EUROPEAID PROJECT ADMINISTRATION MINI-GUIDE

This guide presents some of the key administrative points to remember when managing EuropeAid projects. The guide does not replace any EuropeAid guidelines, and should not be seen as a comprehensive manual for EuropeAid project administration.

The guide is an update of the previous mini-guide published in 2011, and summaries applicable rules and regulations in accordance with PRAG 2013, which introduced substantial changes. Key changes with the newly published PRAG 2014 are provided in complementary boxes.

The guide is developed by Danish Refugee Council on behalf of Concord Denmark.
**CONTRACT AWARD AND START-UP**

Once a EuropeAid contract is preliminarily awarded, make sure that the data of the Applicant, Co-applicants and Affiliated Entities is updated in PADOR (Potential Applicant Data On-Line Registration), which is an online database where organisations register and regularly update their core data.

Any derogation (e.g. the permission to use own system for exchange rates, exemptions to visibility requirements etc.) must be requested and entered into the Special Conditions of contract before signature. Check and file the Guidelines for Applicants as it may contain rules regarding eligibility of costs, sub-granting, as well as definitions of possible activities, which is important if changes and revisions are to be requested at a later stage.

The version of the PRAG (Practical Guide to Contract Procedures for EU External Actions) under which the contract was signed is used throughout the project, even though new guidelines emerge subsequently. The date of the publication of the individual call for proposal determines the applicable version of the PRAG. Download the applicable documents and templates from the PRAG.

THE GRANT AGREEMENT (CONTRACT): consists of the Special Conditions and a number of annexes:

- Annex I: Description of Action + LFA and Concept Note (from proposal)
- Annex II: General Conditions applicable to EU financed grants contracts (invariable)
- Annex III: Budget for the Action
- Annex IV: Contract Award Procedures (invariable)
- Annex V: Standard Request for Payment and financial identification form (template to be filled out)
- Annex VI: Model Narrative and Financial Report (template to be filled out)
- Annex VII: Terms of Reference for an Expenditure Verification of a Union financed grant contract for external actions and model report (template to be filled out if applicable)
- Annex VIII: Model Financial Guarantee (not applicable to NGO’s)
- Annex IX: Standard Template for Transfer of Assets Ownership (template to be filled out if applicable)

All invariable documents and templates can be found on the EuropeAid homepage. The Practical Guide to Contract Procedures for EU External Actions (PRAG), chapter 6 on grants, is the “manual” on how EuropeAid manages grants and is a very useful reference.

The Special Conditions prevail over other parts of the agreement and define the contractual period, payment arrangements, reporting requirements, additional clauses and derogations. The guidelines for applicants may contain prevailing conditions regarding eligibility of costs etc. that differ from the general conditions and is not included in the special conditions. The General Conditions are common to all EU External Actions and prevail over other annexes.
ROLES AND RESPONSIBILITIES: In addition to the Applicant, other actors may participate in the Action.

- **Co-Applicants** participate in designing and implementing the action, and the costs they incur are eligible in the same way as those incurred by the Applicant. Co-Applicants are signatories to the contract. They must therefore satisfy the same eligibility criteria as applicable to the Applicant, unless the Guidelines for Applicant state otherwise. Co-applicants must normally be registered in PADOR.

- **Coordinator and Beneficiaries**. If awarded the Grant contract, the applicant and the co-applicants will become the Beneficiaries in the Action. The applicant will become the Beneficiary identified as the Coordinator in the Special Conditions. The Coordinator is the main interlocutor of the Contracting Authority, and represents and acts on behalf of any other Beneficiary.

- **Affiliated entities** to the applicant and of the co-applicants participate in designing and implementing the action. Costs incurred by affiliated entities are eligible in the same way as those incurred by the applicant and co-applicants. Affiliated entities must satisfy the eligibility criteria equally to the applicant and the co-applicants, but are not defined as Beneficiaries to the action. Affiliated entities must normally be registered in PADOR. See more on affiliated entities in the DEVCO Companion (ref. below).

