

**GUIDELINES FOR MANAGEMENT AND FINANCIAL
MONITORING
OF INITIATIVE
IMPLEMENTATION**

FOR

**BENEFICIARIES OF FUNDS FROM THE FUND FOR BILATERAL
RELATIONS**

**FOR THE EEA FINANCIAL MECHANISM 2014– 2021 AND THE NORWEGIAN
FINANCIAL MECHANISM 2014– 2021**

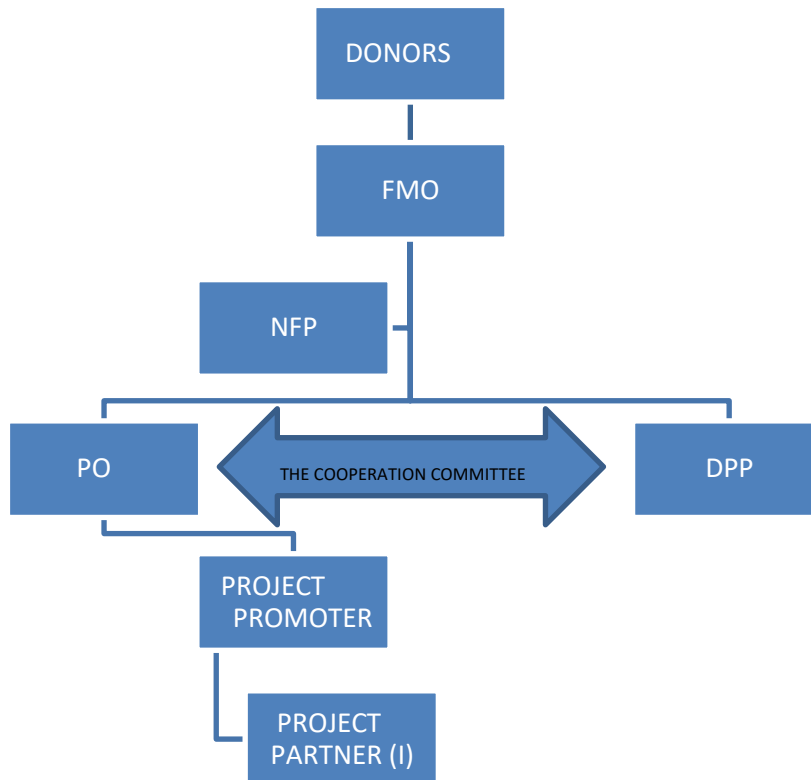
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A. INTRODUCTION

The purpose of these Guidelines is to provide the framework for the financial management and monitoring of the Beneficiary of Funds from the Fund for Bilateral Relations (hereinafter: BFBR).

The figure below gives an overview of the relations between all the stakeholders within the European Economic Area (EEA) Financial Mechanism 2014–2021 and the Norwegian Financial Mechanism (NFM) 2014–2021 (hereinafter: FM):



These Guidelines have been developed with the aim of, following the signing of the Memorandum of Understanding (hereinafter: MOU), Programme Agreement (hereinafter: PA), the Programme Implementation Agreement, the Fund for Bilateral Relations Agreement and the Grant Agreement, providing the relevant stakeholders with an overview and clarification of the requirements concerning the implementation of activities with a view to strengthening bilateral cooperation.

The following bodies in the beneficiary state are involved in the implementation of the FM:

- National Focal Point (NFP);
- Certifying Authority (CA);
- Auditing Authority (AA);
- national authority responsible for preparing and submitting a report on irregularities (hereinafter: Irregularities Authority (IA));
- Programme Operator (PO);
- Project Promoter (PP);
- Project Promoter Partners (PPP), if any;

- Beneficiaries of Funds from the Fund for Bilateral Relations (BFBR); and
- any other body appointed by the National Focal Point and/or Programme Operator.

The role of these bodies with regard to the implementation of the FM is described and defined in the Regulations and in separate manuals:

1. Description of the management and control system (issued by the NFP);
2. Guidelines on financial arrangements (issued by the AA);
3. Guidelines for the NFP (issued by the NFP);
4. Guidelines for Programme Operator (issued by the PO);
5. Guidelines for Project Promoters (issued by the PO);
6. Guidelines for Beneficiaries of Funds from the Fund for Bilateral Relations (issued by the NFP);
7. Guidelines on irregularities for all the bodies involved in the management and control system (issued by the IA); and
8. Work Plan of the Fund for Bilateral Relations (adopted by the JCBF).

The BFBR is recommended to comply with the Guidelines and their updated versions. The recommendation to comply with these Guidelines also applies to all partners, regardless of the state of registration.

