditor for auditing.

## **Value added tax (VAT)**

*Related annexes:* ***Annex 4.1*** *and* ***Annex 4.2***

According to IPA Implementing Regulation Article 34(2) the following expenditures shall not be eligible:

* Taxes, including value added taxes,
* Customs and import duties or any other charges.

In accordance with the Law on ratification of the Framework Agreement between the Government of Republic of Serbia and the Commission of the European Communities on the rules for co-operation concerning EC financial assistance to North Macedonia in the framework of the implementation of the assistance under the Instrument for pre-accession assistance (IPA), Community financed contracts for services, supplies or works carried out by contractors registered in Republic of Serbia or North Macedonia shall be exempted from VAT for services rendered, goods supplied and/or works executed by them under EC contracts.

**In Serbia**:

**Competent authority for the VAT exemption in Serbia is CA** (Ministry of Finance, Department for Contracting and Financing of EU funded programmes).

The VAT exemption is done in the electronic application of the Tax Administration. Please consult also *Annex 4.2* for templates for VAT exemption.

**Coordinator is obliged to**:

* Obtain a qualified electronic certificate with a card reader
* Authority to use electronic services (PEP form)

Authorization for the use of electronic services can be obtained only for persons with Serbian citizenship and who are residents of the Republic of Serbia. Before performing VAT exemption procedure, Coordinator must register Contract in the electronic application of the Tax Administration.

Grant beneficiaries can be exempt from value added tax if they perform VAT exemption in time. If the documentation is incorrect and the exemption from VAT is not performed, the VAT will NOT be considered as eligible cost and grant beneficiaries will cover VAT expenses on its own account.

**The contractor (grant beneficiaries) can be exempt from VAT for the procurement of services/goods/works exclusively if respecting following rules:**

* BEFORE execution of services
* BEFORE the delivery of goods/execution of works
* BEFORE advance payment
* VAT exemption will be done at the level of each Pro-forma Invoice, not at the level of contract.
* Only the amount (of EU and national co-financing), is exempt from VAT, the amount of private co-financing is not exempt from VAT,
* BEFORE the end of the reporting period for which the contractor submits request for payment
* Revision of costs from final period MUST BE EXEMPTED FROM VAT DURING THE PROJECT IMPLEMENTATION.

For detail information regarding procedure for VAT exemption and Customs duties please visit website: **www.cfcu.gov.rs (tab: Tax exemption)**

**Contact person for providing support** to the Grant beneficiaries related to the exemption of value added tax and customs duties:

**Nevenka Tripković**

**+ 381 11 765-2635**

**nevenka.tripkovic@mfin.gov.rs** **and** **ipapdv@mfin.gov.rs**

***NOTE:*** *National legislation prevails over the instructions in this Implementing manual. Also, note that national regulation might be modified during project implementation.*

**In North Macedonia:**

Based on Article 11 of the Law on Public Revenue Office (“Official Gazette of RM ”, no. 81/05 ... 39/12) in order to achieve the tax exemption, the entity in charge of project implementation - project implementer submits a copy of the certificate of project registration to the Government of the Republic of Macedonia - Secretariat for European Affairs containing the following data:

‐ the name of the project in Macedonian and English;

‐ the value of the donation for the respective project;

‐ start date and end date of the project;

‐ the name of the implementer who is in charge of the realization of the project;

‐ the name of the person who has been determined as the person responsible for the realization of the project;

‐ end user of the project and

‐ date of the agreement concluded between the Government of the Republic of Macedonia and a foreign donor (stating his name), in which there is a clause that the donated funds cannot be used for payment of public duties in the Republic of Macedonia.

Based on the data from the application submitted by the contractor electronically to the Public revenue office as tax authority, Public revenue office generates an invoice with a serial number for turnover exempt from value added tax electronically.

The contractor prints the invoice in two copies which he certifies with the seal and signature of the authorized person and submits one copy to the entity in charge of the project - project implementer, within the deadline prescribed in Article 53, paragraph (8) of the Law on value added tax.

**The template of Request** for VAT exemption **is available in Annex 4.1 of this document.**

## Project documentation filing

Grant Beneficiaries must prepare and record all technical and financial documentation for all project activities. The Coordinator must retain original supporting documents for all expenditures incurred and must keep accurate and regular records and accounts on the project implementation for 5 years after final balance payment.

To be considered eligible for EU financing, expenses must have actually been incurred during the implementation of the project and be identifiable and verifiable which means they must be recorded in the accounts and backed by originals of documentary evidence.

***NOTE:*** *Bear in mind that electronic version of documentation provided to CA for verification purposes must be scanned originals. During CA or Control body verification on the spot checks, Coordinator/Co-applicant need to present complete original documents for the verification.*

In case the Coordinator does not have a standardized filling system the following approach is suggested to enable systematic keeping of project documentation on the spot which will help in preparation for reporting.

|  |  |
| --- | --- |
| **Folder 1**Administrative documentation | * Grant contract with all annexes
* General information about the project
* Templates
* Copies of actual documents sent to CA as a correspondence with CA, Control body or JTS
* All correspondence with project partners
* Meeting minutes
* Interim Reports, Progress reports etc.
 |
| **Folder 2** Project activities documentation  | * Project documentation related to activities implemented in line with the DoA
* Training material, List of participants, evaluations, etc.
* Surveys, analysis, studies, research etc.
* Visibility and promotional material and events
* Promotional material, prints, leaflets, press clippings
* CDs with project promotional events
 |
| **Folder 3** Procurement documentation | * Justification of choice of invited tenderers
* Tender dossiers and invitations to tender/publications
* Communication with Tenderers (clarification requests, notifications, etc.)
* Tender offers and documentary evidence
* Evaluation reports and other evaluation grids, declarations signed
* Contract award notice and contracts, etc.
* Invoice
 |
| **Folder 4** Financial documentation | * Structured **per budget headings and budget lines**
* Contracts with all project staff, timesheets, payroll slips
* Contracts for service, supply, works
* All original invoices, bank statements
* Provisional/Final acceptance
* Contractors’ reports
* VAT exemption documents
* Final outputs related to the budget line
 |

# SECONDARY PROCUREMENT

*Related annexes:* ***Annex 5.1 – Annex 5.4***

If the Project implementation requires delivery of services, supplies or works from externally engaged experts/company, the Grant Beneficiary ***needs to apply relevant procurement procedure respecting rules set out in Annex IV of the Grant contract.*** Use of PRAG procedures is strongly recommended. Any deviation from these rules may result in ineligible costs. Interim/Final reports must cover comprehensive and detailed report on the award and implementation of the contracts awarded.

In secondary procurement procedures, the Grant Beneficiary acts as a Contracting Authority.

## General rules and principles

**Compliance with the objectives, activities and results**

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 of the procurement. In case of excessive inputs vs. outputs or in case of poor quality of outputs, such costs cannot be accepted as eligible.

Therefore, awarded contracts must be closely monitored during implementation in order to be in line with the contract conditions and to ensure that outputs are relevant for the Project implementation and achievement of the related results.

**The rules of nationality and origin**

Experts and other persons employed or legally contracted by the Grant Beneficiary may be of **any nationality**. Supplies can originate from any origin if their value is below the threshold of the simplified procedure i.e., EUR 100 000 (or 100 000 per lot in case of procedure divided into lots).

In case if the supply is more than EUR 100 000, grant beneficiary in Serbia need to provide Certificate of origin issued by authorised institution i.e., in the Republic of Serbia, acceptable is only ***Certificate of origin issued by the Chamber of Commerce***. The same rules are applicable for the Works Contracts.

Grant beneficiary in North Macedonia needs to provide Certificate of origin issued by authorised institution i.e. in the North Macedonia, acceptable is only ***Certificate of origin issued by Chamber of Commerce of MK*** (Стопанска комора на Северна Македонија) The same rules are applicable for the Works Contracts.

