EUROPEAN TERRITORIAL COOPERATION 2007-2013

CENTRAL EUROPE

COOPERATING FOR SUCCESS.

IMPLEMENTATION MANUAL

VERSION 2

EUROPEAN UNION
EUROPEAN REGIONAL DEVELOPMENT FUND

TABLE OF CONTENTS

0. INTRODUCTION NOTE

This Manual provides an overall view on the management of approved CENTRAL EUROPE projects, from their contracting throughout their implementation and until the closing stages. According to the evolution of the Programme itself, these contents will be complemented with ad-hoc fact sheets intended to provide updated detailed information, especially for those topics in which a higher degree of support to projects is needed. Together with the Control and Audit Guidelines, in which reporting of expenditure and verification and validation procedures are developed, the Manual is the basic guidance tool for coordinators and finance managers regarding the most common situations that Lead Partners and Project Partners will be confronted with when managing their projects.

The use of this release of the Implementation Manual (Version 2.0) is binding as from 05.08.2011.

1. START-UP PHASE

1.1 Subsidy Contract

Should the project be selected for funding and fulfil the conditions set by the Monitoring Committee, and on the basis of the Lead Partner principle, a Subsidy Contract between the Managing Authority and the Lead Partner will be concluded. A model of the Subsidy Contract is made available on the programme's website.

The Subsidy Contract lays down all the necessary implementing arrangements for a project, more specifically:

- The object of use (approved work plan, eligible budget, maximum ERDF amount of funding, start and end date of implementation, closure of the project);
- General conditions for eligibility of costs;
- Changes and budget flexibility thresholds;
- Procedure related to requests for payments, reporting requirements and deadlines for submission of progress reports;
- Rights and obligations of the Lead Partner;
- Validations of expenditure and Audit of projects;
- Necessary accounting documentation and indication of the archiving period of all project-related supporting documents, with specification of the period to be respected in case aid has been granted under the *de minimis* regime;
- Procedure for recovery of unduly paid out funds;
- Publicity, ownership (including dissemination rights) and generation of revenues;
- Assignment, legal succession and litigation.

The approved Application Documents, including the final approved Application Form and the approval decision of the Monitoring Committee form an integral part of the Subsidy Contract.

Contracting procedure

After the approval by the Monitoring Committee is granted, or once the eventual requests for improvement have been fulfilled by the project, the Managing Authority via the Joint Technical Secretariat (JTS) will send an individualized Subsidy Contract offer to the Lead Partner which has two months for accepting it and sending back two originals dated, initialled in all pages, stamped and signed by the legal representative of the Lead Partner institution. The signed document must also provide the following information:

- Details of the bank account – whenever possible separate for project purposes and in Euro - installed by the Lead Partner for the settlement of the project;
- Details of the controller[1] who will carry out – in compliance with the Control & Audit Guidelines – the eligibility checks of the Lead Partner's expenditure.

The Lead Partner will then receive back one original Subsidy Contract countersigned by the Managing Authority. As from the date of signature by the Managing Authority the contract enters into force and several deadlines apply:

[1] First Level Control body and name of the controller authorized to sign the Confirmations of Control.

- The project shall start within two months[2];
- The Lead Partner shall present a Start-Up report within three months, including evidence of the signature of the Partnership Agreement by all Project Partners.

1.2 Partnership Agreement

According to Article 20.1 (a) of the ERDF regulation, the Lead Partner shall lay down the arrangements for its relation with the Project Partners in an agreement. Whereas the Subsidy Contract establishes a legal base between the Managing Authority and the Lead Partner, the Partnership Agreement establishes this legal base between the Lead Partner and all Project Partners.

The CENTRAL EUROPE Programme provides a template for the Partnership Agreement on the website. This template provides the minimum requirements needed, meaning that the provisions may be specified or additional contents may be included in order to tailor the agreement to the needs of the partnership. The specifications and additional provisions must in any case be in line with the Programme-objectives and the legal framework as indicated in the Subsidy Contract and in the Partnership Agreement itself.

The Partnership Agreement lays down provisions regarding:

- The Project Partners' responsibilities and contributions to the work plan, including a detailed timetable of implementation of activities;
- The Project Partners' budgets split per work package, budget line and reporting period[3];
- The reporting requirements, both internal and external towards the Managing Authority;
- The provisions for ensuring sound financial management, including accounting and documentation obligations;
- Location of Project Partners' supporting documents relating to expenditure and audits, including all documents required for an adequate audit trail;
- Internal arrangements for recovering amounts unduly paid;
- Internal arrangements for decommitment of project funds;
- Only where applicable, the method for the calculation of sharing common costs and the split of the shared common costs per Project Partner, per work package and per budget line[4];
- The ownership of project results (provisions regarding the industrial and/or intellectual property rights, and regarding dissemination rights);
- Revenues after project closure;
- Applicable law, place of jurisdiction, procedures for litigation.

[2] To be understood as latest deadline possible. Project can start implementation also prior to countersignature of the contract by the MA, according to the start date stated in the final approved Application Form.

[3] A model template of a budget breakdown is available on the Programme website.

[4] Applicable only for projects approved in the 1st and 2nd call for proposals.

The Partnership Agreement has to be signed by the Lead Partner and by all Partners, either in one single document, or as bilateral documents between Lead Partner and every Project Partner. In case the bilateral option is preferred, all bilateral agreements must include a clause that interlinks them.

Experience shows that some Project Partner institutions might require the signed Subsidy Contract and the signed Partnership Agreement prior to starting the implementation of activities and incurring expenditure. In this sense, measures should be taken in order to speed up the signing process.

1.3 Setting-up project structures

Once the proposal is approved by the Programming bodies after the initial funding decision and the fulfilment of the necessary requests for improvement, the concrete implementation can start. The first phase (start-up phase) is of specific importance since it may influence the whole implementation process: delays incurred in this phase may be difficult to be caught later.

As a general principle, partnerships should be ready to define the **work plan and time table** in detail. The usual time gap between project development, submission of the Application Form and actual start of implementation consists of several months up to a year. This means that adaptations to the original work plan or timetable might be needed. Several readjustments can also be required by the Programming bodies as part of the conditions for approval.

Gantt-charts might be an effective tool for realistic planning of work packages, project phases and milestones.

In addition to defining the plan, the partnership also needs to develop a structure for implementing and steering the project. In line with the flowchart submitted together with the AF, the **management structure(s)** have to be established. This requires, amongst others, that every Project Partner nominates its representative(s) for the project management bodies. Many projects foresee a structure composed of a:

- General project and partnership coordination & decision-making (e.g., Steering Committee);
- Day-to-day management and coordination (e.g., Coordinator, Financial Manager);
- Thematic coordination (e.g., group of WP-leaders).

Depending on the size of the partnership, sometimes also national representatives are foreseen dealing with the respective Project Partners in their national territories.

Whatever the number of involved management bodies, it is important that rules of procedure are clearly settled for each of them (intra-body level), and that rules are defined for exchange and communication between all of them (inter-body level).

The persons nominated and in charge of the different functions should have the necessary capacities (e.g. language skills, knowledge of the theme) as well as the competences (e.g. to take decisions) in order to allow for a proper and timely fulfilment of their tasks.

If tasks are outsourced (e.g., Coordinator), the tendering processes have to be carefully prepared and organized. Time needed for a proper finalization of a tendering process should never be under-estimated and provisions should be foreseen for the implementation of the start-up phase even without having these functions in place.

While project outcomes, structure and responsibilities are defined on a very technical basis, Project Partners should also strive to develop a **common working culture**. Several measures and tools can support this process (e.g. definition of core values for collaboration, feedback culture). The performance of a partnership – and hence the success of a project – depends to a large extent on whether or not a good working atmosphere has been established. Against this background, it is worth to invest some time for these soft measures during the start-up phase.

If foreseen in the approved Application Form, provisions for **evaluation** and project review should also be settled during this start-up phase. All related questions (e.g. internal or/and external evaluation, timing, form) should be clarified between the Project Partners. In order to exploit such exercises for the sake of the project implementation, the Project Partners should agree on how to integrate the evaluation results into the running project. Key indicators should be defined as soon as possible.

Further elements to be considered during the start-up phase will be covered in the following chapters.

1.4 Start-up report

In order to allow the Programme bodies to have evidence of the actual start of the approved projects, and to have updated information regarding some relevant contact details, a Start-up report will be required. A model of this report is made available on the programme’s website.