B. LEGAL BASIS AND OTHER RELEVANT DOCUMENTS

1. Legal framework

Legal basis for the implementation of the Grant Agreement:

- **Regulation on the implementation of the European Economic Area (EEA) Financial Mechanism 2014–2021; and**

The consolidated version of the Regulation is available at the following address:

<https://eeagrants.org/resources/regulation-implementation-eea-grants-2014-2021>

- **Regulation on the implementation of the Norwegian Financial Mechanism 2014–2021.**

The consolidated version of the Regulation is available at the following address:

<https://eeagrants.org/resources/regulation-implementation-norway-grants-2014-2021>

Other relevant documents:

- **Memorandum of Understanding (MOU);**
- **Programme Agreements;**
- **Programme Implementation Agreements;**
- **Grant Agreement;**
- **Work Plan of the Fund for Bilateral Relations;**
- **Public Procurement Act, OG 120/16;**
- **State Aid Act, OG 47/14, 69/17; and**
- **Civil Obligations Act, OG 35/05, 41/08, 125/11, 78/15.**

- **Communication manual:**

<https://eeagrants.org/resources/2014-2021-communication-and-design-manual>

2. Roles and responsibilities

Role	Responsibility
National Focal Point (NFP)	<p>Role specified under Article 4.2, 5.3 and 10.1 of the Regulation</p> <ol style="list-style-type: none"> 1. The NFP has overall responsibility for ensuring the contribution of the programme to the EEA and NFM 2014–2021 objectives, as well as for ensuring that the implementation of the EEA and NFM 2014–2021 complies with Article 1.3 of the Regulation. The NFP serves as the main point of contact and has responsibility for the implementation of the MOA. 2. The NFP represents the beneficiary state in its relations with the FMO in relation to the implementation of the EEA and NFM 2014–2021 mechanisms in the beneficiary state. 3. The NFP must ensure that the programmes are implemented in accordance with the EEA and NFM 2014–2021 legal framework and shall monitor the progress and quality of their implementation. The NFP shall continuously and in a structured manner assess the risks of implementing the EEA and NFM 2014–2021 programme and may take any measures it considers necessary and in line with the Regulations, including the verification of the quality and content of the documents sent to the FMO, and may also request the necessary modifications in such documents. The NFP shall take all necessary steps to ensure that the PO is fully aware of its responsibilities under the EEA and NFM 2014–2021 legal framework. 4. The NFP shall carry out regular monitoring (supervision) of the programmes in relation to their progress regarding the expected impacts, results and objectives in accordance with the agreed indicators and financial needs defined in the programme. The results of the monitoring shall be reported in the Strategic Report. 5. The NFP is responsible for carrying out an evaluation of the effectiveness of the programme. The programme evaluation plan shall be presented by the NFP to the FMO in the first Strategic Report. 6. The NFP establishes a Joint Committee for Bilateral Funds. Within two months of signing the MOA, the NFP shall submit to the FMO the proposal for the members, the roles and operation of the Committee and shall chair it. 7. The NFP has an observer role in monitoring the work of the Cooperation Committee ran/supervised by the Donor Programme Partner (DPP). 8. The role of NFP can be further stipulated in the MOU.

Certifying Authority (CA)**Role specified under Article 5.4 of the Regulation**

The National Fund within the Ministry of Finance acts as the CA for the FMs. Its main responsibilities are:

1. the certification and submission of interim financial reports to the FMO as well as the final programme reports stipulated in Articles 9.3 and 6.12 of the Regulation;
2. the submission of the Payment Forecasts to the FMO pursuant to Article 9.5 of the Regulation;
3. the submission of a declaration to the FMO concerning the imputed interest, in accordance with Article 9.7 of the Regulation;
4. taking into account, for the purposes of certification, the results of any audits carried out by the AA or of audits which are the responsibility of the AA;
5. the maintenance of electronic ledgers on costs reported to the FMO;
6. ensuring the liquidity of the PO in accordance with Article 9.1 paragraph 2 of the Regulation; and
7. ensuring the recovery of the FMO funds in the event of the total or partial cancellation of the project before the completion of the programme.

Auditing Authority (AA)**Role specified under Article 5.5 of the Regulation**

The Agency for Audit of European Union Programmes Implementation System (ARPA) is the AA for the FMs.