- **Associates** play a real role in the action but may not receive funding from the grant with the exception of per diem and/or travel costs. Associates do not have to meet the eligibility criteria of the applicant, co-applicant and affiliated entities.

- **Contractors**. The applicant or co-applicant has the possibility to sub-contract supplies, works or services. Contractors are neither co-applicants nor affiliated entities or associates, and are subject to the procurement rules set out in Annex IV to the grant contract. Contractors are never identified prior to project start. The applicant, co-applicants, affiliated entities and associates can never be contractors and neither can companies falling under the Grounds for Exclusion in section 2.4 of Annex IV.

The Coordinator is fully responsible for the project implementation. There is no contractual relation between the EU and any Beneficiaries, so contracts or MoU’s governing the implementation have to be made between the Coordinator and Beneficiary that establish the Beneficiary’s responsibilities, reporting requirements, payment schedule and settlement of disputes. It is highly recommended to make an inception meeting between Coordinator, Beneficiaries and affiliated entities to divide tasks and responsibilities and to ensure that everyone understands and is in agreement on the project’s objectives, results and activities. It is important to help Beneficiaries and Affiliated Entities in complying with EuropeAid guidelines and to have the appropriate administrative and HR capacity to manage their part of the project.

MANAGING A EUROPEAID PROJECT

COMMUNICATION: It is important to keep a good informal and formal communication with EuropeAid. Start by identifying relevant contacts and coordinate who is handling the contact to whom at EuropeAid. Keep the relevant contacts updated on project progress. Be timely, pro-active and solution-oriented when project changes are necessary and check ahead informally when planning.
amendments. Make sure that an appropriate level of formalization of the approval of changes, amendments and derogations are obtained. Never assume that administrative silence is tacit consent. Remember that EuropeAid officials have very few possibilities of permitting changes or granting exemptions that are either presented to them after they have taken place or are not possible according to the guidelines. Always make sure to invite relevant EuropeAid officials to events, meetings etc. and share press releases and other publications.

DEALING WITH CHANGES: There are generally two forms of possible changes (see General Conditions article 9). It is recommended to ask the EU if in any doubt about which type of change is necessary:

- Minor changes / unilateral amendments: are not contractual and do not change as such the implementation of the project. Unilateral amendments consist of ≤25% reallocation between budget headings AND have no programmatic impact. Minor budget changes are cumulative and once a total of 25% reallocation has been reached, an amendment is required. Caution should always be observed in making any modification to the human resource allocated to the project.

- Minor changes can be made unilaterally, but the EU needs to be informed on the change in writing without delay. When informing the EU of the changes a comparative version of the budget with the cumulative changes made shall also be submitted. Note, that if the EC assess that the changes made does not conform to the criteria for unilateral amendments, it can refuse the amendment, notifying the Grant Beneficiary within 30 days.

PRAG 2014: CLARIFICATIONS ON REQUIREMENTS ON INFORMING ON UNILATERAL CHANGES

- The General Conditions PRAG 2014 clarifies, that EC needs to be informed on the change in writing at the latest with the next report (General Conditions, art. 9.4). This is a clarification of the previous requirement on “informing without delay”, which has caused multiple interpretations.

- Major changes/amendments by addendum: are contractual and change the implementation of the project (this normally means changes to LFA, project work plan, duration). Any change ≥25% reallocation between budget headings is also considered a major change. Major changes need to be requested min. 30 days in advance in writing and result in a contract addendum. A template for the formal budget revision is to be found in the financial report template (annex VI to the contract).

Changes that are so far-reaching that they call into question the award of the grant are not possible.

PROCUREMENT AND RULE OF ORIGIN AND NATIONALITY: All procurement by the applicant or partners needs to follow the rules, procedures and thresholds set out in Annex IV to the contract. Tender documents need to comply with “best international practice”. You can use own templates, but the templates from the PRAG can be used as well. It is important to announce clear criteria for exclusion, selection and award in advance, as to ensure that the cheapest compliant bidder wins. Ensure that the entire procurement process is well documented all the way to the delivery of goods/services/works as per General Conditions 16.9.