Details on these rules can be found in *the Practical Guide for Procurement and Grants for European Union external actions* (PRAG) applicable to a specific call for proposals (*Version 2021.0 - 15/12/2021)*[[2]](#footnote-3).

**Language used**

**English language** as a Grant contract language is applicable for project implementation, including procurement procedures. However, when implementing procurement procedures, tender documentation (especially technical part of the tender dossier for supply and works) may be in official local languages with the possibility of translation such documentation upon request for relevant verification purposes.

**Visibility rules**

Visibility rules must be ensured also under the contracts awarded through secondary procurement procedure.

**Grounds for exclusion**

Grounds for exclusion of candidates, tenderers, or applicants from participation in procurement procedures are as stated in **Section 2.6.10.1.1 of PRAG**. Participants in the procurement procedure must **sign a declaration** certifying that the entity does not fall into any of the exclusion situations.

Tenderer to which the contract is to be awarded (including consortium members), **provide evidence** that they do not fall into the exclusion situations, if requested.

**Conflict of interest**

Conflict of interests exists where the impartial and objective exercise of the Grant beneficiary is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with a recipient’. In this way the principles of competition, non-discrimination, or equal treatment of tenderers/contractors during selection and award procedure are compromised.

**Selection criteria**

The selection criteria must be drawn up clear, ambiguously and non-discriminatory for the purpose of assessing that the tenderer has sufficient financial, professional and technical capacity to implement the tasks of the contract. The chosen criteria shall be proportionate and may not go beyond the scope of the contract.

**Award criteria**

Award criteria for **service tenders** is **best value for money**. The maximum budget available must be declared in the documents.

Award criteria for **supply tenders** is technically compliant offer with **lowest price**. The maximum budget available should **not** be declared in the documents.

**Awarding principles**

Contract award process must respect the principles of **transparency, proportionality, equal treatment, and non-discrimination.**

**Fair competition and equal treatment**

There should always be a competition for the award of contracts. There must be no discussions with actual or potential participants in contract award procedures. All tenderers must be given the same information and be treated equally with this regard. Any firm or expert that have participated in the preparation of a project or in drafting the tender dossier must be excluded from participating in tenders based on this preparatory work, as this would constitute unfair competition. The potential tenderers should be given sufficient time to respond to invitations or advertisements and to prepare and submit their offers

**Objectivity and impartiality**

Requirements in the Technical Specifications in case of supplies or works tenders and Terms of Reference in case of service tenders must be non-discriminatory, clear and unambiguously set in line with the market conditions. Tender documentation should clearly set the eligibility, selection and award criteria. Criteria that were not declared to the tenderers before their submission of the tenders cannot be considered during evaluation.

**Confidentiality**

The Terms of Reference and the Technical Specifications may not be disclosed to any third party and must be kept confidential until they are made available to the tenderers simultaneously in the procedure.

No information about the examination, clarification, evaluation or decisions about the contract award can be disclosed before the signature of the contract by the Grant Beneficiary and the successful tenderer.

**No retroactivity**

Contracts are considered to take effect from the date of signature of the last signatory. Contracts or contract addendum cannot be awarded retroactively (i.e. after the end of the execution period) under any circumstances.

**Record keeping**

Written records of the entire tender procedure must be kept confidential and retained by the Grant Beneficiary in accordance with the requirements in the General Conditions.

**No artificially splitting**

The contracts must not be **split artificially** to circumvent the procurement thresholds and applicable procedures.Supplies or services that can be purchased from the same supplier or service provider should be included in a same tender.

**Audit trail**

A clear and easy to follow audit trail (supporting documentation from each step of the procurement procedure such as whole tender documentation, nomination and composition of the evaluation committee, submitted offers, evaluation reports, communications with the tenderers, emails correspondence if applicable, documentation during contract implementation etc.) **for all steps of the procurement procedure** must be ensured.

## Procurement procedures

The type of procurement procedure depends on the type of procurement needed (services, supplies or works) and the value of the contract in question. In all cases, the contract must be awarded to the contractor whose tender offers the best quality-price ratio.

There are three type of contracts as follows:

**Service contracts**

Service contracts cover the engagement of service providers, companies, entrepreneurs, and/or individuals (experts) for preparation of studies, evaluation reports, experts’ or trainers’ engagement, printing and publishing services, translation, conference/events organization, catering, supervision of works etc. Please note that no purchase of equipment and no works are allowed within service contracts. Service contracts has two types:

* **Global price contract** - where specified outputs are defined. The service will be paid **on the basis of the** **delivery of the specified outputs.** Examples of global price activities: studies and analysis, technical and/or engineering designs, tender dossiers, technical specifications, evaluation and audits etc.;
* **Fee-based contract** - 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.

***NOTE:*** *In case of global price contracts, it is strongly recommended to specify required expertise for the scope of services in ToR and request CV submission for the purpose of assessment. In this way appropriate expertise would be ensured for the service delivery.*

**Supply contracts**

Supply contracts cover the purchase or rental of supplies/equipment and may in addition include installation and maintenance. A supply contract may include installation of the equipment and relevant trainings, if applicable.

**Works contracts**

Works contracts cover the execution for works related to building, reconstruction or any other works engineering works. Works contracts may include supplies and services up to a certain extent depending on the subject of the procurement. Supplies under works contract must also respect rule of origin. National regulations and requirements must be fully respected prior to construction/reconstruction works starts (licenses, permits etc.) as well as during implementation.

***NOTE:*** *In case of works consider requirements for the supervision of works, if applicable.*

**It is strongly recommended to use PRAG thresholds and related procurement procedure** given in the table below which are based on the maximum budget for the contract in question (including any co-financing and own contribution) without VAT. Where contracts are subdivided in lots, the total estimated value of all lots must be considered when calculating the overall threshold and procedure to be applied.

***NOTE:*** *The contracts must not be* ***split artificially*** *to circumvent the procurement thresholds and applicable procedures. Sometimes it is required to combine several budget lines from the grant budget under one procurement procedure for related services/supplies.*

**The following PRAG procurement procedures are applicable:**

|  |  |
| --- | --- |
| **Contract type** | **Thresholds and procurement procedures** |
| **SERVICE CONTRACTS** | ≥ **€ 300 000** International restricted or open tender procedure  | < **€ 300 000** but > **€ 20 000** Simplified procedure | ≤ **€ 20 000**Single tenderFor service, works and supply contracts, a payment may be made against invoice without prior acceptance of a tender if the expenditure is **≤2 500€\*****\***verification shall be done based on invoice and proof of payment (bank statement, receipt, fiscal bill, etc.). |
| **SUPPLY CONTRACTS**  | ≥ **€ 300 000** International restricted or open tender procedure | < **€ 300 000** but ≥ **€ 100 000** Local open tender procedure | < **€ 100 000** but > **€ 20 000** Simplified procedure |
| **WORKS CONTRACTS** | ≥ **€ 5 000 000** -International open tender procedureor -International restricted tender procedure | < **€ 5 000 000** but ≥ **€ 300 000** Local open tender procedure | < **€ 300 000** but > **€ 20 000** Simplified procedure |

**Direct purchase procedure**

Service and Supply contracts with a value of **less than or equal to 2 500 EUR** may be awarded on the basis on the direct purchase, i.e. payment against invoice(s) without procurement procedure. The Grant Beneficiaries are allowed to implement the purchase only by asking pro-forma invoice from one provider/supplier. The latter should respond in clear manor confirming the preparedness and ability to supply goods/supplies or deliver services.

In spite of availability of this simplified procurement option, the purchase has to be performed in accordance with transparency, equal treatment and non-discrimination, avoiding any potential conflict of interest. It is recommended to keep on records documentary proof of the procedure – e-mail enquiry by Grant Beneficiary and pro-forma invoice by supplier/provider.

Although this procedure does not include complex tender procedure, **the best price-quality ratio** should be ensured and demonstrated.