Role**Responsibility**

The AA is responsible in particular for:

1. ensuring that audits are carried out to verify the effectiveness of the management and control systems at the beneficiary state level;
2. ensuring at least one audit of each programme to verify the effectiveness of its management and control systems;
3. ensuring that audits of an appropriate sample of projects are carried out for the purpose of verification of declared expenditures;
4. the preparation of the Audit Strategy within nine months following the approval of the last programme;
5. issuing/submitting, by 15 February each year, from 2019 to 2025:
 - a) the Annual Audit Report to the FMO;
 - b) an opinion to the FMO on the effectiveness of the management and control systems in order to provide reasonable assurance that the declarations of actual expenditures incurred sent to the FMO are based on legal and proper transactions; and
6. submitting to the FMO, by 31 December 2025 at the latest, the declaration on the completion of the final payment request validity assessment in the final programme report.

Irregularities Authority (IA)

Within the Ministry of Finance, the Service for coordinating the system for combating irregularities and fraud in the use of EU funds (AFCOS Service) is the national public institution responsible for preparing and submitting reports reporting irregularities.

The AFCOS Service reports directly to the head of the Anti-Fraud Service, who is the head of the national public institution responsible for preparing and submitting reports reporting irregularities.

The roles and responsibilities of the AFCOS Service, which is the national public institution responsible for preparing and submitting reports reporting irregularities, are laid down in the **Regulations**, in particular **Article 12.5**.

The Irregularities Authority shall report promptly to the FMO on all suspicious and actual cases of irregularity where any of the following applies:

- 1) where allegations of an act or omission constituting a criminal offence under the national law of the beneficiary state, such as corruption, fraud, bribery or embezzlement, are present;
- 2) where serious mismanagement affecting the use of the financial contributions from the FMs for the 2014– 2021 period is pointed to; or
- 3) where there is an immediate threat to the successful completion of the project, because of amounts proportionate to the total costs of the project, the severity of the case or any other reason.

2. For irregularities other than those referred to under 1 and 3, the IA shall provide the FMO with a report within two months of the end of each quarter describing all suspected and actual cases of irregularities detected during that quarter. If there are no irregularities to be reported on during the quarter, the IA will inform the FMO of this fact.

Unless required by the FMO, the following cases of irregularities within the projects need not be reported:

- a) cases where the irregularity consists exclusively of the failure to implement the project, in whole or in part, due to the bankruptcy of the PP;
- b) cases detected and corrected by the PO, NFP or CA during the review of expenditures declared; and
- c) cases concerning amounts smaller than 2000 EUR of FMs contribution, where, in case of irregularities relating to non-compliance

with procurement regulations, this amount refers to the total contract value affected by the irregularity.

The Irregularities Authority shall keep a record of all irregularities and provide information on them within one month of a request by the FMO.

Programme Operator (PO)

Role specified under Article 5.6 of the Regulation

The PO shall be responsible for the preparation and implementation of the programme in accordance with the principles described in Article 1.3 of the Regulation, in particular for:

1. ensuring that the projects contribute to the general objectives of the EEA and NFM 2014–2021 as well as to the specific expected impacts, results and objectives of the programme, and that they comply with the Regulations, the Programme Agreements and applicable national and EU regulations at all stages of implementation;
2. ensuring an appropriate level of expertise for the design and development of the programme as well as the development of a framework for the expected impacts and results of the Programme;
3. the collection of applications and selection of projects to be funded and concluding the Project Agreement for each project;
4. encouraging the development of bilateral cooperation where relevant;
5. confirming that the expenditures declared by the PP have actually been incurred and comply with the Regulations, the Programme Agreement as well as the applicable national and EU regulations;
6. ensuring the timely payment of financial support to the PP;
7. ensuring the quality of programme implementation, checking project results and project progress against the expected impacts of the programme through monitoring, including, where appropriate, on-site review of project implementation;
8. assessing the risks to the effective implementation of the programme and the achievement of its objectives and results, as well as taking appropriate measures;
9. carrying out annual monitoring of the implementation (of a selected sample) of projects;
10. ensuring that the financial contribution is used solely for the purpose of implementing programmes and projects under the Programme Agreement and that all funds forming part of the programme are used only for such purposes, pursuant to the terms laid down in the Programme Agreement;
11. ensuring a system for keeping and storing electronic accounting records for each project under the programme and ensuring the collection of project implementation data necessary for financial management, reporting, monitoring, review, audit and evaluation;
12. setting up the organisational structure of the PO in such a way as to ensure the independence and functional separation of the body responsible for verifying expenditures incurred and authorising payments from the body responsible for implementing the programme;
13. the establishment and maintenance of a separate bank account reserved for regranting funds, if national regulations so permit;
14. ensuring that the PP maintain either a separate accounting system or an adequate accounting code/designation for all transactions relating to the project, without prejudice to national accounting regulations;
15. ensuring the transparency and accessibility of documents in accordance with the requirements stipulated in Article 9.8 of the Regulations;
16. ensuring that the CA receives/has at its disposal all the necessary information on the procedures and verifications carried out in relation to expenditures for the purpose of certification;
17. preparing and submitting the interim financial reports, the annual programme report, the final programme report and the report on imputed interest in accordance with Articles 6.11, 6.12, 9.3, 9.4 and 9.7 of the Regulations;
18. the submission and certification of payment forecasts required by the CA to fulfil its obligations under Article 9.5 of the Regulations;