PRAG 2014: NEW PROVISION RULE OF ORIGIN

The PRAG 2014 introduces a general derogation on the rule of origin on all supplies below 100.000 EUR:

- All supplies purchased under a procurement contract, or in accordance with a grant agreement shall originate from an eligible country;

- However, when the value of the supplies to be purchased is below 100.000 EUR, they may originate from any country.

See the revised annex a2 on eligibility for further details.
When procuring goods, works and services, the Rule of Nationality and Origin needs to be adhered to for any amount, meaning that only suppliers (nationality) and goods (origin) from certain countries are eligible. Check the list of eligible countries per funding instrument before commencing any procurement. Suppliers should be able to certify the origin of all goods and certificates needs to be submitted with the final report for goods with a value \( \geq 5000 \) EUR. Derogations from the rules can only be made in writing before procurement is made. Lower price is not a valid reason for exemptions.

**VALUE ADDED TAX (VAT):** The eligibility of VAT is determined in the funding instrument. The Guidelines for Applicants and in particularly the Annex J to the Call for Proposal, states the eligibility of taxes for the relevant call. As a general rule VAT expenses are eligible if unrecoverable unless otherwise specified in the Special Conditions. Tax (including VAT) exemption should always be applied for whenever possible and on a regular basis. Documentation on the steps taken to obtain VAT exemption must be kept. Exceptions to the necessity to document non-recoverability of taxes are described in Annex J to the Call for Proposal.

Some Call for Proposals may state the non-eligibility of taxes, even when taxes are non-reclaimable and cannot be recovered. In these cases VAT can be included as accepted (not eligible) cost under heading 12 in the budget. The percentage of VAT-expenses cannot exceed the co-funding percentage and the amount of paid VAT does not count in calculating administrative overhead.

**CO-FINANCING:** is understood as a percentage of all expenses and is not earmarked per budget lines. Given that EuropeAid is the biggest donor to the action, EuropeAid rules apply for the entire project (EU part + co-financing). The composition (but not the size) of co-financing can be changed during the implementation of the action. In-kind contributions may not be treated as co-financing, unless the guidelines for applicants for the specific call allow in kind contributions, and it is explicitly mentioned in the Special Conditions to the contract. Co-financing sources are usually private funds and funds from bilateral donors. As a general rule co-financing with other EU funds is not possible.

**VISIBILITY:** Correct EU logo and disclaimer should be in place on all project materials and deliverables. Correct formats can be found in the Communication and Visibility Manual for EU External Actions. A communication plan is to be submitted at project start and reported upon. See General Conditions article 6. Always achieve the planned visibility. Failure to do so can lead to the non-eligibility of expenses. Visibility should be documented with samples, pictures etc.

**REPORTING REQUIREMENTS:**
- **Interim narrative and financial:** within 60 days following the end of the reporting period (usually 12 months period) for all actions of more than 12 months and grants of more than 100,000 EUR. The interim narrative and financial report is linked to the interim payment/further pre-financing. Expenditure Verification Report or Detailed Break-Down of Expenditure may be required.

- **Final narrative and financial:** 6 months after the end of the project (or 3 months if contract holder has HQ in country of implementation). The final narrative and financial report is linked to the payment of the final balance. Certificates of origin and donation certificates for items \( \geq 5000 \) EUR should be attached. Expenditure Verification Report must be submitted with final report for all grants \( \geq 100,000 \) EUR.