**Single tender procedure**

**Single tender procedure** allows to contact at least one potential tenderer for services, supplies or works if the contract value is 20 000 EUR or less. Although, request for one offer is sufficient, it is advised to contact more than one potential tenderer (preferably three) to compare current market prices and ensure best quality-price ration**.**

**Strong justification of choice of tenderers invited** (please see *Annex 5.2* *point 01* with example) must be prepared and provided ex-post to the CA and Control body together with the rest of tender documentation for the verification purposes. The tenderers are sent a letter of invitation to tender accompanied by a tender dossier. The contract notice is not published, but it is included in the tender dossier as it contains important information for tenderers (selection criteria, eligibility rules, price for services etc.).

***NOTE:*** *It is recommended to appoint evaluation committee for the purpose of evaluation under single tender procedure.*

The **Negotiation report for single tender (Evaluation report)** must explaining how tenderer(s) were chosen, how the price was set and the grounds for the award decision. The negotiation steps shown in the negotiation report template must be followed. The Grant Beneficiary must complete negotiation report for each single tender procedure.

The tenderers should be given **sufficient time** for submission of their offers. It is strongly recommended (but not mandatory) to allow at least **7 days** from the dispatch of the letter of invitation to tender until submission of their tenders.

***NOTE:*** *The minimum requirements set in the Terms of Reference/Technical Specifications are* ***not negotiable****.*

Single tender procedures should follow the procurement steps described in the *Section 6.5*below**.**

**Simplified procedure**

***NOTE:*** *Procurement procedures under simplified procedure may* ***last 3 months*** *so please bear this in mind while planning implementation of other grant activities and procurement procedures.*

The Grant Beneficiary draws up a list of **at least 3 potential tenderers.** The choice of tenderers invited MUST be justified based on market research and certain criteria for selection developed for this purpose. **Justification of choice of tenderers invited** (please see *Annex 5.2* *point 01* with example) must be provided to the CA and Control body together with the rest of tender documentation for the verification purposes. The tenderers are sent a letter of invitation to tender accompanied by a tender dossier. The contract notice is not published, but it is included in the tender dossier as it contains important information for tenderers (selection criteria, eligibility rules, price for services etc.).

The chosen candidates must be allowed **at least 30 days** from the dispatch of the letter of invitation to tender until submission of their tenders. Tenders must be opened and evaluated by an evaluation committee with the necessary technical and administrative expertise, appointed by the contracting authority.

From the technically compliant tenderers, it selects the one that offers the most economically advantageous tender; best quality-price ratio for service contracts and for supply and works – the lowest price. If, having consulted the tenderers, the Grant Beneficiary receives **only one tender** that is administratively and technically valid, the contract may be awarded provided that the award criteria are met.

Simplified procedures should follow the procurement steps described in the *Section 6.5*below.

***NOTE:*** *Please pay attention to the rules laid out in the PRAG Section* ***2.9.2. Impartiality and confidentiality*** *regarding the appointment of the evaluation committee.*

**Local open procedure**

This procedure is related only to the Supply and Works contracts. The procedure is based on publication of the Summary Contract notice - Local Advertisement in national media/press, as well as on the Beneficiaries web site. The full contract notice must be available from the address (for example web page of the Grant Beneficiary) referred to in the advertisement, together with the tender dossier. All legal entities (private or public) may submit an offer.

The time limits for receipt of tenders, running from the date when the contract notice is published, shall be **at least** **60 days for works** contracts and **30 days for supply** contracts.

**International restricted/open procedure**

The procedure is based on publication of the tender at the international level. Full tender dossier and applicable evaluation procedure apply. This procedure is rarely implemented as secondary procurement under grant schemes.

## Tender documentation

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.

***NOTE:******Single tender dossiers*** *are allowed for the Single tender procedures (see Annex 5.2).*

***For Simplified procedure please use appropriate PRAG templates****.*

*Grant beneficiaries are advised to* ***request support from JTS/AO*** *in the process of preparation of tender documentation prior to the launch the procedures.*

In general, tender documentation for single procedure for services and supply and works consists of:

* **Part A - Information to tenderers:** Contract notice, Instruction to tenderers (ITT), Terms of reference/Technical specification, Bill of Quantities (BoQ), Draft Contract, Administrative and Evaluation Grids;
* **Part B - Templates for submission the offer**
* **Part C - Financial offer**

Any tender documentation, especially Terms of Reference/Technical Specifications/BoQ, **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. All participant in the tender preparation process need to sign a **Declaration of Impartiality and Confidentiality**.

Please consider the following practical recommendations related to the preparation of tender documentation:

|  |  |
| --- | --- |
| **Document** | **Recommendations** |
| **Contract Notice** | * Please **specify the budget for the service** (sometimes this requires combining of several budget lines from the grant budget);
* For **supply and works contracts there are no prices indications**
* Check if the contract should be divided into **lots.** More lots in principle means more contracts for administration. In principle, one lot is concluded with one tenderer although more than one lots can be concluded with the same tenderer in line with the evaluation results.
* Bear in mind **rule of origin** for supply and works contracts
* The **clear and non-discriminatory** **selection criteria**, **proportionate, reflecting market conditions** and not beyond the scope of the contract
* Avoid **restrictive criteria**
* Make sure that invited companies can meet selection criteria – **use market assessment**
* Purpose of the selection criteria is to assess whether tenderer has sufficient economic, financial, professional and technical capacity to implement the tasks of the contract
* If applicable, **average annual turnover** as selection criteria for **financial capacity** could be equal to the size of the contract in question with the reference period no more than the last 3 years for which accounts have been closed
* For **professional capacity** do not require more staff than necessary for contract implementation, be realistic
* **Technical capacity** of the Tenderer should prove that expert/company has experience in the contracts of the similar size/value and complexity in the reference period no more than 3 -5 years from the submission deadline;
 |
| **Instruction to Tenderers (ITT)** | * ITT provides information to the tenderers on the tender procedure, form the content of the tender offer to the timeframe and description of tender procedure.
* Allow **at least 30 days** for Simplified procedure or **7 days** for Single tender procedure until the submission of tenders (calculated without launch day and non-working days)
* **Adequate timeframe** for questions and answers during while tender procedure opened;
* Decide if you would require supporting documents/proofs from the tenderers and if yes which and when **supporting documents/proofs** are required.
* Set **tender validity** for offers;
 |
| **Terms of Reference (ToR)** for services | * Provides scope of the contract, requirements and representing bases for the tenderers’ technical and financial offer;
* Specify expected results and activities as well as required expertise;
* Needs to **comply with normal market standards** for similar type of services;
* If the prices exceed normal market standards such costs/tenders cannot be accepted as eligible costs;
* If the outputs of the requested services are tangible, 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 service contract** should be used with the relevant tender documentation.

It is strongly recommended to specify required expertise for the scope of services in ToR and request CV submission for the purpose of assessment. In this way appropriate expertise would be ensured for the service delivery.* If the outputs are not easily predicable, such as hiring a company that will provide a group of experts for training, monitoring of procedures, **fee-based service contract** should be used with the relevant tender documentation.
* In case of fee-based service contracts make sure that the **qualification and skills, general and specific experience for the experts are clearly defined**. At the same time **avoid restrictive criteria.**
* Bear in mind that the experts are evaluated against the requirements set in the Terms of Reference;
* It is recommended to request reports of external service providers in order to report on the incurred expenditure and progress in the delivery of outputs*;*
 |
| **Technical Specifications (TS)** for supplies and works | * **Use Market assessment** as bases;
* **Market assessment** will provide you information on rule of origin, existing competition, market conditions and price range on the market;
* Must **comply with normal market standards** for similar type of supplies or works;
* Set **minimum technical requirements** **and quantities** for the supply/works that will ensure competition in question;
* Make sure that the **brand names (or specific model of any brand) are not mentioned** and that technical requirements are clearly defined and reflecting market conditions;
* Bear in mind that the award criteria for supplies and works is price and tenderers might offer minimum requested quality in order to give as lowest price as possible;
* If applicable, define **training needs, generally accepted standards, commercial warranty and visibility requirements;**
* It is recommended to request **performance guarantee** for the procedures above 100.000 EUR.
* In case you have tender divided into lots, for each lot a separate Technical Specification must be in the Tender Dossier;
 |
| **Draft Contract** | * The price stated in the Article 1 is **without VAT**
* Schedule of payment must be indicated in Special condition.
* In case you are making a pre-finance payment, depending on the pre-financing value and risk assessed you may request **pre-financing guarantee.**
* For supply and works contracts, depending on the value of the contract, complexity and risk assessed you may request **performance guarantee.**
* Implementation period must be indicated.