In general, the Start-up report contains the following information, partly already included in the Partnership Agreement:

- Details on the Lead partner’s bank account;
- Details on the project coordinator, the project financial manager and on the project communication manager;
- Details on the Lead Partner’s controller, in case this information could not be provided directly in the Subsidy Contract (i.e. in decentralised First Level Control systems);
- Details on the Project Partners´ controllers;
- Composition of the project Steering Committee, identifying the representatives of each Project Partner;
- Location of Lead Partner’s supporting documents relating to expenditure and audits, including all documents required for an adequate audit trail (e.g., project documents such as Application Form and Progress Reports, invoices and other documents of equivalent probative value related to project expenditure, control validations, checklists and internal control reports).
- Method of calculation of the EURO exchange rate for Project Partners located outside the Euro-zone.

An individualized Start-up report template will be provided to the Lead Partner by the JTS containing the basic information already included in the approved Application Form. As already outlined, a Start-up report has to be submitted within three months after the Subsidy contract has entered into force.

1.5 Preparation Costs report

When foreseen in the approved Application Form, and if confirmed as eligible, those projects having incurred costs for the preparation and submission of the project proposal can claim the reimbursement of the related ERDF funds by submitting a Preparation Costs Report.

The contents of the Preparation Cost report refer to the Work package 0 in the Application Form, specifically to the corresponding columns in table 4 and in table 6 of the budget section. Only budget lines foreseen in the AF and only Project Partners involved according to the AF can be considered for requests of reimbursement.

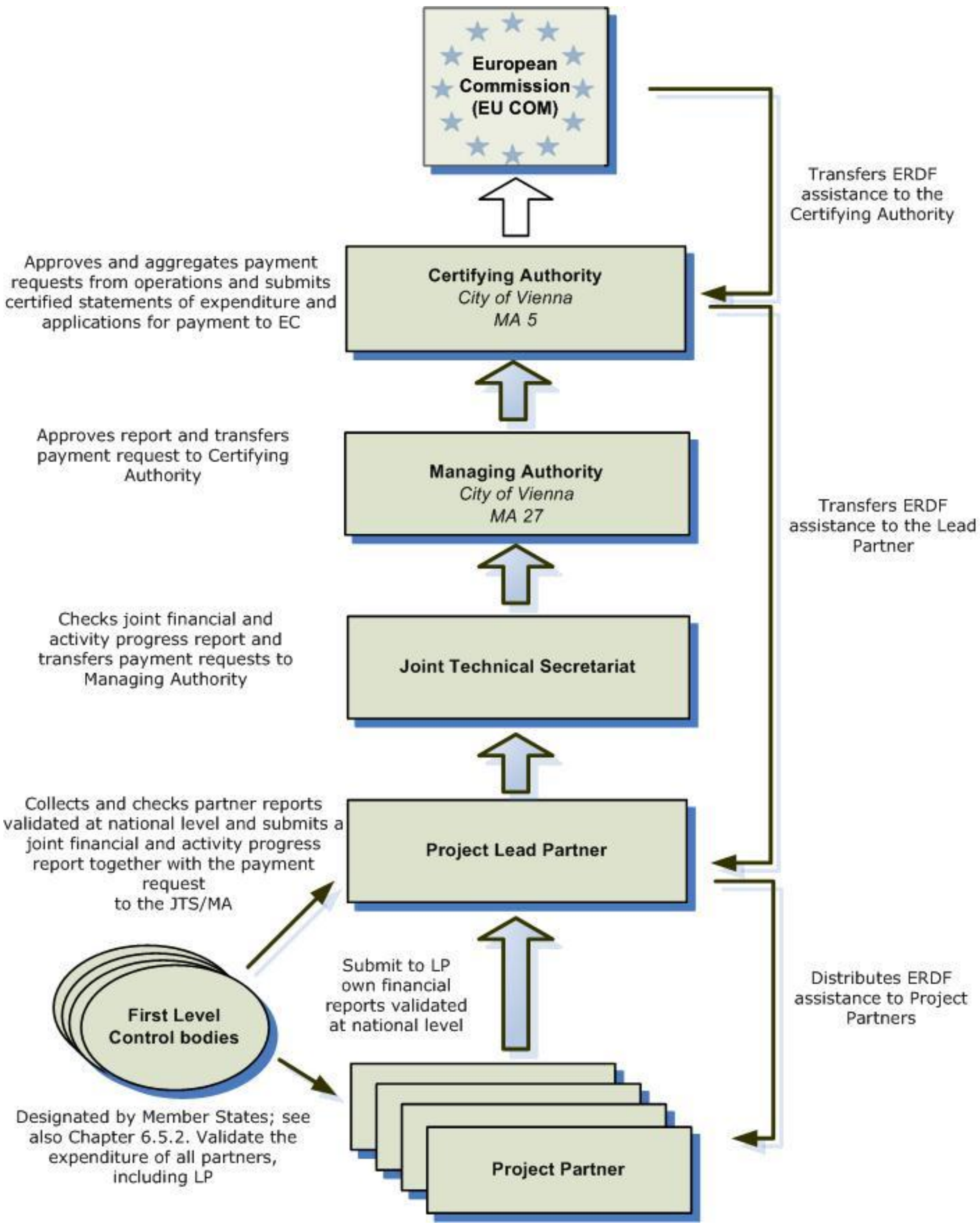
A model of the Preparation Cost report is made available on the Programme's website. A personalized Preparation Cost Report template will be provided to the Lead Partner by the JTS for all those approved projects which have foreseen such costs in the approved Application Form.

This report has to be submitted at the latest together with the first Progress Report.

2. PROJECT REPORTING AND PAYMENT

According to the Subsidy Contract concluded between the Managing Authority and the Lead Partner, one of the Lead Partner's obligations is to regularly report on the progress of the project. This reporting is done through joint progress reports submitted to the JTS twice a year. The joint progress report consists of an activity report and a financial report and personalized templates will be provided to the Lead Partner by the JTS in due time. Internally, projects are recommended to set up reporting schemes from the partners towards the Lead Partner that mirror the contents of this template, both in activity and in financial terms.

As presented in the CENTRAL EUROPE Operational Programme, the reporting and payment flows can be summarised in the following chart:



2.1 Reporting periods

The reporting periods cover on a regular basis a time span of six months counting from the start date of the project specified in the approved Application Form. Nevertheless, especially as far as the last implementation periods are concerned, a merging of two reporting periods is possible as long as the combined reporting period does not exceed nine months.

2.2 Submission of reports

The project-specific reporting periods as well as the deadlines for the submission of the progress reports are clearly laid down in the Subsidy Contract (§ 5.4). The deadline for submission is two months after the end of the period. For example, the report for the period October 2009 to March 2010 will have to be submitted by the 1st of June 2010 at the latest. This deadline must be understood as the latest possible date, meaning that if a project is ready to submit the progress report before the set date it can actually do so.

Nevertheless, and due to the different time needed for obtaining validations of expenditure depending on the first level controllers of the different Project Partners involved, projects may face the lack of one or more control validations by the deadline for submitting the report. Two options can be followed in these cases:

a) The Lead Partner requests a **postponement of the reporting deadline**: such request must be put forward to the JTS at the latest one week prior to the due deadline. The request must be accompanied by a list of the Project Partners which have not received their validation, the amounts involved and the date in which these partners have submitted their expenditure to the relevant controller;
b) The Lead Partner submits the progress report and if during the analysis of the report by the JTS the validations of expenditure are received, then it would be possible to include them during the analysis of the Progress Report.

In all cases, the reports and all annexes must be submitted in electronic version to the JTS. The e-documents shall be uploaded on the intranet section of the CENTRAL EUROPE website dedicated to each project. The link and username/password are communicated to the LP.

All financial annexes (as listed in § 2.4) must be uploaded as scan of original documents. Original documents must be provided in hard copy upon completion of the analysis of the concerned report (as described in § 2.5).

An e-mail communicating **the completion** of the upload of the report and of all annexes has to be sent by the LP to the JTS at the following address:

reports@central2013.eu

The date of such e-mail is relevant for the purpose of compliance with the timeframe for project reporting, as set in § 5.4 of the Subsidy Contract.

Confirmation of receipt of the electronic version of the report and annexes will be sent by the JTS within two working days from the upload of the documents. In case of delays in submitting the reports, a reminder will be sent by the JTS to the Lead Partner. In the absence of any response, Lead Partners are reminded that the failure to submit the required reports qualifies as a basis for termination of the Subsidy Contract (please refer to § 15.1.e of the contract).