Role**Responsibility**

19. ensuring that the FMO and the NFP are provided, upon request and within a reasonable time frame, with all requested documents and information relating to the implementation of programmes and projects;
20. ensuring that the PPs are fully committed and capable of implementing their projects;
21. ensuring that all the necessary and appropriate measures are taken to prevent, detect and eliminate all suspected or actual irregularities, ensuring prompt and effective investigation, proper reporting and corrections, including making appropriate financial corrections;
22. ensuring compliance with applicable EU, national and local regulations (including, but not limited to: the Environment Act, Public Procurement Act and State Aid Act); and
23. compliance with any other obligations arising from the Programme Agreement.

The checks carried out by the PO shall cover the administrative, financial, technical and physical aspects of the projects, where appropriate and in accordance with the principle of proportionality.

The verifications shall include the following procedures:

1. administrative checks in respect of expenditures incurred and declared by the PP; and
2. on-site project reviews.

Project Promoter (PP)	<p>According to Article 1.6.x of the Regulation, the Project Promoter is the ‘natural or legal person responsible for initiating, preparing and implementing the project’.</p> <p>The Project Promoters shall have the following obligations:</p> <ol style="list-style-type: none"> 1. liaise with the PO, project partners and all other horizontal stakeholders to ensure the smooth implementation of their projects; 2. comply with the terms and conditions set out in the Grant Agreement of the FMs and alongside their project; 3. follow the procedures set out in the Guidelines for the Management and Financial Monitoring of Promoters; 4. ensure compliance with the Regulations and the guidelines issued by the FMO; 5. implement good financial practices respecting the principles of transparency and fair competition; 6. meet the disclosure requirements in accordance with the Regulations and the Information and Communication Requirements defined in Annex 3 to the Regulations; 7. ensure compliance with the Public Procurement Act (OG No. 120/16 and any subsequent amendments thereof); 8. keep all project documentation as specified in the Grant Agreement; 9. complete and submit to the PO the Project Progress Report (PPR) every three months, as specified in the Grant Agreement, using the templates from the Guidelines for Project Promoters; 10. obtain prior written authorisation from the PO for any planned modifications and derogations from the Project Agreement; 11. provide support for and comply with the checks required under national regulations and the Regulations; 12. provide any information relating to errors or omissions that may lead to recovery of funds without delay; 13. report without delay any irregularities detected in relation to the co-funded project, with the PP also having the obligation to report irregularities to the PO every three months; 14. inform the PO of any possible civil, criminal or administrative judicial proceedings which may have consequences for the co-funded project.
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Role	Responsibility
Project Promoter Partner (PPP)	<p>According to Article 1.6.w of the Regulation, the Project Promoter Partner is ‘a natural or legal person actively involved and effectively contributing to the implementation of the project. It shares with the PP a common economic or social objective to be achieved through the implementation of the project’.</p>
Beneficiary of Funds from the Fund for Bilateral Relations (BFBR)	<p>The Beneficiary of Funds from the Fund for Bilateral Relations is a natural or legal person responsible for initiating, preparing and implementing the bilateral activity.</p>

3. Communication channels

The following communication channels shall be used throughout the entire duration of the FM.