**Please note** that implementation period set for the secondary procurement should be within implementation period of the Grant Contract signed. Any cost incurred after the end of implementation period of Grant Contract is not eligible.  |
| **Administrative/Evaluation Grid** | * Available to tenderers in advance in order to demonstrate transparency and equal treatment principle;
* **For services**, it is recommendation is to consult PRAG templates and either use what is proposed in the template or make your own maximum scores per criteria;
* Grids' structure and scoring must not be altered once the tender is launched;
 |
| **Tender Submission Form** | * In case you have tender divided into lots, **for each lot a separate tender submission form** must be delivered by the tenderer;
* Tender submission form is providing forms that should be filled in by tenderers and submitted as part of the tender offer.
* Tender submission form **needs to be adjusted to the selection criteria** requirements set in the Contract Notice;
* **Technical offer** of the tender should fulfil minimum requirements set in the ToR, TS or Bill of Quantities depending on the contract type;
* Technical offer’s template depends on contract type. Therefore, for service contract it is **Organisation and methodology** template and for the supply and works it is **Technical specification form**
* **Tender’s declaration form** and **Declaration of honour** for the selection and exclusion criteria should be filled in by the tenderer and provided within tender offer.
* In case of key experts, **CV and Statement on availability** and exclusivity should be provided by the tenderers in their offers.
 |

## 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. CA may decide to participate as observer.

***NOTE:*** *CA may decide to participate in the evaluation procedure as observer on the bases of risk assessment.*

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.

***NOTE:*** *Please note that any externally engaged staff for participation in evaluation committee due to specific expertise required, must be justified (relevant previous expertise and CV) and formalized.*

**Declaration for tender evaluation**

All members of the Evaluation Committee and any observers must sign a **Declaration for tender evaluation** *(Declaration of Impartiality and Confidentiality)* document (see *Annex 5.3 point 06*). 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.

## Procurement steps

All procurement procedures have the following **STAGES**:

**STAGE 1 Procurement planning** – includes the determination of the procedure to be used, timeframe for tender launching and market analysis. All procurement planed need to be in line with the Project requirements and related activities.**Coordinator are obliged to submit a procurement plan to JTS for consultation and then officially to CA within the first month from the start of contract Implementation using template in the *Annex 1.8.***

**STAGE 2 Tender preparation** – includes preparation of tender documentation especially technical part – Terms of Reference in case of services or Technical Specifications in case of supply contract and Technical specification/Bill of quantities with drawings in case of works in line with the market assessment.

**STAGE 3 Tender launch**– includes invitation of selected tenderers and sending tender dossier in line with the market assessment as well as providing answers to the Grant Beneficiaries’ questions while the tender is open. In this stage the Evaluation Committee should be nominated before submission deadline.

***NOTE:*** *It is recommended to launch the tender early in the project implementation, especially when applying the local open tender or simplified procedure, in case of tender re-launch is needed due to an insufficient number of offers, etc.*

**STAGE 4 Tender evaluation and contracting -** selecting the offer with the best price-quality ratio (see *Annex 5.3*). Please note that during contracting phase, contract must be filled in with information in line with tender dossier and tender offer (implementation period, contract amount, payment schedule adjusted to financial offer, relevant annexes such as technical offer, FIF, LEF, etc.)

**STAGE 5 Contract award and contract implementation** – contract preparation, signature, and close monitoring of the contract implementation.

Without prejudice to other remedies, where a tenderer believes he has been adversely affected by an error or irregularity allegedly committed as part of a selection or secondary procurement procedure, or that the procedure was vitiated by any maladministration, he may file a complaint to the contracting authority. The contracting authority will endeavor to investigate the complaint and provide answer. Alternatively, if the candidate, tenderer is not satisfied with the answer received, he may also file ordinary actions, provided the conditions stipulated in the national legislation are met.

For North Macedonia tenderers the ordinary actions can be filed at the respective court as stipulated under North Macedonia relevant legislation.

For Serbian tenderers the ordinary actions can be filed at the respective court as stipulated under Serbian relevant legislation.

Under grant schemes **commonly used procurement procedures are Single tender and Simplified procedures.** Therefore, procurement steps elaborated in the text below are related to these procedures. Under each procurement stage are the following recommended **STEPS**:

|  |  |
| --- | --- |
| **Tender preparation**  | **Step 1:** Conduct **market assessment** to get information about current market prices, rule of origin, the criteria that will be set out in the tender dossier and potential tenderers; **Step 2:** Declaration for tender preparation (see *Annex 5.1 point 05*)**Step 3:** Prepare Terms of Reference for services, Technical specification for supplies and Technical specification/Bill of quantities with drawings for works.**Step 4:** Prepare single **Tender Dossier**. (see *Annex 5.1 and Annex 5.2*) |
| **Tender launch**  | **Step 5:** Justification of the choice of invited at least 3 tenderers to submit their offer;**Step 6:** Send an **invitation letter** together with the tender dossier **by email or post (make sure you keep the proof that Invitations letters were sent).** The process should respect the principles of transparency, proportionality, equal treatment, non-discrimination and of fair competition. Tenders must be submitted no later than the date and time shown in the Contract notice and Instructions to tenderers.**Step 7:** Provide **clarifications to tenderers,** if required. Clarifications should be distributed equally by email to all participants **Step 8:** Appoint your **Evaluation Committee** (see *Annex 5.3 point 05*) and sign Declaration for tender evaluation (see *Annex 5.3 point 06*). Appointment of the Evaluation Committee is not obligatory for the Single Tender procedure, **but it is highly recommended.** |
| **Tender evaluation**  | **Step 9:** Receipt and registration of tenders: (see *Annex 5.3 points 07*)* Use **Acknowledgement of receipt** template (see *Annex 5.3 points 08*)
* Tenders must be **numbered** based on the order received
* **Date and time** of receipt of the offers must be recorded (on envelope)
* Keep in a safe place until they are opened

**Step 10:** Tender opening: * Use **opening checklist!!!**
* All the envelopes must be opened at the same time, envelopes must be duly sealed, marked and initialed.
* **For services,** **financial offer remains sealed** in separate envelope for services
* **For supply and works,** financial offers are announced
* Prepare **Opening report**
 |
| **Tender evaluation**  | **Step 11:** Administrative compliance:* Use **Administrative grid** from Tender dossier
* Requested statements and declaration signed
* Tender submission form complete
* **For services:** check **selection criteria** set in Contract notice

**Step 12:** Technical evaluation:**SERVICES** * Use **Evaluation grid** from Tender dossier
* Each voting member fill in Evaluation grid separately
* Evaluation of Organization and methodology and CVs, if requested
* Check documentary proof for the key experts (diplomas, CVs, certificates)
* Only offers with average score **at least 75** are declared "technically accepted”

**SUPPLY** * Use **Evaluation grid** from Tender dossier
* Check **selection criteria** set in Contract notice
* Evaluate technical offer – YES/NO
* NO scoring method
* Documentary proof only for the successful tenderer, if requested

**Step 13:** Financial evaluation***Technical proposals cannot be re-scored once the financial envelopes are open!**** Check arithmetical errors and correct (recorded in the Evaluation report)