2.3 The activity report

In addition to its importance as tool for presenting the projects achievements, the activity report allows also for the verification of the progress of the project in implementing the work plan as described in the approved Application Form. It consists of three sections:

a) **the general section:** projects will be requested to provide an overview of the activities carried out during the period and of the degree of achievement of the project's objectives and results, to report on the level of involvement of all Partners and to explain the main problems faced during the period;
b) **the indicators section:** the report will allow to measure the degree of achievement of the quantitative targets presented in Section 2 of the Application Form (Project outline), by the provision of indicators both for the reference period and, in aggregated form, since the beginning of the project. Other indicators needed for programme purposes will also be requested here. As far as communication is concerned, the main related indicators are presented in chapter 3.1.;
c) **the work plan section:** a detailed description of the activities carried out during the period for each work package as well as a quantification of the related outputs and results must be given in this section.

When compiling the activity report, the Lead Partner must pay special attention to the clarity of the information given, its degree of detail and the coherence between the different sections and with the financial report.

In order to allow for a verification of the existence of the project, the Lead Partner must ensure that as annexes to the activity report the following documents are submitted:

- agenda, minutes and list of participants of all meetings held during the period;
- all promotional material produced during the period;
- all relevant deliverables of the project such as reports, studies, SWOT analysis, etc.;
- any other output that the Lead Partner may deem important
- for the first Progress Report the submission of a Communication Plan is obligatory. Please find further details and information on the Communication Plan under chapter 3.1.

In addition to these annexes, and as stated in the Subsidy Contract, the Programme bodies are entitled to request any other relevant information as well. All annexes will be examined during the analysis of the progress report.

2.4 The financial report

The expenditure paid out by all Project Partners during the reference reporting period is combined into a joint financial report. Only expenditure which has been confirmed as eligible by the reference controllers can be included in the report. Even if in principle the expenditure reported will correspond to those payments made during the period, also expenditure paid during previous periods[5] can be included if:

- It refers to full expenditure of the previous period(s), if the validation from the controllers was received after the monitoring of the previous progress report(s) was concluded;
- It refers to specific items of expenditure from previous period(s) for which the validation as eligible was pending the resolution of contradictory processes between the Project Partner and its controller;
- It refers to specific items not claimed in previous Progress Reports.

In the joint financial report, all validated expenditure will be presented divided:

a) per work packages,
b) per budget lines,
c) per Project Partners.

The financial report will also include a **payment request** in which the Lead Partner will confirm that the expenditure reported has been incurred by itself and by its Project Partners for the purpose of implementing the project and that it corresponds to the activities laid down in the approved Application Form.

Even if primarily it is a Lead Partner responsibility, the JTS will also verify that the expenditure has been validated by the relevant controllers according to the system chosen in each Member State. For this purpose, all validations issued by the controllers (Confirmations of Control and Breakdown of validated Expenditure) must be uploaded as scan of original documents and further enclosed as hard copies of the final version of each financial report. These validations must be accompanied by the compulsory elements as presented in the control & audit guidelines (i.e. a scan of the internal control report and the control checklist). The JTS will request evidence of the delivery of the internal control report and the control checklist referring to each Confirmation of Control in the early stages of project implementation (i.e. first two reporting periods). However, such evidence might be requested throughout the whole project implementation on a case by case basis. For further details please refer to chapters 3.7 and 3.8 of the Control & Audit Guidelines).

2.5 Processing of reports

As a general rule, the incoming progress reports are processed by the JTS according to their arrival date. Each progress report will be analysed by two JTS staff members: the desk-officer of the project (Project Manager) will monitor the implementation of activities whereas a Finance Manager will deal with all finance-related sections. All reports will undergo the following phases:

a) upon receipt, the reports will be subject to a **conformity check** in which certain administrative elements are controlled. These controls refer mainly to the completeness of the report (i.e., all sections of the report and all validations of expenditure have been delivered). Should errors detected during this phase be

[5] Not applicable for WP0 (Preparation Costs).

significant, the project will be requested to provide clarifications or even to resubmit the report, otherwise the next phase can be initiated;

b) as a second phase, the report will undergo the **monitoring of its contents**. If the information delivered in the progress report is insufficient, the JTS will ask for further information or clarification from the Lead Partner, which should provide the necessary answers within the set timeframe. As presented in the previous subchapter, during this process the project may add additional validated expenditure for which the Confirmation of Control from the controller was not initially available. All updates of the progress report will be made only on the electronic version of it. Should the requests for information not influence the contents of the report itself, answers will be provided by means of a clarification form without the need of updating the progress report. The decision on whether to apply one or the other procedure will be taken on a case-per-case basis;
c) once all requests for clarification have been solved, the Lead Partner is requested to submit the report in hardcopy, including originals of the validations of expenditure referring to all expenditure included in the report. This hardcopy of the report will be subject to a **conformity check**[6]. If no further problems are raised, the report is approved and a notification is sent to the Managing Authority who launches the necessary control steps for the payment procedure. The JTS will directly inform the Lead Partners about the conclusion of the technical monitoring process.

The number of clarification rounds and the overall duration of the processing of progress reports are influenced by the quality of the reports themselves.

2.6 Payment

Once the monitoring of the progress report has been completed, the JTS is in charge of transferring the request for payment to the Managing Authority, which after having verified that all contractual clauses and other requirements of the audit trail have been respected, will transfer at its turn the payment request to the Certifying Authority which completes all necessary control procedures. If the checks performed by the Certifying Authority on the expenditure declared lead to a satisfactory result, the payment procedure for the ERDF amount claimed will be launched. A notification on the date in which the transfer of funds to the bank account of the Lead Partner has been undertaken will be submitted by the Certifying Authority. As stated in § 2.3 of the Subsidy Contract, Partners should be aware that disbursement of funds by the Certifying Authority is subject to the condition that the European Commission makes the necessary funds available:

a) Should funds be available, and both Managing Authority and Certifying Authority have satisfied themselves that all procedures are correct, disbursement of funds by the Certifying Authority will take place within one month from the approval of the progress report by the Certifying Authority;
b) Should no funds be available, Lead Partners will be duly notified in this respect and a provisional date for the expected payment will be announced.

[6] In addition to the conformity check mentioned in point a) the JTS will also verify that the report has been signed by the relevant responsible person of the Lead Partner's institution and that the final electronic and hardcopy versions are identical.

It should be noted that the controls performed by the Managing Authority and the Certifying Authority may result in additional requests for clarification to the Lead Partner even if the report was technically approved by the JTS.

After receipt of funds from the Certifying Authority, the Lead Partner is obliged to transfer in time and in full the share of ERDF which corresponds to each Project Partner.

3. COMMUNICATION, DISSEMINATION AND KNOWLEDGE MANAGEMENT

3.1 Guidelines

Communication, Dissemination and Knowledge Management play an important part in project implementation. In addition to the general guidance herewith presented, a communication manual is provided together with communication and media training to be organised by the JTS and is available on the Programme website.

The communication plan

Each project has presented its communication strategy in the approved Application Form; for this purpose, actions and outputs as well as their related budget have been defined in Work Package 2. When it comes to implementing and fine-tuning this strategy, a detailed communication plan should be particularly helpful to guide all Project Partners and is an essential output of Work Package 2. Every Lead Partner will be asked to submit a detailed Communication Plan to the JTS together with the first progress report.

CONTENTS OF THE COMMUNICATION PLAN

A communication plan should at least include the following information:

- **Objectives:** Why are you communicating? What is your goal, what do you want to achieve (e.g. awareness raising, changing public policy, building stakeholder relationships, informing/involving potential users)?
- **Audiences:** With whom do you want to communicate? Who are your target groups? How do you research/acquire contacts of your targets? When producing publicity materials (e.g. brochures) it is not only important to have a detailed dissemination plan so that the material actually reaches your targets and does not sit in the shelf but you will also need a clear idea of how many targets you reach throughout the lifetime of your project to be able to submit the required communication indicators in your progress reports.
- **Messages:** What are your key messages (i.e. short memorable phrase that characterizes your project, its activities and goals)? What do you want to convey? How to explain what you are doing in two to three sentences. To reinforce these messages you may also want to create a marketing slogan for your project.
- **Tools:** Which media-related and non-media-related tools are you going to use, i.e. what are the materials and channels through which you want to reach your audiences (e.g. press releases, press events, web site, blogs, events, speaking opportunities)?
- **Evaluation/feedback:** How do you measure and document whether you reach your audiences? (See our reporting/indicator section below)?
- **Communication work plan:** Who is responsible? Who does what and when? Please note here that the AF asks for the nomination of a qualified communication manager with sufficient experience in relation to non-media and media communication or to indicate whether you want to outsource these responsibilities, for instance to a professional communication agency. The JTS will offer communication training to project partnerships, which will discuss many of these issues and also provide an opportunity for exchange of good practice and ideas for good project PR between project partnerships.