1. Only the NFP, the PO and the CA (the CA on matters related to requests for compensation/payment of funds) communicate directly with the FMO on all matters relating to the implementation of the EEA and/or Norway FM. The AA shall communicate with the FMO regarding the conducting of audits of those programmes.
2. Only the NFP is the authority that communicates with the Monitoring Committee of each programme on EEA and/or Norwegian FM matters. Members should send their correspondence/letters to the NFP for distribution. The NFP shall assess whether the information is also relevant for other authorities and, where appropriate, forward all the relevant information to them. The rest of the authorities that are part of the system shall also attend the annual meeting with the NFP programmes Monitoring Committees: the CA, AA and IA.
3. As regards the implementation of the activities, the NFP/PO shall communicate with the BFBR and the competent authorities on issues related to an activity. The communication between the BFBR and the NFP/PO, where applicable, shall also be forwarded to the competent authorities. The competent authorities shall be informed by email if it becomes apparent, during the implementation of the project and during administrative or control checks, that there is a suspicion of irregularity or fraud.
4. It is the responsibility of the BFBR to consult the competent national authorities on matters relating to the project carried out by that BFBR.
5. All queries sent to the NFP/PO shall be in writing. Explanations of these queries must be made in writing and should be stored in appropriate project files.
6. The BFBR and NFP/PO as well as, where applicable, competent authorities must maintain continuous communication to ensure that the payment process takes place in accordance with an appropriate agreement payment schedule and within acceptable time frames.
7. Any changes affecting the implementation of the project (including changes of the Initiative Implementation Manager and/or contact persons) shall be immediately communicated to the NFP/PO and to all competent authorities, so that they are included in any changes of key persons in the implementation of the project.
8. Any other queries relating to implementation in general may be directed to the NFP/PO.

C. GUIDELINES FOR BENEFICIARIES OF FUNDS FROM THE FUND FOR BILATERAL RELATIONS

General remarks

When applying the Guidelines, the following should be taken into account.

In accordance with the Grant Agreement, the BFBR accepts the grant and carries out activities it is solely responsible for. Therefore, the BFBR is fully and exclusively responsible for the implementation of the Grant Agreement.

In the event of changes to the Initiative Budget or delays in the implementation of the Initiative, the BFBR shall notify the NFP or PO in writing using the template in Annex 1.

In case of doubt regarding the procedures or rules set out in the Grant Agreement or in this manual, the BFBR is advised to contact the NFP or the PO.

This text provides an overview of the documents that the BFBR is required to properly prepare and archive. Although the BFBR may consider that the implementation of the Grant Agreement requires 'too much paperwork', it is indeed in the interest of the Beneficiary of Funds to have all these documents duly prepared and stored, thus demonstrating that the BFBR complied with all the rules laid down in the Grant Agreement and its annexes.

In the event of a delay in the Initiative, for example because of the contract awarding lasting longer than planned, the Grant Agreement may be extended, but only if the Initiative can still be implemented before the expiry of the funding agreement under which the initial agreement was funded.

High-quality and timely reporting is mandatory. The NFP/PO will not accept narrative and financial reports that it considers to be incomplete or of poor quality. The BFBR must ensure that the narrative and financial reports are signed by a person authorised to do so.

Ensuring the visibility of the Initiative is a contractual obligation. All Initiatives funded in whole or in part by the Mechanisms must include information and communication activities aimed at raising awareness among the specific or general target groups of the reasons for the activities in question and providing support to the activity in that country or region, as well as achieving the results and impact of that support. Expenditures which do not comply with the visibility rules shall not be considered eligible.

Errors in the implementation of the Grant Agreement may result in certain expenditures of the BFBR not being eligible and, as such, not refunded.

The NFP/PO performs preliminary and/or subsequent checks of the documents of the public procurement carried out by the BFBR. Nevertheless, as already mentioned above, the BFBR remains solely responsible for the implementation of the Grant Agreement.

1. Preparation and implementation of the Initiative

1.1. Agreement planning, management and self-monitoring tools

Managing the implementation of the Initiative is a complex task. The successful implementation of the Initiative largely depends, on the one hand, on the possibility of ensuring full compliance with the obligations and procedures laid down in the Grant Agreement as well as the relevant legislation, and, on the other hand, on the ability of the BFBR to properly assess time constraints.

The primary obligation established by the Grant Agreement is to deliver the results planned in the Initiative Description through the timely realisation of all planned activities and their deliverables.

However, it is highlighted that such results must be achieved in compliance with legislation, cost-effectiveness (the costs incurred must be necessary for the Initiative and spent on a value-for-money basis) and time efficiency (i.e. within the period set for the implementation of the project/Initiative in accordance with the Grant Agreement).

The implementation of the Initiative funded from the Fund for Bilateral Relations must take place within the time period set out in the Grant Agreement and/or the annexes thereto.

During the implementation of the Initiative, the BFBR may encounter circumstances beyond its control, including delays. As it is almost impossible to predict the changes in all the 'variables', it has been shown that, from the earliest stages of the implementation of the Initiative, the precise planning of the implementation of the Initiative's components as well as careful and continuous monitoring of the implementation progress and problems are essential.

Bearing in mind the above, below are offered the instruments that are of assistance in Initiative implementation planning, managing and self-monitoring, as follows:

- budget planning based on the Initiative's components; and
- Initiative documentation records.

1.1.1. Budget planning based on activity components

The Initiative Budget is an integral part of its proposal.