**SERVICES** * Open the financial offers and initials
* Open only tenders with at least 75 points
* The lowest financial offer receives 100 score
* **Composite evaluation:** technical quality price ration 80/20 (see example under *Annex 5.3 point 13*)

**SUPPLY** * Only technically compliant offers
* Financial offers compared for each lot if any

**Step 15:** Conclusions of the EvC* **Recommendation:** award or cancel;
* Award to tenderer that: complies with the formal requirements and the eligibility rules, financial offer is within the maximum budget available for the project and meets the minimum technical requirements;
 |
| **Tender evaluation**  | * **SERVICES award criteria: best value for money;**
* **SUPPLY award criteria: cheapest technically compliant offer;**
* Documentary proof only for the successful tenderer, if requested;
* If cancelled, proceed with new procedure or negotiation process;
* Complete **Evaluation report** (Negotiation report for single tenders) reflecting all stages of the evaluation, discussions, reasons for rejection of offer (administrative, technical or other), methodology of scoring, decisions and recommendations. The report shall be accompanied with administrative and technical evaluation grids, offers and other relevant documentation. Every page of the Evaluation Report is initialed and last page is signed by the Evaluation Committee members.
 |
| **Contract award and contract implementation** | **Step 16:** Contract award * Prepare Contract dossier: Contract agreement, Contractor’s technical offer, financial offer and any other supporting documentation if applicable (LEF, FIF etc.)
* Notification of successful tenderer in writing and proceed with contract signature
* Notification of the unsuccessful tenderers in writing (only tenderers who submitted their offer)

**Step 17:** Contract management * Close monitoring of the contract implementation
* Require reporting by the Contractor, if applicable
* Use **Timesheets** for services, if applicable
* Use **Provisional/Final acceptance** certificates for supply and works
* In case of poor quality of outputs/delivery, such costs cannot be accepted as eligible
* Check visibility rules
* Apply VAT exemption procedure
 |

Since audit trail for all steps of the procurement procedure must be ensured, the Grant Beneficiary is obliged to **keep record of all communication** with tenderers and contractors (e-mails, letters, etc.). It is therefore strongly recommended to **always communicate with tenderers and contractors in writing.**

# ON-THE-SPOT CHECKS

Grant beneficiaries may expect the following types on the spot checks during the course of project implementation period and in the execution period of the Grant Contract:

* **Monitoring visits performed by the JTS** which will take into consideration Progress reports submitted by the Lead beneficiaries.
* **Verification** **on the spot checks performed by the CA** for Serbian grant beneficiaries **and Control body** (may be jointly with CA)for the North Macedonia grant beneficiaries which are related to Interim and Final reports verification and payments.
* **Ad-hoc on-the-spot checks** which will be performed by the CA for Serbian grant beneficiaries and Control body (may be jointly with CA) for the North Macedonia Grant beneficiaries, in any period of execution period of Grant Contract.

**Grant Beneficiaries** are obligatory to:

* Ensure project key staff (project coordinator, project manager, financial manager, accountant, responsible person for reporting etc.) present during monitoring visits and verification on-the-spot checks,
* Allow on the spot checks, access to their premises/locations and documentation,
* Provide up-to-date information about Project implementation with supporting documents,
* Inform about problems encounter during Project implementation,
* Provide all technical and financial documents available whenever requested by the CA, Control body, JTS, auditors and EU representatives.

## Monitoring visits by the JTS

Following the preparation and adoption of the indicative monitoring visit schedule, the JTS will conduct and report on monitoring visits to cross-border project under the programme. These monitoring visits are result-oriented monitoring with the purpose to assess the quality of implementation of the project in terms of relevance, effectiveness, efficiency, sustainability, impact and cross-border effect, coherence and complementarity and community added value.

**Monitoring visits shall be announced**, and date and time shall be agreed with the Coordinator by e-mail. The general subjects to be covered and a list of questions will also be communicated to the beneficiary by e-mail. In principle, visits should be **announced 2 weeks in advance**. In the case that urgent issues arise, the JTS may visit projects immediately without the two-week notice.

Visits should **take place at the premises of the Coordinator** (the coordinator) who should possess aggregated information and documentation related to the implementation of the project. However, if found appropriate for assessing project results and outputs, the visit can also take place at **any other location relevant to the project**.

Each project should be visited **at least once during its implementation period**. Projects that are implemented for **longer than 12 months should be visited at least twice**. However, depending on the quality of implementation of the project, or any other circumstances, more visits can be conducted, when justified. Visits should be conducted when the project is well under way, both in terms of activities carried out and expenses incurred. At the same time, visits should not be undertaken too late, in order to still have time for any necessary corrective project, where problems are identified.

After implemented monitoring visits, JTS develops monitoring report which is shared with the programme bodies (operating structure in Serbia and North Macedonia).

***NOTE:*** *The JTS/AO and CBC Body may implement a separate monitoring visit. Exceptionally, these visits can be accompanied by CA and/or Control Body staff. The monitoring by the JTS/AO and CBC Body will be at the same time used as support and guidance to the grant beneficiaries in implementation of their projects.*

## Verification on-the-spot checks by CA and Control body

Verification process shall be conducted by the **CA for Serbian grant beneficiaries** and the relevant **Control Body for grant beneficiaries in North Macedonia** and includes desk-based and on-the-spot checks initiated by the payment request (further pre-financing or final balance) accompanied with Interim or Final reports.

Verifications carried out shall cover **administrative**, **financial**, **technical** and **physical aspects of project**. Verifications shall ensure that expenditures reported in the reporting period are incurred and paid, that products and services have been delivered and that the operations and expenditures comply with relevant EU and relevant national rules.

After desk-based review of the Interim/Final report CA and Control body perform on-the-spot checks. On-the-spot checks of project include visits to the premises of Coordinator and co-beneficiaries as well as at locations where activities are being/have been/were implemented (e.g., infrastructure sites, premises where the equipment were installed, etc.).

After desk-based and on-the-spot verification performed, Control Body shall issue a **Declaration of eligible expenditure** to the CA for the grant beneficiaries in North Macedonia, detailing the expenditure found to be eligible and outlining reasons for any expenditure found to be ineligible. **Verification on the spot checks performed by the Control Body may be accompanied by the CA.**

**Ad hoc on-the-spot checks** may also be conducted if it is necessary and appropriate by the CA and Control body. The aim is to check specific project implementation aspects on the bases of risks or irregularities identified. Ad-hoc on-the-spot checks performed by the Control Body may be accompanied by the CA. Ad-hoc on-the-spot checks may be performed without previous announcement.

# **REPORTING**

*Related sections and annexes:* ***Section 5 and Section 7*** *above and* ***Annex 3***

Grant Beneficiaries must draw up reports as their contractual obligations. These reports consist of narrative and financial sections and supporting documents. The Grant beneficiaries are obliged to submit the following reports in line with the Special Conditions of the Grant Contract:

* **Interim Report** (narrative and financial) submitted to CA covering first project implementation period (12 months period) and linked with the further pre-financing payments for the Projects of more than 12 months duration and/or
* **Final Report** (narrative and financial) submitted to CA and linked with the final payment.
* **Progress reports** quarterly submitted to CA and JTS according to the timeline given in the Article 4.3 of the Special Conditions.

**Regional Monitoring System**

Following the provisions on reporting included in the special conditions of the grant contract, grant beneficiaries must pay attention to their obligation to quarterly report on the achievement of the indicators displayed in the logical framework matrix which is part of the annex I of the contract. Reporting will be carried out through an information system that can be reached via internet at Admin control panel (ipa2wbcbc.org). The system is a software that is used for comprehensive and systematic data collection and analysis under the nine CBC programmes between IPA II beneficiaries in the Western Balkans. The development of the system was proposed by the European Commission and has been carried out by the EU-funded multi-country project titled ‘Cross-Border Institution Building – CBIB+’ over its phases II and III in the period 2017-2022.