External communication/Media

As part of preparing and implementing media-related project communication, it is recommended that projects establish a list of major regional and national media (newspaper, radio, television) for each Project Partner. Any major project information activities are to be accompanied by media relations announcing the activity and inviting media representatives to take a note of it. It is recommended to establish personal rapport with media representatives by phone or personal contact as follow-up to sending press releases.

Experience shows that continuous media involvement works best when linked to project events, which also provide a good occasion for other PR activities (e.g., photo opportunities). When talking to the media, Lead and Project Partners are strongly advised to point out to the media that the project is co-funded by the European Union/European Fund for Regional Development.

Once your project has been featured by the media, get back to the journalist and ask for a copy of the article/story. You will be required to collect all relevant press articles and estimate how many of your targets were reached (e.g. by getting circulation figures or audience rates).

Project identity

A unique visual identity facilitates to connect with target audiences. It is, therefore, recommended to develop an attractive graphic design, which helps branding all communication products and maintains visual continuity across all physical manifestations of the project. The project's graphic identity should appear on all products and carriers of external communication, such as letterheads and business cards, websites, promotional material, documents and publications.

Project website

The project's website will be the first source of information about the project for people outside, so it needs to contain the right information in a clear, accessible and logically structured way.

BASIC STANDARDS AND TIPS FOR WEBSITE DEVELOPMENT

- **Name/URL:**
The project website should have the project name in its address (e.g. www.projectacronym.eu), thus reinforcing the project identity. Extensions of existing websites of one of the partner organisation are also possible, as long as they carry the project's acronym as part of the Web-URL (e.g. *www.organisationname.eu/projectacronym*).
- **Design:**
Keep the design minimal and professional, avoiding any sound, movement or clashes of colour. Avoid information overload: leave enough empty space. Clarity, accessibility and ease of use are key. Choosing the right company/service provider is crucial. Get several offers. Compare prices and quality of service. Check their references. Make sure you get value for money[7]. When working with Content Management Systems ask for freeware (e.g. Typo3).
- **Structure:**
Good websites have a system of links among the pages that is intuitive, straightforward, and reflected in a clear navigation facility that makes it obvious to users where in the site they are, and how to get to wherever else they want to go. The easier it is to use, the longer users will stay at the site, and the more they will see. Links to all key pages or sections of the site should be displayed on the front page, and every page should contain a standard set of links to other key pages or sections, since not all users will arrive at the home page. Make your structure hierarchical and as shallow as possible: no page should be more than two clicks away from the home page.
- **Content:**
The project website must include clear information about the project aims, its activities, expected results, partners and the amount of EU co-financing received. It should also display the contact details of one competent contact person for each Project Partners that can be reached by any interested person for further information on the project. Project websites are to be updated regularly, informing about activities completed, outputs delivered and results achieved. Some more basic rules are: Be clear (see language), break up your text with sections and bullet points, so it is easier to read (people read differently on websites than they read on paper). Highlight key words in bold. Be concise. Avoid long texts that require users to scroll down.
- **Statistics:**
Project statistics are important for studying user behaviour and, on the basis of this, constantly improving your website. They provide valuable indicators and information such as website hits, number of average page views per visitor, average time spent on the site, whether visitors come through search machines and on the basis of which key words or whether they access your site directly and from which countries they come. There is a number of free and easy to integrate and use statistics tools available, for example, Google Analytics (http://www.google.com/analytics). Please make sure that whatever program you use to record your web statistics, you are able to collect the web-related indicators for your progress report.

[7] Detailed information on rules to be followed when identifying service providers is provided in par. 3.3.2 of the Control & Audit Guidelines.

- **Language:**
  As for all communication tools, language is as important as content. Please remember to have a communication professional or English mother-tongue person with good communication skills to write and/or proofread all your English language publications, including the text on your website. A basic rule is “KISS”: Keep it simple and short! It is always to be kept in mind that in terms of projecting a positive image of your project and your partnership and yourself as a coordinator/partner and professional there is nothing worse than using incomprehensible or badly written and badly structured text for your promotional materials and web site. A bad website, brochure or press release can easily destroy the external reputation of a project and achieve the contrary of what was originally intended with your communication actions. The same goes for use of languages other than English, for instance press releases should not only simply be translated but adjusted to national/regional audiences. This requires support from a journalist or PR specialist.

Knowledge management and communication

Please note that there is a strong link between the project’s knowledge management and its communication strategy. Your knowledge management (describes analytical methods and practical tools used for managing the information and knowledge flows within your partnership and beyond) should be supported by and provide valuable input to external communication with your target groups and project environment, for instance by making the knowledge created and shared accessible to wider interested audiences through your project website or by making sure that the knowledge created and/or shared within your project is captured and documented in a clear and easy-to-digest way so that it can be disseminated more widely beyond the partnership.

In the beginning of the project it will first be necessary to take general steps to define and establish the partnership’s identity as well as operating practices to get everybody “in line” and “on message”. Specifically the Lead Partner will have to make sure that all Partners understand and accept the following:

- ***Goals:*** What do the partnership as a whole and individual members hope to accomplish?
- ***Messages:*** What is the project really about, what are the central messages to be used for any external communication?
- ***Roles:*** What are each Partner´s tasks? How does every Partner contribute to external communication?
- ***Processes:*** What are the methods/techniques the Partners will use to perform their tasks, including communication procedures?
- ***Relationships:*** What are the attitudes and behaviors of Partners towards each other?

Reporting and indicators

During the reporting process, the JTS will screen the promotional and communication material and issue recommendations to the Lead Partner if necessary. Lead Partners are asked to take these recommendations into account when implementing their communication plan. Recommendations can, for instance, include a request to undertake proof-reading or seek qualified support, if that should be necessary to improve the quality of communication outputs and, thus, be in line with Programme objectives. As far as indicators are concerned, projects must bear in mind that specific communication indicators must be provided in each progress report. As a result, the Partners must foresee methods for gathering all necessary data.

COMMUNICATION & KNOWLEDGE MANAGEMENT INDICATORS

A) Outreach to selected target groups:

- No. of entities of the public sector/administration addressed
- No. of entities of the enterprise/business sector and related services addressed
- No. of research/technology development entities addressed
- No. of entities providing intermediary services and training addressed
- No. of interest groups addressed
- No. of infrastructure providers addressed

B) Media contacts:

- No. of press releases in general, not related /linked to projects events
- No. of press articles (incl. online media) in local/regional/national/EU press mentioning the project (count each language version)
- No. of incidences of TV or radio coverage
- No. of people potentially reached by press/media coverage

C) Websites:

- Website updated within the last reporting period (y/n)
- No. of website visits
- No. of page views
- No. of links to the site (link: “websitename” in Google)
- Average time on site

D) Publications/PR materials:

- No. of publications produced (folders, brochures, newsletters, etc.)
- No. of PR tools (other than publications) produced (e.g., multimedia tools)

E) Events:

- No. of transnational events organized within the project partnership (SC meetings, working group meetings, etc.)
- No. of open transnational events organised (conferences, trainings, etc.)
- No. of national /regional events organised
- No. of participants at the organised events
- No. of visible participation at other events (presentation and/or stand)
- No. of journalists invited/participating
- No. of press reports on the event

3.2 Publicity obligations

The Commission Regulations (EC) No 1828/2006 (Implementing Regulation), as further amended, sets out a number of specific obligations for information and publicity measures aimed at beneficiaries, potential beneficiaries and the public to be respected by beneficiaries of ERDF Funds. Based on this legal foundation as well as specific Programme requirements the following information and publication responsibilities apply to projects co-financed by CENTRAL EUROPE.

1) All information and publicity measures shall include the CENTRAL EUROPE Programme logo in the form made available explicitly as download for project participants on the website www.central2013.eu, i.e. in the version that includes the Programme slogan "Cooperating for success".

   The Programme logo needs to be placed on the first page (or equally prominent place such as the front of a conference bag, exhibition display or power point presentation). The size of the Programme logo should not be smaller than the size of other logos displayed on the same page or surface (e.g. project logo, logo of the Lead Partner institution) and the text "Central Europe" and "Cooperating for success" should be clearly readable.

2) All information and publicity measures shall also include the EU emblem with the references "European Union" and "European Regional Development Fund" in the form made available explicitly on the CENTRAL EUROPE website. The exact location and size of the EU emblem is left to good judgment. However, the text "European Union" and "European Regional Development Fund" should be clearly readable.