If no reporting is foreseen in a 12 months period, the EU should be informed. Other reports may be required as defined in special conditions (e.g. monthly status reports). Remember that all reports should cover 100% of the project incl. co-financing. Exchange rates should be the monthly InfoEuro rates on the date of payment, if not otherwise specified in Special Conditions.
As a general rule, assets shall be transferred to the final beneficiaries of the Action. PRAG 2014 formalises the possibilities of transferring assets to a follow-up action, or to retain ownership. Thus, if there are no final beneficiaries of the Action to whom the equipment, vehicles and supplies can be transferred, the Beneficiaries may transfer these items to:

- Local authorities
- Local beneficiaries
- The local affiliated entities
- Another action funded by the European Union
- Or, exceptionally, retain ownership

PRAG 2014: CLARIFICATION ON TRANSFER OF ASSETS

As a general rule, assets shall be transferred to the final beneficiaries of the Action. PRAG 2014 formalises the possibilities of transferring assets to a follow-up action, or to retain ownership. Thus, if there are no final beneficiaries of the Action to whom the equipment, vehicles and supplies can be transferred, the Beneficiaries may transfer these items to:

- Local authorities
- Local beneficiaries
- The local affiliated entities
- Another action funded by the European Union
- Or, exceptionally, retain ownership

PRAG 2014. General Conditions. art. 7.5

EXPENDITURE VERIFICATION REPORT & DETAILED BREAKDOWN OF EXPENDITURE: Expenditure verification report (audit report) conforming to the model in Annex VII to the Contract should be made for each payment request covering the previous installment where the grant is above 5 M EUR, as well as for final reports for grants above 100 000 EUR. Remember to budget for this! If no expenditure verification report is required a Detailed Break-Down of Expenditure must be provided in electronic from and spread sheet format with every other request for further pre-financing starting with the second request for further pre-financing (third instalment), and with the final report. No standard template is available.

PRE-FINANCING: payment by EuropeAid can take place according to 2 different options depending of the size and duration of the grant (the applicable option can be seen in Special Conditions):

- **Option 1.** Implementation period ≤ 12 months or grant of ≤ 100 000 EUR: initial payment of 80% within 30 days after signature of the grant contract and balance paid within 60 days of approval of final report and request for payment

- **Option 2.** Implementation period > 12 months or > 100 000 EUR grant from EU: initial payment of 100% of the EU contribution foreseen for the estimated budget for the first 12 months within 30 days after signature of the contract. Further pre-financing for normally further 12 months within 60 days upon receipt of the payment request, forecast budget, and expenditure verification (if grant > 5 M EUR): Up to 100% of part of the estimated budget for the following reporting period, however the total sum of pre-financing may not exceed 90% of the amount financed by the Contracting Authority. Balance paid within 60 days of approval of final report, request for payment and expenditure verification.

Installments may be requested when more that 70% of the previous installment is spent. The final balance is always ≥10% and payable upon final acceptance of final report and expenditure verification.

FINAL PAYMENT: When final payment is calculated the maximum EU contribution is both given as an absolute (EUR) and a relative (%) figure. If overspending, the absolute figure prevails. If under-spending the relative figure prevails. The grant amount will never exceed the maximum stipulated in the contract.

CONTINGENCIES: A reserve for unforeseeable events or exchange rate fluctuations may be included in the budget. Use of contingencies is only possible if budgeted for and accepted by the EU. A written authorization by the Contracting Authority beforehand is required. Request for the use of contingencies should be based on the addenda provided in the template for financial reporting (Annex VI to the grant agreement).
with a purchase price of >5000 EUR (see General Conditions article 7.5). Information on transferring ownership shall be provided using the template in Annex IX to the grant agreement. Transfer to follow-up EU-funded projects or the charging of depreciation costs (instead of charging the full purchase amount) may in exceptional cases be possible, but needs prior written approval, preferably as early as possible.

**DOCUMENTATION:** Documentation is to be kept for 5 years following the payment of the balance and consists not only of accounting records such as invoices, vouchers, contracts etc., but also proof of procurement process (newspaper ads, invitation letters, tender committee minutes etc.), proof of goods and service delivery, proof of tax/VAT recovery status, time-sheets for expatriate and Europe-based staff, attendance sheets for meetings, trainings etc., travel documentation (vehicle log books, boarding cards etc.), donation certificates and certificates of origin, as well as visibility. See list of required documentation in the General Conditions article 16, and consult the Financial Management Toolkit (reference below) for a further details.

**USEFUL LINKS:**

- Concord DK: [http://www.concorddanmark.dk/](http://www.concorddanmark.dk/)