Budget planning based on the components of the Initiative is a typical management accounting tool that allows expenditures analysis within and with respect to the Initiative's components and allows costs to be calculated and monitored against relevant results. Furthermore, budget planning based on the Initiative's components supports the BFBR in identifying activities that reduce or slow down the possibility of spending funds under the Initiative itself.

The self-monitoring of the financial progress of the Grant Agreement may be done by comparing the amounts of eligible expenditures duly documented in the supporting documents with the approved budget annexed to the Grant Agreement as Annex I, Initiative Description, and Annex II, Initiative

Budget. However, while a budget structure organised into budget categories and items allows tracking the financial progress of expenditures by homogeneous spending categories, it does not provide any information on the progress made in each component of the Initiative. The timely availability of information on the financial progress of each component is, among other elements, crucial to plan the necessary contractual changes in time. Furthermore, the BFBR is required to submit interim and final reports reporting on the financial progress of each component in accordance with Chapter 3 of these Guidelines.

Taking into account the above, at the beginning of the implementation of the Grant Agreement, it is advisable to organise the Initiative management budget in accordance with a structure based on its components.

The process itself is carried out as follows:

1. the Initiative Description and Budget are both an integral part of the Grant Agreement;
2. the BFBR sends quarterly an overview of funds spent so far using the form given in Annexes 6 and 7;
3. the difference between funds spent so far and the Initiative Budget is the basis for drawing up the budget/spending plan according to the national chart of accounts for the BFBR, which is recorded on items specifically allocated to each activity, and the form given in Annex 11 is recommended for budgeting;
4. the plan mentioned under 2 as well as the budget mentioned under 3 shall be drawn up by the person responsible for finances/budget within the BFBR and subsequently approved by an authorised person within the BFBR.

1.1.2. Systematic archiving of programme/project documentation

An adequate filing system is one of the requirements stemming from the Regulations, but also a necessary precondition for good management of the financial mechanisms. It must be organised in such a way that all programme/project documentation can be easily verified, traceable and accessible in real time.

The BFBR is responsible for the archiving and safekeeping of documentary evidence of the implementation of the Initiative for a period of at least three years following the approval of the Final Programme Report.

Documentary evidence shall include at least the following:

- ✓ copies or electronic versions of the supporting documents relating to the expenditures;
- ✓ copies or electronic versions of all Regulations applied during implementation;
- ✓ copies or electronic versions of the Grant Agreement and related annexes;
- ✓ copies or electronic versions of the reports submitted to the NFP/PO including any annexes;
- ✓ the approval of the report and the reallocation implemented, depending on the case;
- ✓ procurement documentation (including complete tender documentation, evaluation

documentation, tenders received, contracts, etc.);

- ✓ copies or electronic versions of project publications (e.g. brochures, manuals or DVDs) as proof of the visibility of the Initiative;
- ✓ minutes of the implementation monitoring meetings held with NFP/PO;
- ✓ photos of events, if applicable;
- ✓ training materials, if applicable; and
- ✓ any other documentation resulting from the implementation of the Initiative.

The archived documents shall be stored in a systematic manner that chronologically follows the implementation of the project activities.

The facilities used for archiving shall ensure, for at least three years following the approval of the Final Programme Report, the following:

- ✓ the physical integrity of all archived paper documents, where securing archived documents from external sources of damage, such as fire, humidity or external risks requires special solutions (e.g. the use of fireproof furniture);
- ✓ the integrity of archived electronic documents, using computer systems that meet accepted security standards and prevent and minimise the risk of data loss; and
- ✓ the accessibility and rapid availability of all archived documents, in paper and electronic form, where the method of archiving must make it possible to quickly identify the place where an individual document is stored and ensure that each document is available and easily accessible at any time.

The table below gives an overview of the key requirements for establishing and maintaining documentation / ensuring an audit trail¹:

No.	Task relating to the establishment and maintenance of an audit trail	Initiative Operator	Finance Operator
1	ESTABLISHING AN AUDIT TRAIL		
1.1	Defining a process to ensure an adequate system audit trail on the BFBR level	x	x
1.2	Development of internal procedures to ensure an adequate audit trail	x	x
1.3	The processes and procedures shall, among other things:		
1.3.1	ensure an audit trail that can verify the application of selection criteria approved by the PO;	x	
1.3.2	ensure an audit trail allowing verification of output indicators for operations with target indicators, as well as report data and PP results;	x	x
1.3.3	provide for each operation, as far as possible, an audit trail including the technical specifications and financial plan, the documents relating to the approval of the Grant Agreement, documents relating to public procurement	x	x