3) Both logos are available for download at the Programme homepage as "Obligatory Programme logo" and "Obligatory EU logo". The link to the download section on the Programme homepage is the following:

   http://www.central2013.eu/working-with-central/document-center/maps-logos.html

   Obligatory programme logo:

   CENTRAL EUROPE
   COOPERATING FOR SUCCESS.

   Obligatory EU logo:

   EUROPEAN UNION
   EUROPEAN REGIONAL DEVELOPMENT FUND

4) In case both logos are placed close to each other on the same page/space it is recommended to use the following option that includes both logos in one file as well as the necessary references. This file is also available at the download section of the Programme website as "Combined logo option".

Combined logo option:

5) For very small spaces with an available print size smaller than 1 cm in height such as on pens or lanyards, where due to the lack of size the fonts would be too small to be readable, the following solution can be exceptionally (only for small spaces!) used. This file is also available at the download section of the Programme website as "Small surface logo".

Small surface logo:

6) For project websites it is compulsory to place the Programme logo and the EU-emblem (incl. the above-mentioned references to the EU and ERDF) on the homepage, i.e. the first page of the project website, and to place a hyperlink from the Programme logo to the Programme homepage www.central2013.eu and from the EU emblem to the homepage of DG Regio[8] using either both logos separately or the combined logo option. In cases, where information or publicity measures promote several projects co-financed by more than one Fund (e.g. ERDF, Cohesion Fund, European Social Fund), the reference to the Fund shall not be required.

7) In addition to displaying obligatory logos, where appropriate promotion and publicity measures of beneficiaries shall also mention the project name and website address or the contact details of the Lead Partner (name, phone number and e-mail).

8) Additionally, any document, including attendance or other certificate, concerning approved project within CENTRAL EUROPE Programme shall include the statement: "This project is implemented through the CENTRAL EUROPE Programme co-financed by the ERDF."

[8] http://ec.europa.eu/regional_policy/index_en.htm

9) Pursuant to article 8 of the Implementing Regulation, as further amended, in case projects with a total public contribution exceeding 500.000 Euro include the construction or rehabilitation of infrastructure or small-scale infrastructure, a billboard needs to be placed on site of each of these infrastructure-related measures, regardless of the cost of this measure. The billboard must include – beside the reference to the project - also the logos referred to in point 3). The size of these logos shall take up at least 25% of the billboard. The billboard shall remain there at least until the end of the project duration and be replaced by a permanent explanatory plaque. Where it is not possible to place a permanent explanatory plaque on a physical object, other appropriate measure shall be taken in order to publicize the Community contribution.

Please note that non-compliance with publicity obligations risks the ineligibility of the related expenses. It is important to note in this context that compliance with publicity obligations is not only subject to scrutiny by Programme bodies, but will also be closely checked by the independent controllers and during second-level audits.

4. CHANGES IN APPROVED PROJECTS

Even if well planned and prepared, the implementation of a project might face the necessity of modifications for several reasons. As a general principle, such modifications are possible in the framework of the CENTRAL EUROPE Programme; however, clear procedures must be respected.

All projects should be aware that this flexibility is in most cases dependant on prior approval by the relevant Programme body. Without such approval, based on an official request from the Lead Partner, all modifications made to the contents of the Application Form lack legal value and are therefore void, including the expenditure linked to them. Therefore, no retroactivity of the changes should be envisaged unless clearly justified.

Also note that the total ERDF funding must not be exceeded under any circumstances. Based on past experiences in Programme and project implementation, the following types of changes can be differentiated:

- Changes in the partnership;
- Budget flexibility;
- Modification of activities;
- Extension of duration.

Changes in the projects with the exception of those described under 4.2a) below shall imply an amendment of the Subsidy Contract. The amended subsidy contract and all related documents (i.e. Application Form and Partnership Agreement in their latest version and including all annexes) must be provided by the Lead Partner and all Project Partners to their respective controllers.

4.1 Changes in the partnership

In general, the composition of the partnership is regarded as one of the core elements in transnational projects. Due to this importance, only project proposals with relevant partnerships become successful and are recommended for funding. Against this background, any partner change is considered as a severe issue.

Nevertheless, sometimes changes in the partnership become inevitable as a consequence of diverse structural, financial or technical obstacles in a Project Partner institution that did not exist at the moment of the partnership building.

In any case of loss or withdrawal of a Project Partner, the Lead Partner should immediately seek for a joint solution with the remaining Project Partners. Different types of changes in the partnership can take place:

- Withdrawal of a Project Partner with replacement by a new Partner. The new Project Partner will use totally or partially the remaining budget[9];
- Withdrawal without replacement leading to a loss of the budget unspent by the withdrawing Project Partner (i.e. reduction of total and ERDF project budget);
- Replacement within the partnership meaning that the remaining budget will be used totally or partially by any of the remaining Project Partners[10].

[9] In full respect of any limitation deriving from State Aid conditions set forth to the withdrawing partner.
[10] Ditto.

Eligibility requirements related to the partnership shall be ensured.

In case of withdrawing of a partner located in the CENTRAL EUROPE area, eventual replacement should be done trying to identify to the possible extent another partner located in the same country.

In case of withdrawing of a EU partner located outside the CENTRAL EUROPE area, the eventual incoming partner must be located in the same Country.

In case of replacement by a new Partner, it should be ensured that its experience and its technical, organizational and financial capability are sufficient in order to properly participate in the project. In case of a Partner's replacement, it should also be highlighted that the funds of the withdrawing Partner are only available for the new Partner after approval of the replacement by the Monitoring Committee. Should the replacing Partner, both new or from within the partnership, benefit from different co-financing rate than the withdrawing one, the initial total ERDF granted to the project by the Monitoring Committee cannot be exceeded. Finally, specific State Aid conditions might apply to the new incoming Partner.

The obligations deriving from the Subsidy Contract in terms of audits and retention of supporting documents are applicable to the withdrawn Project Partners even if it has spent only part of its originally foreseen budget.

4.2 Budget flexibility

When preparing the proposal and more specifically the Application Form, the budget should be as precise as possible. However, when implementing the project it might become necessary to adapt the financial plan to the updated situation.

For budget changes a detailed definition of modifications is laid down in the Subsidy Contract:

a) Without prior notification to the Managing Authority, the Lead Partner is entitled to increase the original amount in the budget line[11], the work packages budget (with the exception of Work Package 0[12]) and/or the budget of Project Partners as stated in the approved Application Form. The increase is limited to a maximum of € 20.000,-, or if more, up to 10% of the original amount of the concerned budget line, the budget of the concerned work package and the budget of the concerned Project Partner.
b) Only once during the lifetime of a project, the Lead Partner is entitled to reallocate amounts between budget lines, between work packages (with the exception of Work Package 0[13]) and/or between Project Partners resulting in an increase of up to 20% but to a maximum of EUR 250.000,- of the original amount of the budget line, work package and/or partner's budget as stated in the latest approved application documents. Such reallocation requires an application to the Managing Authority via the JTS. It will enter into force only after approval of the Managing Authority.

[11] Except for new items/work under the budget line Investment. If item is included in AF but costs more than foreseen then the 10% budget flexibility rule can apply.
[12] As from the approved 2nd call projects on.
[13] Ditto.

c) Reallocations exceeding the established thresholds for reallocation (i.e., 20% and /or 250.000€) are subject to approval by the Monitoring Committee. This approval will be granted on a case-per-case basis.

To give examples:

Given the case of a project that wants to do budget increases within the € 20.000,- , or if more, up to 10% flexibility:

	Original budget	Modified budget	Increased amount	Subsidy Contract rule application	Allowed without approval
Staff costs	€ 120.000,-	€ 139.000,-	€ 19.000,-	15,8% increase but <€20.000,-	yes
Equipment	€0,00	€5,000	€5,000	<€20.000	yes
Investment	€150.000	€160.000	€10.000[14]	-	no
WP4	€465.000,-	€480.000,-	€15.000,-	3% increase; <€20.000,-	yes
Project Partner 5	€10.000,-	€30.000,-	€20.000,-	200% increase; = €20.000,-	yes

Given the case of a project that wants to do three budget changes within the 20% reallocation flexibility:

14 Referring to new items/works. If item is included in AF but costs more than foreseen then the 10% budget flexibility rule can apply.