The system was designed as a web application that can be accessed using any web browser operated by any regular desktop or laptop computer and any smart mobile phone. It neither requires the installation of any specialized software nor the acquisition of licenses. All grant beneficiaries (legal entities) of the CBC programmes will have access to the system, as well as staffers of the management structures (Delegations of the European Union - DEU, Central Finance and Contracting Units of Ministries of Finance - CFCU, Operating Structures - OS and Joint Technical Secretariats - JTS) that are engaged in the implementation and monitoring of programmes. The system does not collect financial data, nor can it be used, at least in its current version, as a document management system for any programme or project. Following data collection, the system provides aggregation and reporting so that information could be further analysed on the level of project, call for proposals, programme, several programmes or the entire region.

Following the encoding of your contract and logical framework matrix in the information system by the Joint Technical Secretariat (JTS) of the programme, please mind that the system will automatically dispatch email notifications to a representative of the project coordinator on the obligations to report, as well as on your upload of data into the system. The representatives of the coordinators will submit performance reports at regular intervals on 31 March, 30 June, 30 September and 31 December every year of the period of implementation of the contract, upon the submission of the final report and, in some especial cases, depending on the choice of certain impact indicators, even beyond the period of implementation of the contract. The JTS of the programme will always be available for technical support while the representatives of the coordinators are using the information system. The JTS will also undertake a sort of validation of the submitted data and, most importantly, its verification during monitoring visits to the project locations.

The functions and benefits of the monitoring system are described in detail in a user manual that will be handed to the representatives of the coordinators by JTS staffers. The manual covers technical aspects of the software to facilitate the effectiveness of its practice by the authorised users. The latter are professionals that are directly involved in the implementation or monitoring of the CBC programmes. Thus, it is understood that users are knowledgeable about the rules and regulations that govern the implementation of those CBC programmes. Please note that the user manual does not contain a detailed discussion of these rules and regulations.

***NOTE:*** *Interim and Final reports are submitted with the Payment requests. Please see* ***Section 5*** *above. Progress report is linked to monitoring of the Project and fulfilment of the program indicators, and* ***it is not linked to the payment requests, but may serve as risk alert for the verification process****.*

*It is recommended that Grant Beneficiary keep internal monthly activity updates (see* ***Section 2.3 Project monitoring*** *above and* ***Annex 1*** *of this Manual) on the implementation of the Project. In this way, all important events / dates will be recorded, and you will have no problems preparing interim, final or progress report.*

Interim and Final reports consist of both financial and narrative part. The templates for the Interim and Final narrative and financial reports are also provided **under Annex VI in the Grant Contract**.

JTS/AO has advisory role to grant beneficiaries in the process of preparation of Interim and Final reports. Grant beneficiaries are advised to consults JTS/AO during preparation of reports and send draft versions to JTS/AO for consultation and then officially submitted to CA and Control body.

**Narrative report** shall describe the implementation of the **project** 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.** Any discrepancy to the Description of the Action should be reasoned and justified in the report. Narrative report should be followed with **supporting documentation** as applicable: documents evidencing selection of participants for trainings, training materials, study developed, research conducted, communication plan, promotional material, etc.

**Financial report** provides information regarding the actual expenditures incurred during implementation of the project as compared to the foreseen amounts. The financial report is prepared in MS Excel and should include the original budget and modifications/reallocations (if any), as well as expenditures incurred for the project duration. Financial report should be followed with **supporting documentation** such as: Detail breakdown of expenditures (see *Annex 3.2*), Calculation of project team salaries (see *Annex 3.3*), Bank statement of received first pre-financing payment or further pre-financing payment, documentary proofs for each budget line as applicable i.e., Statement on paid salary tax and social security contributions (see *Annex 3.4*), time sheets (see *Annex 3.5*), payroll slips, Statement on engagements (see *Annex 3.6*), Expenditure verification report (with Final report) (see *Annex VII of the Grant contract*), Transfer of ownership (with Final report) (see *Annex IX of the Grant contract*), invoices, bank statement, provisions/final acceptance, delivery notes, proof of origin, , travel orders and reports, car logs, etc. Please see *Sections 5* above for more details on eligibility, reporting exchange rate and supporting documentation per budget heading.

***NOTE:*** *Please note that close attention should be paid to the reporting exchange rate!!*

## Interim report

Interim report is **covering first twelve-month implementation period** unless otherwise provided for in the Special Conditions.

Interim report consists of narrative and financial reports including supporting documents consisting of delivered outputs and documentary proofs of the implemented activities and expenditures incurred in the reporting period for the overall Action (project).

**Procedure for submission of Interim report is as follows:**

1. Coordinator in collaboration with Co-beneficiaries prepares Interim report and supporting documentation (see *Section 5* and *Section 7* above) and sends draft version to JTS for consultation and support on e-mail address***:*** ***office@rs-mk.org***
2. After consultation with JTS, Coordinator prepares Request for further pre-financing payment with the Interim narrative and financial report in English and all relevant supporting documentation. **Structure of the documentation** provided (printed out and electronic versions) should be as follows:
* Request for payment (see *Annex V of the Grant contract*)
* Interim narrative report (Word and PDF document), (see *Annex VI of the Grant contract)*
* Interim financial report (Excel and PDF document), (see *Annex VI of the Grant contract)*

***NOTE:*** *The Coordinator shall submit a Cover letter clearly stating the content of the submitted Interim report and supporting documents.*

* **FOLDER 1: Project activities and outputs** **(folder)** consisting of folders per activities structured in the order of activities listed in Description of the Action (A1.1, A1.2…. A2.1…A3.1, etc.). Each folder linked to specific activity that is implemented in the reporting period should contain all documentary evidence for the activity implemented and related outputs. Example of structure for electronic version of documentation:
	+ **Activity 1** Trainings ► A1.1 documentation ►A 1.2 documentation, etc.
	+ **Activity 2** Study ►A2.1 documentation ► A2.2 documentation, etc
* **FOLDER 2: Financial documentation** consisting of folders structured **per budget headings** (BH1, BH2, BH3, etc.). Each folder linked to specific budget heading should be further structured in sub-folders per budget lines that should contain chronological documentary evidence for the budget line in question. In addition, should be provided Detail breakdown of expenditure (Excel), Calculation of project team salaries (Excel) and Bank statement with first pre-financing payment. Example of structure for electronic version of documentation:
	+ **BH1** Human resources

**►**BL 1.1.1 Project manager (engagement contract, for the 1st month - time sheet, payslip, statement on paid salary tax and social security contributions, bank statement; for the 2nd month - time sheet, etc.)

►BL 1.1.1.2 Financial officer, etc.

* + **BH2** Travels ►BL 2.1 ►BL 2.2, etc.
* **FOLDER 3: Procurement** consisting of folders structured per procurement procedure implemented in the reporting period. Each folder linked to specific procurement procedure should consist of sub-folders with documentation grouped per stage of procurement procedure: Invitation with justification of choice and tender dossier (tender documentation sent to tenderers), Tender offers and Tender evaluation. Example of structure for electronic version of documentation:

 Tender 1 **►** Invitation and Tender dossier ►Tender offers ► Tender Evaluation ►Contract.

***NOTE:*** *Electronic version of documentation* ***must be of the same*** *content as printed out versions. In case of any discrepancies,* ***hardcopy versions shall prevail****.*

*In case that indicated structure of the submitted supporting documentation of the Interim report is not respected (messy documentation), CA shall request resubmission of documentation.*

1. **Coordinator** **submits Interim report to the CA with a copy to the Control Body** **no later than 60 days** following the end of the reporting period (first implementation period). Documentation should be submitted in **2 printed out versions** (2 hard copies) and **2 electronic versions (scanned original documents provided on CD or USB)** in the following way:
* **To CA:** 1 printed out version + 1 electronic version of all documentation submitted.