¹ Adapt for the structure of each BFBR

No.	Task relating to the establishment and maintenance of an audit trail	Initiative Operator	Finance Operator
	procedures, reports by Beneficiaries and reports on controls and audits conducted		
1.3.4	in relation to Grant Agreements and the reimbursement of eligible costs, ensure an audit trail that allows data to be presented during certification for the FMO in detailed accounting and other relevant documents held by NFP/PO and BFBR, where the said data concerns operations which are co-funded under the FM;	x	x
1.3.5	in relation to Grant Agreements and the reimbursement of eligible costs, provide an audit trail that allows data to be presented during certification for the FMO in relation to detailed data relating to output indicators or results, as well as other relevant documents stored by the NFP/PO and BFBR, including, where applicable, documents on the method of establishing standards for the unit of cost and total sum, where the said data concerns operations which are co-funded under the FM;	x	x
1.3.6	in relation to BFBR costs, provide an audit trail showing and justifying the calculation method, where applicable, and the basis on which the lump sum decision was taken, as well as the direct eligible costs or costs declared in another selected category to which the lump sum applies; and	x	x
1.3.7	in relation to costs determined in accordance with the provisions of the BFBR, ensure that the audit trail supports, with relevant documents, the direct eligible costs relating to the lump sum applied to them.	x	x
2	ACCOUNTING FOR COSTS		
2.1	A clear audit trail established for all accounting entries	x	x
2.2	An accounting system that makes it possible to identify Beneficiaries and other relevant authorities in the process of payment authorisation	x	x
2.3	Established procedures to verify whether Beneficiaries have a separate accounting system or adequate accounting codification for all transactions relating to the payment of EU funds and which allow the verification of: - exact cost allocation only partly related to the co-funding of operations; and - certain types of costs considered eligible within appropriate restrictions or in proportion to other costs.	x	x
3	INFORMATION MANAGEMENT SYSTEM		
3.1	Procedures are in place to ensure the collection, recording and storing of data on each operation in an electronic format, including, where applicable, data on each individual participant and splitting data into indicators by type requested, which is necessary for monitoring, evaluation, financial management, review and audits	x	x
4	STORING OF DATA		
4.1	Adequate procedures are in place to ensure that all the documents required to ensure an adequate audit trail are kept in accordance with the requirements of the Regulations and national legislation	x	x

4.2	Procedures are in place to ensure the storing of detailed accounting data and relevant documents for operations at the appropriate management level (such as technical specifications and financial plan of operations, progress towards achieving output activities and results, implementation monitoring reports as well as documents pertaining to application, assessment, selection, approval of Grant Agreements, public procurement procedures and	x	x
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No.		Operator	Operator
	contracting procedures and reports on the review of co-funded products and services) that provide detailed information on actual costs within each of the operations co-funded by the Beneficiary.		
4.3	Adequate procedures are in place to ensure the storing of data for: - every check, declaration of work performed, date and results of any check; and - the monitoring of findings including actions taken for detected irregularities.	x	x
4.4	Procedures are in place to ensure that all the required documents necessary to ensure an adequate audit trail are kept in accordance with the requirements of the Regulations and national legislation	x	x
4.5	Availability is ensured and procedures are in place to provide information on the identity and location of the authorities storing the relevant documentation relating to audits.	x	x
5	ARCHIVING		
5.1	Defining processes to ensure adequate archiving systems ²	x	
5.2	Defining: - the types of documents that need to be archived; - the period during which the documents must be kept in the archives; and - the manner in which the documents are kept.	x	

1.2. Organisational aspect

The BFBR is responsible for planning, administration and assessing its internal resources to implement the project. The BFBR should seek and ensure adequate human resources with appropriate expertise and work experience. BFBR staff must be familiar with the relevant rules and regulations of their country, the EU and the EEA/ The Kingdom of Norway, Iceland, Liechtenstein (eligibility rules, state aid rules, public procurement rules and the functioning of financial instruments, among others). In situations where, because of the large scale or technical complexity of the project, the BFBR finds that it does not have sufficient staff or expertise to implement the activities, it may be appropriate to entrust some or all of the elements to external experts for implementation.

The Initiative implementation management team may be composed of a variable number of members. When determining its composition, at least two elements shall be taken into account:

- in order to be eligible, all the costs related to the implementation of the Initiative must be necessary for the actual implementation of the activities, i.e. they must contribute to the achievement of bilateral objectives/indicators, and accordingly, the number of team members and their working hours in the implementation of the Initiative must be measured on the basis of their workload related to the Initiative;
- even for small-scope activities, the implementation team should have at least two members, and this is recommended with a view to ensuring the meeting of the prerequisites for the implementation according to the four eyes principle in line with international good practice regarding internal control.