	Original budget	New budget	Increase by	Subsidy Contract rule application	Approval by
Staff costs	€200.000,-	€240.000,-	€ 40.000,-	=20% **and below** €250.000,-	Managing Authority
WP5	€1.300.000,-	€1.550.000,-	€250.000,-	< 20% (19,2%) **and equal to** €250.000,-	Managing Authority
Project Partner 5	€1.250.000,-	€1.500.000,-	€250.000,-	=20% **and equal to** €250.000,-	Managing Authority

The following requests for increase will be subject to a case-by-case decision by the MC:

	Original budget	New budget	Increase by	Subsidy Contract rule application	Approval by
WP4	€ 120.000,-	€ 145.200,-	€25.200,-	>20% (21%) **and below** €250.000,-	Monitoring Committee
WP5	€1.300.000,-	€1.560.000,-	€260.000,-	=20% **and higher than** €250.000,-	Monitoring Committee
Investments	€450.000,-	€700.000	€250.000	> 20% (56%) and equal to €250.000,-	Monitoring Committee

By its nature, any increase of budget of a budget line, work package or Project Partner on one side leads to a reduction of budget of other budget line(s), work package(s) or Project Partner(s) on the other side. Hence, any budget modification should be carefully prepared by involving all Partners and clarifying their needs. As already stated in paragraph 4.1 with regard to the changes in partnership, also in these cases the overall project ERDF allocation cannot be increased. On the contrary, it is likely that the total project budget increases or decreases due to the different co-financing rates applicable in the CENTRAL EUROPE Member States.

In case the budget flexibility affects the Partner budget, the submission of a revised co-financing statement might be needed[15].

While proceeding with the budget flexibility some precautions must be taken in order to ensure that:

- The amounts to be devoted to activities to be performed outside the EU area by the CENTRAL EUROPE partners may not exceed the 10% of the total ERDF contribution to the project[16];
- The amounts to be allocated to EU partners located outside the CENTRAL EUROPE area may not exceed 20% of the total ERDF contribution to the project[17];
- Specific State Aid conditions affecting the total Partner budget for the implementation of specific actions and/or Work Package may rule out the application of the budget flexibility.

4.3 Modification of activities

As in the other cases mentioned in this chapter, the work plan as laid down in the Application Form should serve as base for the implementation of activities and the delivery of outputs. Nevertheless, it might become necessary to adapt the work plan to actual needs as caused by new framework conditions, unforeseen delays in the implementation, or changes in the partnership.

The Programme establishes a certain flexibility regarding the re-adjustment of activities and outputs: minor changes can be reported to the JTS with the next upcoming Progress report. Nevertheless, all changes should be duly justified by indicating reasons and providing an outlook on the remaining implementation periods. Please note that not only removal of activities and outputs (e.g. instead of 5 workshops only 4 will be organized), but also increases in the number or type of activities should be clearly described.

Changes of activities and outputs which however do not affect the aim and overall concept of the project require an application to the Managing Authority via the JTS. These changes might be approved by the Managing Authority on a case by case basis.

In case of major changes having a potential impact on the aims of the project, and implying a different implementation concept (i.e.: different actions to be implemented) the request for modification will be referred back to the Monitoring Committee.

In case of activities implemented in Third Countries and paid by EU Central Europe Project Partners, also the involved ERDF-amounts must be indicated. The so-called 10% flexibility rule, mentioned in the previous paragraph, has also to be respected during project implementation. To give an example: if an Application Form foresees activities in Third Countries amounting to 8% of the total ERDF, any further activity in these countries will be limited to those for which related costs generate an additional amount of 2% of the total ERDF in order not to exceed the maximum threshold of 10%.
Eventual revision of the ERDF project budget in accordance to the changes described in paragraph 4.1 could also have an impact on the application of the 10% flexibility rule within the project.

[15] Not applicable in case of budget shifts among partners which belong to the sphere of applicability of the "10% flexibility rule" [point a) in this chapter] or in any other case where the partner's total budget is lower than the one in the latest version of the approved Application Form.
[16] In compliance with Art. 21.3 of the Regulation (EC) no. 1080/2006.
[17] In compliance with Art. 21.2 of the Regulation (EC) no. 1080/2006.

4.4 Extension of duration

It might be that a project does not manage to implement the foreseen activities and outputs in the scheduled overall duration of the project. In this case, an extension of duration might be granted if well justified.

As in the cases of Project Partner respective budget modification and modification of activities not changing the aims of the project, extension of duration up to six months is subject to prior approval by the Managing Authority. A longer request for extension has to be approved by the Monitoring Committee.

In principle, the latest end date for a project is set with 31 December 2014 and no extension of duration beyond this date shall be granted.

4.5 Overview on the procedure

The JTS is responsible for the practical administration on behalf of the Managing Authority of the requests for changes within approved projects. In order to smooth the process of approval, clear procedures are established.

Before making any official sending, all projects are advised to first contact its reference desk-officer at the JTS who will guide the Lead Partner throughout the process, thus avoiding unnecessary delays due to procedure issues.

For all major changes (all changes in partnership and duration as well as reallocation of budget), the general procedure can be divided in five main steps:

a) Notification to the JTS and technical analysis of the request

The Lead Partner is requested to fill in the Request for Change Form in which it is asked to describe in a comprehensive way the requested change(s) and to provide sufficient reason/justification. In case of changes affecting the project financial tables, the filled in Request for Change Form must be provided by the Lead Partner and all Partners also to their respective controllers for information purposes.

Depending on the type of change, further documents/attachments will be requested:

- Changes in partnership:
  - Withdrawal letter from the leaving Project Partner;
  - Proof of the agreement of the whole partnership about the proposed change (e.g. minutes of the relevant Steering Committee meeting);
  - In case of a new partner[18], a Co-financing Statement and, if applicable, a State-aid Self-Declaration;
  - In case of replacement by existing partner(s), revised Co-financing Statement(s) of all Project Partners with increases or decreases of budget;
  - Letter of intent of the new Project Partner;

[18] The legal status of the new partner has to be confirmed by the competent national authority.

  - Institution profile of the new Project Partner.

- Changes in budget:
  - In case of Project Partners having amended their budget (both increased or reduced): revised Co-financing Statement(s).

In all cases an updated Application Form (electronic version) must be delivered.

After the JTS has checked all these documents the Lead Partner will be either asked for further clarification/information or for an official submission of the signed hard copy versions of the Request for Change form and the revised Application Form as well as the supporting documents (see above).

b) ***Official request for approval:*** The JTS prepares an official request to the relevant Programme Body.

c) ***Decision by the relevant Programme Body:*** Depending on the type of changes, a decision will be taken either by the Managing Authority or by the Monitoring Committee.

d) ***Notification of result and amendment of the Subsidy contract, in case of approval:*** Only after the official notification to the Lead Partner, the change enters into force. An Amendment to the Subsidy contract will also be sent to the Lead Partner for signature.

e) ***Amendment to the Partnership Agreement:*** For all changes, the Lead Partner must provide evidence to the JTS that the necessary amendments to the Partnership Agreement have taken place.

5. FINANCIAL FOCUS

5.1 Decommitment of project funds

Without undermining the complexity of the management of cooperation projects, the Programme Bodies share the idea that minimum standards of financial performance should be ensured by the projects at the latest when they are halfway through their implementation and that such performance should gradually improve from this moment until the finalization date. In any case, the experience from different cooperation programmes shows that final financial performance by projects quite often does not exceed 90% of the approved budget.

In order to provide further stimulation of budget absorption, the subsidy contract foresees that payments not requested in time and in full may be lost. As presented in the Application Manual, in order to avoid losing funds it is important that:

- Approved projects are ready to start implementation quickly after approval;
- Financial managers monitor these aspects effectively during implementation and;
- All Partners ensure regular, timely and full reporting.

The payment forecast included in the final version of the approved Application Form and laid down in the Subsidy Contract will serve as a basis, among other parameters, to measure the financial performance of approved projects.

Regulatory background

According to the Structural Funds Regulation, programmes may have funds decommitted by the European Commission in case the allocations set in the financial tables of the Operational Programme are not translated into effective requests for payment within the set timeframe[19].

Should this loss of funds actually take place, the Programme may decide to cover it from different sources:

a) Funds not yet allocated;
b) Unspent funds from closed projects;
c) Funds from projects showing substantial under-spending.

The following paragraphs present the conditions and procedure for the implementation of the last option. For these cases, it is important to note that the Monitoring Committee may decide as well to apply this reduction even if the Programme itself has not been decommitted. Such liberated funds will be then used for financing further projects, thus allowing the possibility of cooperation to a larger number of regional and local actors.

[19] Art. 93 of the Regulation (EC) 1083/2006, in its latest version.

Underspending thresholds

Except for those cases presented as exceptions, **the maximum ERDF under-spending acceptable after three reporting periods is of 15%**. For this reason, during the first three reporting periods no amendment of the budget breakdown as per table 5 of the approved application form will be granted.