Documentation should be sent to the following address:

**Ministry of Finance,**

**Department for Contracting and Financing of EU funded Programmes (CFCU)**

**Division for Tender Preparation and Contract Management**

Balkanska 53,

11 000 Belgrade, Republic of Serbia

On the outer envelope please mark project title and contract number

* **To Control Body:** 1 printed out version + 1 electronic version of all documentation submitted.

**Ministry of Local Self Government**

**Control Body (Sector for Financial Affairs)**

**Str.Kiril I Metodij nr.54 (Archive of MoLSG, base floor)**

**1000, Skopje, Republic of North Macedonia**

On the outer envelope please mark project title and contract number

***Important:***

A copy of the reports referred to in Article 4.1 of the Special Conditions shall be sent to the concerned service of the European Commission, at the following address:

**Delegation of the European Union to the Republic of Serbia**

**Vladimira Popovica 40, GTC Avenue block 19a**

**11070 Belgrade, Serbia**

**The report sent to EU Delegation should contain the following originals (supporting documents are not needed):**

* + - **Request for payment**
		- **Narrative report**
		- **Financial report**
		- **List of expenditure**
		- **Expenditure verification (if applicable)**

***NOTE****: In case Coordinator fails to submit Interim Reports on time, it is obliged to provide written explanation within deadline (Notification Letter signed by authorized person and send in hard copy and via email) to the CA and Control body, copy JTS. If the report is not sent within given time, and upon assessment of the project progress, CA may decide to terminate the contract in accordance with the General conditions.*

1. **CA and Control body conduct procedures for verification of the submitted report** (see *Section 7* above). Assessment of the project progress and eligibility of costs are implemented through desk-based and on-the-spot verification. Deadline for approval of the report and further prefinancing payment is **90 days from the submission date of the request for payment and report**.

After desk-based and on-the-spot checks related to Interim/Final report have been performed by the Control Body for the Grant beneficiaries in North Macedonia, it shall issue a Declaration of eligible expenditure to the CA, detailing the expenditure found to be eligible and outlining reasons for any expenditure found to be ineligible.

If the verification checks conducted by the CA and Control Body have **positive findings**, documentation submitted by the Coordinator shall be approved and with the CA will proceeding with payment procedure. Notification on Interim/Final report approval will be sent to the Coordinator, with a copy to the Control Body and the JTS.

Where information in the Interim/Final report is unclear and documentation received is insufficient to draw conclusions on eligibility of costs, the CA shall request **additional clarifications and documentation** form the Coordinator. The deadline for approval of reports and payments shall be suspended until Coordinator provides requested additional clarifications and documentation. Remaining days of the above-mentioned deadline/period will be continued from the date when additional information/documentation is officially received by the CA. Coordinator has 30 days to respond to the CA requests. In case that Coordinator does not provide sufficient clarification, CA may request additional clarifications or decide to rule out reported expenditure upon assessment.

In the case that some expenditure is found to be **ineligible** (either through the CA/Control Body checks), the CA shall proceed to partial payment or recovery, notifying the beneficiary of the reasons (with a copy to the Control Body and the JTS).

***NOTE:*** *Deadline for approval of the report/additional documentation and further pre-financing payment start from the date when* ***documentation is officially registered in the CA registry office.***

*Furthermore, if Coordinator fails to provide any additional information requested by the CA regarding Interim report during verification process within the set deadline without an acceptable and written explanation of the reasons, the CA may also decide to terminate the Contract according to Article 12.2 of the General Condition.*

1. Coordinator is notified by the CA about Interim report approval, eligible costs in the reporting period and accordingly requests revised Payment request. On the bases of this Coordinator receives further pre-financing.

## Final report

Final report is **covering whole implementation period** set in the Article 2 of the Special conditions and shall be enclosed together with the request for balance payment of the final amount of the grant.

Final report consists of narrative and financial reports including supporting documentation consisting of delivered outputs and documentary proofs of the implemented activities and expenditures incurred in the last reporting period.

**Procedure for submission of Final report is as follows:**

1. Coordinator in collaboration with Co-beneficiaries prepares Final report and supporting documentation (see *Section 5* and *Section 7* above) and send draft version to JTS for consultation and support.
2. After consultation with JTS, Coordinator prepares Request for balance payment with the Final narrative and financial report in English and all relevant supporting documentation. **Structure of the documentation** provided (printed out and electronic versions) should be as follows:
* Request for payment (see *Annex V of the Grant contract*)
* Final narrative report (Word and PDF) (see *Annex VI of the Grant contract).*
* Final financial report (Excel and PDF) (see *Annex VI of the Grant contract).*
* Expenditure verification report (if applicable) (see *Annex VII of the Grant contract).*
* ***NOTE:*** *The Coordinator shall submit a Cover letter clearly stating the content of the submitted Final report and supporting documents.*
* **Project activities and outputs** **(folder)** consisting of folders linked to specific activity structured in the order of activities listed in Description of the Action (A1.1, A1.2…. A2.1…A3.1, etc.). Each folder linked to specific activity that is implemented in the reporting period should contain all documentary evidence for the activity implemented and related outputs. Example of structure for electronic version of documentation:

 **Activity 1** Trainings ► A1.1 documentation ►A 1.2 documentation, etc.

 **Activity 2** Study ►A2.1 documentation ► A2.2 documentation, etc

* **Financial documentation (folder)** consisting of folders structured per budget headings (BH1, BH2, BH3, etc.). Each folder linked to specific budget heading should be further structured in sub-folders per budget lines that should contain chronological documentary evidence for the budget line in question. In addition, should be provided Detail breakdown of expenditure (Excel), Calculation of project team salaries (Excel), Bank statement that interest is not yielded on the project bank account, Bank statement with further pre-financing payment (if applicable) and Transfer of ownership. Example of structure for electronic version of documentation:

**BH1** Human resources

**►**BL 1.1.1 Project manager (engagement contract, for the 1st month - time sheet, payslip, statement on paid salary tax and social security contributions, bank statement; for the 2nd month - time sheet, etc.)

►BL 1.1.1.2 Financial officer, etc.

**BH2** Travels ►BL 2.1 ►BL 2.2, etc.

* **Folder Procurement** **(folder)** consisting of folders structured per procurement procedure implemented in the reporting period. Each folder linked to specific procurement procedure should consist of sub-folders with documentation grouped per stage of procurement procedure: Invitation with justification of choice and tender dossier (tender documentation sent to tenderers), Tender offers and Tender evaluation. Example of structure for electronic version of documentation:

**Tender 1 ►** Invitation and Tender dossier ►Tender offers ► Tender Evaluation ►Contract.

***NOTE:*** *Electronic version of documentation* ***must be of the same*** *content as printed out versions. In case of any discrepancies,* ***hardcopy versions shall prevail****.*

*In case that indicated structure of the submitted supporting documentation of the Interim report is not respected* (*messy documentation), CA shall request resubmission of documentation.*

1. **Coordinator** **submits Final report with supporting documentation to the CA with a copy to the Control Body** **no later than 90 days[[3]](#footnote-4)** following the end of the reporting period (end of implementation period). Documentation should be submitted in **2 printed out versions** (2 hard copies) and **2 electronic versions (scanned original documents provided on CD or USB)** in the following way:
* **To CA:** 1 printed out version + 1 electronic version of all documentation submitted. Documentation should be sent to the following address:

**Ministry of Finance,**

**Department for Contracting and Financing of EU funded Programmes (CFCU)**

**Division for Tender Preparation and Contract Management**

Balkanska 53,

11 000 Belgrade, Republic of Serbia

On the outer envelope please mark project title and contract number

* **To Control Body:** 1 printed out version + 1 electronic version of all documentation submitted.