All projects presenting an under-spending rate higher than the proposed threshold may have their ERDF reduced for the exceeding percentage. The exceeding percentage will be applied only to the foreseen ERDF of the reference period. This procedure will be applied *una tantum* in the project's lifetime unless decommitment on Programme level actually requires additional corrective measures.

All possible budget reductions will be approved on a case per case basis by the Monitoring Committee and will take into consideration specific cases presented later in this document.

Calculation of decommitment - Example

An approved project shall receive a total ERDF grant of 1.870.507,59 €.

After three reporting periods the project should have requested 610.268,35 € as ERDF reimbursement. In reality, the project only presents expenditure backing a request of ERDF reimbursement of 381.051,56 €, meaning an under-spending of 37,56%.

According to the procedure, the ERDF reduction for this project would be the following:

Real under-spending of 37,56% - Allowed underspending of 15% = 22,56% reduction

Applying this reduction percentage to the expected ERDF:

22,56 % reduction x 610.268,35€ of expected ERDF = 137.676,54€ of ERDF reduction

Exceptions for implementation

In well justified cases this proposal might not be fully applied if it is clearly demonstrated that the project faces internal or external problems that have a direct impact on its implementation or in the delivery of the required documents needed for demonstrating the real level of expenditure actually incurred. Some examples of such problems are:

- Changes of Project Partners that imply a temporary stop of the project;
- Delays in validation if it can be ascertained that the Project Partners have submitted their documents to the national authorities in due time;
- Projects undergoing second level controls and for which the implementation of activities has been temporarily suspended;
- Projects in which irregularities have been detected and for which the implementation of activities has been temporarily suspended.

Should a project present an under-spending beyond the allowed thresholds but be affected by a possible exemption condition, the JTS will examine the case - also on the basis of additional information provided by the Lead Partner - and will submit a request to the Monitoring Committee for final decision.

Review of financial information

Once the Monitoring Committee has decided to apply a reduction of the ERDF granted to a project, this will be requested to submit a revised Application Form in which only the financial-related information will be reviewed. It will be up to the Partners, according to the contents of the Partnership Agreement, to agree among them how to distribute the loss of funds and how to apply it to the different work packages and budget lines. Based on the fact that the reduction is only targeted to unspent budget of previous periods, the JTS will verify that the implementation of thematic-related actions and the achievement of project results are not affected by this review.

5.2 Recovery of unduly paid out funds

Detection of unduly paid out expenditure, including irregularities

Both during project implementation as well as after project closure it cannot be excluded that as a result of desk and/or on-the-spot checks (both for first level and second level control purposes) or due to the availability of information not previously existing, controllers or auditors consider that some of the expenditure previously certified, included in closed Progress Reports and subsequently paid out by the Certifying Authority might be declared finally as non-eligible according to national or Community rules or according to the CENTRAL EUROPE Programme requirements.

This correction can also occur under the initiative of the Lead Partner or its controller, regarding the expenditure incurred by other Project Partners if enough evidence is gathered that the expenditure was not incurred for the purpose of implementing the project or it does not correspond to the activities agreed among the Project Partners[20]

Finally, this correction can be also the result of the on-going checks of the Managing Authority described in the CENTRAL EUROPE Control and Audit Guidelines. Likewise, audits of the European Commission or the Court of Auditors may trigger this process.

[20] For the purposes herewith presented, the corrections refer to expenditure already reimbursed by the CA. This type of control is also exerted on a six-monthly basis by the Lead Partner or its controller prior to the inclusion of any expenditure certified by one of its partners in a progress report.

In cases of expenditure unduly paid out to beneficiaries, these funds must be recovered by the Programme bodies according to one of the following two options:

1. For projects still running, the amounts must be deducted from the next payment claim due;
2. For already closed projects, a recovery procedure towards the Lead Partner must be launched.

Both options are presented in the following paragraphs.

Recovery of funds from running projects

As stated above, where recoveries shall be performed in running projects, all unduly paid out funds must be deducted from the next payment claim due or, where applicable, from payment claims which are still under examination by the Programme bodies. In order to ensure a proper audit trail of such deductions, Lead Partners must use the Financial Correction Forms (FCFs) that will be provided by the JTS. In case the deductions refer to expenditure included in more than one Progress Report, a form should be filled-in by the LP for each of them.

Depending on how the amounts unduly paid out have been detected, different requirements must be met:

a) In cases where they have been identified by the first level controller of a Partner, such controller must provide the necessary information[21] to the JTS so that the FCFs can be produced. Being a judgement on its own previous work, withdrawal proceedings initiated by a first level controller do not require the agreement of the concerned Project Partner(s);
b) In cases where they have been identified by second level auditors, and after approval by the relevant national authority, the JTS will provide the necessary forms to the Lead Partner who shall compile them on behalf of the concerned Project Partner(s). The agreement by the relevant national authority rules out any disagreement on the audit results by the concerned Project Partner(s);
c) In cases where they have been identified by the Lead Partner or its controller on the certified expenditure of other Project Partners, the JTS must be notified so that the necessary Financial Correction Forms are produced. In order to avoid arbitrary decisions, the filled in FCFs must be accompanied by the official agreement from the concerned Project Partner(s);
d) In cases where they have been identified during the on-going checks of the Programme bodies, the JTS will inform the concerned Project Partner(s) and will provide the necessary forms to the Lead Partner who shall compile them on their behalf. A contradictory procedure, eventually involving the FLC responsible body at national level, will be undertaken whenever necessary.

Irrespective the initiation method, the JTS will be in charge of ensuring that information flows adequately between all involved parties.

[21] i.e. at least: the project name and acronym; the name of the affected Partner; a detailed description of the detected irregularity, including information on the way it was detected and possible effects, if any, on further payment claims.

Recovery of funds from closed projects

For cases in which the project has already received the last ERDF instalment, the Certifying Authority in close cooperation with the Managing Authority shall demand from the Lead Partner repayment of subsidy in whole or in part. In case the amounts unduly paid out refer to a Project Partner, it will be up to the concerned Project Partner to repay the Lead Partner any amounts unduly paid in accordance with the agreement existing between them. According to § 10 of the Subsidy Contract (Recovery of unjustified expenditure), the Lead Partner has three months to proceed with the reimbursement of the requested amount. Likewise, should the process refer to one of the Project Partners, this period applies to the repayment by the concerned Project Partner according to § 18 (Demand for repayment by the Managing Authority) of the Partnership Agreement. The rate of the late interest applied to the amount to be recovered will be calculated in accordance with Article 102(2) of the General Regulation.

Specifications on irregularities

According to Article 2 of the Structural Funds General Regulation, an irregularity means any infringement of a provision of Community law resulting from an act or omission by an economic operator which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure to the general budget.

Overall, the management of irregularities is laid down in Articles 27 to 36 of the Implementing Regulation on the basis of which it is transferred to the Subsidy Contract signed between the Managing Authority of the Programme and the Lead Partners of approved projects. The template of the Partnership Agreement also stipulates the obligations for the entire partnership in this respect.

5.3 Sharing of costs[22]

As presented in the Application Manual, the practice of splitting cost items among the Project Partners (i.e., sharing common costs) should be avoided in projects approved under the CENTRAL EUROPE Programme.

Nevertheless, where this practice cannot be excluded, projects must bear in mind a number of **general principles**:

- It is impossible to gain financial profits from the participation in a project;
- When external services are subcontracted, Project Partners are obliged to obtain external services also for shared costs by applying transparency and competition principles and respecting EU and national legislation on public procurement and state aid;
- The costs should be shared among Project Partners according to a transparent, fair and equitable method. The identification, organisation and sharing of common costs should be further described (i.e., costs shall be duly split per Project Partner, per work package and per budget line) and included in the Partnership Agreement signed by the whole partnership and as an Annex to the Start-Up Report;

[22] This chapter is applicable only to projects approved within the 1st and 2nd application rounds. As from the 3rd call for proposals onward, the practice of sharing costs is not accepted.

- The expenditure to be shared must be well identified in the accountancy of the Project Partner incurring the expenditure;
- Evidence must be provided to the first level controllers of the contributing Project Partners that the shared costs refer to eligible expenditure validated as such by the controller of the Project Partners incurring the costs;
- In order to ensure full audit trail, no withholding of ERDF funds can take place among Project Partners (i.e., every Project Partner must receive in full the ERDF quota on the basis of its eligible expenditure including, where applicable, the ERDF for the share of costs it contributes to).

Other indications might come from the national controllers.

LP and PPs must obtain a communication by their First Level controllers on their acceptance of the procedure for the validation of the project shared costs as provided in this chapter[23].

Practical application

In the framework of the CENTRAL EUROPE Programme, one common procedure has to be followed by all projects that foresee sharing costs among Project Partners. This procedure foresees a double involvement of controllers, both at the level of the Project Partner incurring the costs and at the level of the Project Partners contributing to them. In addition, costs to be shared among Project Partners should make the object of a **separate validation**. Finally, and as mentioned above, the procedure excludes any withholding of funds and is based on the effective reimbursement by the contributing Project Partners of their share of common costs.

Example

In the reporting period January to June 2010, the Lead Partner of an approved CENTRAL EUROPE project spent 10.000,00€ on coordination. The project consists of 10 Project Partners (including the Lead Partner) and it was laid down in the Partnership Agreement that the Project Partners would equally share the management and coordination costs.

At the beginning of July 2010, the Lead Partner calculates that each Project Partner has to contribute 1.000,00€ to management and coordination. Once the Lead Partner has received from its controller the separate validation of expenditure for shared costs, the Lead Partner sends a letter to the other Project Partners informing them that their share of the management and coordination costs for the last semester represents 1.000,00€ each and requesting reimbursement from them. Attached to the letter it must be sent the validation of expenditure of common costs (including the control checklist and the internal control report) as well as all necessary supporting documents allowing the controller of the contributing Project Partner to verify that the expenditure has been duly confirmed as eligible at the source.

Table 1 – EXPENSES actually incurred during the period January to June

[23] In some countries the practice of sharing costs is not accepted. For more information please refer to the “Country specific information” section of the CENTRAL EUROPE website.

	Lead Partner	*Project Partner 2*	*Project Partner 3*	*…*	*Project Partner 10*
Coordination costs	10.000	0	0	0	0
Other expenses	5.000	5.000	x	x	x

Table 2 – Comparison of the COORDINATION COSTS actually paid and those agreed in the Partnership Agreement

	Lead Partner	*Project Partner 2*	*Project Partner 3*	*…*	*Project Partner 10*
Actually incurred	10.000	0	0	0	0
Agreed	1.000	1.000	1.000	1.000	1.000

The Project Partners pay their share of the management and coordination costs (1.000,00€) to the Lead Partner after receipt of the request for reimbursement. As the payment is only made after 30 June, the Project Partners add this payment to their next financial reports submitted to their controllers for the following reporting period (July – December 2010).

Table 3 - Overview of the Progress Report for the period January - June and the ERDF generated

		Lead Partner	*Project Partner 2*	*Project Partner 3*	*…*	*Project Partner 10*
Common coordination costs	Actually incurred	10.000	0	0	0	0
	Agreed	1.000	1.000	1.000	1.000	1.000
Other costs		5.000	5.000	x	x	X
To be reported in the Progress Report		**6.000**	**5.000**	X	X	X
ERDF generated		**4.500**	**4.250**	*Depending on the location of the Project Partner (75% or 85% co-financing)*		

According to this option, the Lead Partner would add in the Progress Report for the period January-June only its own share of expenditure related to common costs. The Project Partners would include only the expenditure that they have directly incurred, whereas their share of common costs would be added in the following Progress report (see table 4).

Table 4 – Overview of the Progress Report for the period July – December and the ERDF generated

		Lead Partner	***Partner 2***	***Partner 3***	*…*	***Partner 10***
Common coordination costs[24]	Actually incurred	0	0	0	0	0
	Agreed	0	1.000	1.000	1.000	1.000
Other costs		5.000	5.000	X	X	X
To be reported in the Progress Report		**5.000**	**6.000**	X+1.000	X+1.000	X+1.000
ERDF generated		**3.750**	**5.100**	*Depending on the location of the Project Partner (75% or 85% co-financing)*		

Please note that these tables present how to handle shared costs relating to one single period. Being it a living process, reporting of shared costs related to different periods may overlap, also due to delays in validation.

As foreseen in the Partnership Agreement, the Lead Partner is authorized to add in the next reporting period, when the reimbursement from the Project Partner has taken place and if expenditure to be shared has been certified as eligible by the controller, the Project Partner's share of the management and coordination costs of 1.000,00€ to the Project Partner's claim of 5.000,00€. In the end, a total of 6.000,00€ (corresponding to 5.100,00 € ERDF) is reported as Project Partner 2 expenditure in the progress report which is sent to the JTS.

After reception of the ERDF funds from the Certifying Authority, the Lead Partner will transfer to all Project Partners the full ERDF amount (incl. 750,00€/850,00€ ERDF corresponding to the Project Partners' shares of management and coordination costs).

When it comes to the last progress report, Project Partners must bear in mind this difference between the period in which the expenditure is incurred and the period in which the expenditure is reimbursed by the contributing Project Partners and provisions should be foreseen in order to meet the final reporting deadlines.

5.4 Revenues during project implementation

During the project lifetime, activities carried out and/or outputs obtained might generate revenues (e.g. sales of products, merchandise, participation fees, training sessions offered at market price, provision of services, etc.). Should the project be identified as revenue-

[24] Always referred to costs of the previous period.

generating in accordance with Article 55 of Regulation (EC) No 1083/2006 as further amended, revenues shall be deducted from the total eligible expenditure in full or pro-rata (if entirely or partly generated by the project) and shall consequently reduce the ERDF contribution according to the criteria listed in Article 55(2) and (3) of the aforementioned regulation.

6. PROJECT CLOSURE

6.1 Final report

After finalisation of the project, and in addition to the Progress report for the last implementation period, approved projects must submit a final report to the Joint Technical Secretariat according to the deadline set in the subsidy contract.

This report will provide an overview of the project's activities and achievements. It will also highlight how transnational cooperation has contributed to attaining the expected results and will include a detailed description of the measures foreseen in order to ensure their durability. In addition, it will allow all projects to evaluate the Programme in itself and the assistance received during the different phases of the project cycle as well as to provide suggestions for improvement for future programmes. A model form of the final report will be published on the Programme's website.

Disbursement of the last ERDF instalment is subject to the approval both of the last progress report and of the final report.

6.2 Costs for project closure

As a general rule, all implementation-related costs must be paid out before the end date of project implementation. Only staff costs (including social charges) of the last months of project implementation can be paid after the end date and still be considered as eligible. In addition, all costs related to the elaboration and submission of the last progress report and the final report, including where applicable audit costs, are also eligible for funding if paid out before the due date of submission of the report set in the subsidy contract.

6.3 Durability of projects

Any substantial modification of the project within five years after the date of completion must be avoided. In detail, the project must not undergo any substantial change:

a) Affecting its nature or its implementation conditions or giving to a firm or a public body an undue advantage, and
b) Resulting either from a change in the nature of the ownership of an item of infrastructure or the cessation of a productive activity.

Should any of the above conditions not be met by any of the Project Partner, the Joint Technical Secretariat must be informed without any delay. This might as well imply a recovery of the funds unduly paid.

6.4 Ownership and use of outputs

According to the subsidy contract, ownership, title and industrial and intellectual property rights in the results of the project and the reports and other documents relating to it shall, depending on the applicable national law, vest in the Lead Partner and/or its Project Partners.

Where several members of the partnership (Lead Partner and/or PPs) have jointly carried out work generating outputs and where their respective share of the work cannot be ascertained, they shall have joint ownership of it/them. The partnership agreement shall establish provisions regarding the allocation and terms of exercising that joint ownership.

Outputs as covered within the meaning of Article 57 of (EC) Regulation No 1083/2006 cannot be transferred within the period set by the aforementioned regulation.

The Managing Authority on behalf of the Monitoring Committee and of other CENTRAL EUROPE promoters at national level is entitled to use the outputs of the project in order to guarantee their widespread publicity and to make them available to the public. In order to do so, the Lead Partner has to ensure that the deliverables are available for the Managing Authority.

6.5 Revenues after project closure

If within the period of three years following the closure of the programme, should the project be identified as revenue-generating in accordance with the definition provided in Article 55(1) of Regulation (EC) No 1083/2006 and further amendments, the Managing Authority is entitled to ask for refunding to the general budget of the European Union in proportion to the contribution from the funds in line with Article 55 (4) of the aforementioned Regulation.

6.6 Retention of documents

The Lead Partner will keep all information and supporting documents related to the project three years after the closure of the Programme, in any case at least until 31 December 2022, if there are not national rules that require an even longer archiving period. Other possibly longer statutory retention periods remain unaffected. This applies also to all information and supporting documents regarding a grant under the *de minimis* aid scheme.