**Ministry of Local Self Government**

**Control Body (Sector for Financial Affairs)**

**Str.Kiril I Metodij nr.54 (Archive of MoLSG, base floor)**

**1000, Skopje, Republic of North Macedonia**

On the outer envelope please mark project title and contract number

***Important:***

A copy of the reports referred to in Article 4.1 of the Special Conditions shall be sent to the concerned service of the European Commission, at the following address:

**Delegation of the European Union to the Republic of Serbia**

**Vladimira Popovica 40, GTC Avenue block 19a**

**11070 Belgrade, Serbia**

**The report sent to EU Delegation should contain the following originals (supporting documents are not needed):**

* + - **Request for payment**
		- **Narrative report**
		- **Financial report**
		- **List of expenditure**
		- **Expenditure verification**

***NOTE****: In case Coordinator fails to submit Final reports on time, it is obliged to provide written explanation (Notification Letter signed by authorized person and send in hard copy and via email) to the CA and Control body, copy JTS. If the report is not sent within given time, and upon assessment of the project progress, CA may decide to terminate the contract in accordance with the General conditions.*

1. **CA and Control body conduct its procedures for verification of the submitted report** (see *Section 7* above). Assessment of the project progress and eligibility of costs are implemented through desk-based and on-the-spot verification. Deadline for approval of the report and balance payment is **90 days from the submission date of the request for payment and report**.

After desk-based and on-the-spot checks related to Interim/Final report have been performed by the Control Body for the Grant beneficiaries in North Macedonia, it shall issue a **Declaration of eligible expenditure** to the CA, detailing the expenditure found to be eligible and outlining reasons for any expenditure found to be ineligible.

If the verification checks conducted by the CA and Control Body have **positive findings**, documentation submitted by the Coordinator (Coordinator) shall be approved and with the CA will proceeding with payment procedure. Notification on Interim/Final report approval will be sent to the Coordinator, with a copy to the Control Body and the JTS.

Where information in the Interim/Final report is unclear and documentation received is insufficient to draw conclusions on eligibility of costs, the CA shall request **additional clarifications and documentation** form the Coordinator. The deadline for approval of reports and payments shall be suspended until Coordinator provides requested additional clarifications and documentation. Remaining days of the above-mentioned deadline/period will be continued from the date when additional information/documentation is officially received by the CA. Coordinator has 30 days to respond to the CA requests. In case that Coordinator does not provide sufficient clarification, CA may request additional clarifications or decide to rule out reported expenditure upon assessment.

In the case that some expenditure is found to be **ineligible** (either through the CA/Control Body checks), the CA shall proceed to partial payment or recovery, notifying the beneficiary of the reasons (with a copy to the Control Body and the JTS).

***NOTE:*** *Deadline for approval of the report/additional documentation and balance payment starts from the date when* ***documentation is officially registered in the CA registry office.***

*Furthermore, if Coordinator fails to provide any additional information requested by the CA regarding Final report during verification process, within the set deadline and without an acceptable and written explanation of the reasons, the CA may also decide to terminate the Contract according to Article 12.2 of the General Condition.*

1. Coordinator is notified by the CA about Final report approval, final eligibility of costs in the project implementation period and accordingly requests revised Payment request for final balance. On the bases of this Coordinator receives balance of the final amount of the grant.

## Progress report

In addition to the regular reports the Grant beneficiaries are preparing **Progress reports** which serve as monitoring tool for the programme bodies. Please see template for Progress report under *Annex 3.1*.

The Coordinator shall submit progress reports all along the period of implementation of their contract, as well as upon the submission of the final narrative report of the contract quarterly.

These reports will be **submitted to the CA and JTS** of the programme following a specific template provided under *Annex 3.1* of this Manual and emailed no later than 2 weeks after the expiration of each quarterly period to the CA project manager and JTS.

The report will 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.

# VISIBILITY ACTIVITIES

*Related annexes:* ***Annex 6***

The Grant Beneficiary should take all necessary steps and measures to ensure the visibility of the Project that is co-financed by the European Union in line with the Grant contract. Such measures must comply with the EU’s Communication and Visibility Manual for European Union External Actions laid down and published by the European Commission. The Visibility Manual and a range of templates and examples for promotional activities (e.g. newsletters, brochures, leaflets, posters etc.) can be downloaded (in English) from: <https://ec.europa.eu/international-partnerships/system/files/communication-visibility-requirements-2018_en.pdf>

Grant beneficiary is obliged to comply to the visibility rules during organisation of seminars, conferences, trainings, opening/final events or other similar events as well as for all purchased equipment and produced leaflets, posters, brochures, banners, etc. In the Interim and Final narrative reports Grant beneficiaries report on visibility and promotional activities implemented and provide documentary evidence as supporting documents with this regards such as copies of publications in printed media, copies of media plans and recording of ads/presentations in electronic format, etc.

**Guidance on visibility requirements** is in *Annex 6.2* of this Manual with practical recommendations to the Grant beneficiaries how to proceed with this regard, to help them understand the rules as well as provide ideas and advices on how the promotional activities can be as effective as possible.

Grant beneficiaries should develop **Communication plan** *Annex 1.7* for the implementation of the Action (project). Draft versions should be consulted with the JTS and Visibility officers. All designs of printed materials must comply with the visibility requirements. JTS and Visibility Officer as well as CA and Control Body, as applicable must be consulted before printing or producing any promotional materials.

***NOTE: Not complying with the rules on visibility, publicity and communication may result in ineligibility of costs of the products/deliverables****, which are improperly equipped with the visibility signs. Therefore, it is recommendable to consult* ***JTS and Visibility Officer*** *anytime when some doubts regarding application of the visibility requirements occur.*

# IRREGULARITIES

**Irregularity means** any infringement of a provision of applicable rules and contracts resulting from an act or an omission by an economic operator which has, or would have, the effect of prejudicing the general budget of the Union by charging an unjustified item of expenditure to the general budget.

**Irregularity signal** is information of any discrepancy, inconsistency or possible infringement which may fall within the definition of irregularity or suspected fraud, for which at the moment of its submission to the Operating structure bodies there is no PACA (written assessment). An irregularity signal indicates that an irregularity might have been committed but that information needs to be verified and assessed whether it constitutes an irregularity or not.

JTS shall alert CA in case of irregularity signal.

There are **different categories and type of irregularities**:

* Fraud, Corruption, Conflict of Interests
* Technical, Contractual, Financial or Administrative (Any of those irregularities can be Intentional or due to error and irregularities may have, or not have, a financial impact. Their nature may appear to be Systemic or of the One-off irregularity type)
* Irregularities by type of infliction – intentional or unintentional
* Irregularities by type of impact – with or without financial impact
* Irregularities by nature – systemic, one-off irregularity
* Errors

Suspicion of irregularity or fraud committed in the course of management and implementation of the grant financed by the CA can be reported **by e-mail** to the following addresses: irr@mfin.gov.rs cfcu.nepravilnosti@mfin.gov.rs; prijava.nepravilnosti@mfin.gov.rs; Control Body: gazmend.dalipi@mls.gov.mk; gazi\_99us@hotmail.com; asimjan.pj@gmail.com; fatime.aiseni@gmail.com or directly to AFCOS Serbia: afcos.serbia@mfin.gov.rs or European Anti-Fraud Office (OLAF):olaf-courrier@ec.europa.eu

In case that the Programme bodies detect any irregularity or unduly paid amount (e.g. during the day-to-day management, or during monitoring or verification checks), or in case the Programme bodies are notified of such cases and confirmed, **the irregular amount** shall be:

* **Deducted from the next payment to the Coordinator -** if the irregularity is confirmed during the project implementation
* **Recovered by the Grant beneficiary -** if the irregularity is confirmed after the final payment has been made.

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1. Please note that the annexes to the Grant Contract are not the same as the annexes to this document [↑](#footnote-ref-2)
2. For grant contracts awarded under the 2nd CfP within the CBC SRB-MK 2016-2020 the applicable ***PRAG with annexes is Version December 2021 - 15/12/2021*** [↑](#footnote-ref-3)
3. The deadline for submission of the Final report is extended to 6 months where the Coordinator does not have its headquarters in the country where the Action is implemented. [↑](#footnote-ref-4)