Regardless of the composition of the team, the following should be kept in mind:

- the tasks and responsibilities of each member of the Initiative implementation team must be clearly defined and clearly contribute to the achievement of bilateral results (e.g. terms of reference, employer decision, official decision, etc.);
- the tasks and responsibilities assigned to the members of the Initiative implementation team must cover all the components carried out in the context of the Grant Agreement: there should be no grey zones for which responsibility has not been assigned (accordingly, the terms of reference for the partner's staff should also be available to the BFBR);
- although more than one member of the Initiative implementation team may participate in the implementation of its components, one responsible person must be designated;
- the work of the team members must be divided in such a way as to ensure that double funding is avoided.

It is advisable to include the persons with the following profiles in the implementation of the Initiative:

- a person with experience in the financial management of the implementation of the Initiative;
- a person with experience in public procurement (it is also preferred that the person be certified to carry out public procurement procedures in accordance with national legislation).

It is to be noted that the cost of managing the Initiative itself is borne by the BFBR and/or its partners, depending on the distribution of duties. In other words, the cost of managing the implementation of the Initiative is not, as such, an eligible cost to be funded from the Fund for Bilateral Relations.

More information on the eligibility of costs is given in chapter 1.8.1, Eligible costs.

² Regulations on Archive and Registry Records Processing, Protection, Storing and Use of the Ministry of Regional Development and European Union Funds

1.3. Monitoring the implementation of the Initiative

The BFBR is directly responsible for the implementation of the Initiative funded from the Fund for Bilateral Relations and the achievement of the defined indicators.

In the event of any possible changes (implementation dynamics, budget redistribution, achievement of indicators, etc.), the BFBR shall notify the NFP/PO in a timely manner using the form given in Annex 1.

The monitoring of the progress of the Initiative itself is carried out in two ways:

- regular monitoring meetings between the NFP/PO and the BFBR; and
- administrative ('desk-based') checks.

How a specific activity will be monitored and what the dynamics of this will be is defined in the Grant Agreement.

1.3.1. Monitoring meetings

The NFP/PO organises, where applicable, periodic monitoring meetings with the BFBRs in order to discuss the progress of the activities as well as other matters deemed important. Participation is mandatory for all BFBRs and also their partners upon request.

The NFP/PO shall keep the minutes of the meetings held. A signature sheet shall also be attached to the minutes.

The agreed upon minutes shall be delivered to all the participants of the meetings and the AA.

1.3.2. Administrative ('desk-based') checks

Administrative checks are carried out mainly by assessing the progress of the Initiative through narrative and financial reports.

Administrative checks are carried out by NFP/PO staff in charge of supervising the implementation of the Initiatives funded from the Fund for Bilateral Relations. For the purposes of carrying out the administrative checks, NFP/PO personnel shall use the check-list given in Annex 12.

The reports on the administrative checks carried out are submitted by the persons who carried them out to the person responsible for the implementation of NFP tasks at national and programme level according to the organisation chart given in DMCS.

It is to be noted that, in addition to the information provided in the periodic reports, the NFP/PO reserves the right to request information from the BFBR at any time during the implementation period and at least three years after the approval of the Final Programme Report of the Fund for Bilateral Relations.

The Beneficiary of Funds shall provide the National Focal Point with the requested information stipulated in the previous paragraph within ten (10) calendar days from the date of delivery of the request.

1.4. Procedures for detected and reported irregularities and complaints

The NFP/PO shall make every effort to prevent, detect and reverse the effect of any irregularity. Likewise, all suspected and actual cases of irregularities must be promptly and efficiently investigated and duly corrected, including appropriate financial corrections.

Amounts unduly paid shall be paid and recovered in accordance with the Grant Agreement, Programme Agreements and the Regulations.

1.4.1. Procedures for irregularities

An irregularity is a violation of:

- a) the FM legal framework stipulated in Article 1.5 of the Regulations;
- b) any provision of European Union law; or
- c) any provisions of the national law of the beneficiary state, affecting or prejudicing any phase of implementation of the FM in the beneficiary state, in particular but not limited to the implementation and/or budget of any programme, project or other activities funded by the FM.

The Irregularities Authority is specified in the Memorandum of Understanding .

The BFBR shall report to the NFP/PO, which shall then report to the NFP and the IA on the irregularities detected, their investigation and any legal remedies taken. The NFP and the PO shall work closely with the IA to ensure swift, accurate and complete reporting on irregularities to the donors.

1.4.2. Procedures for complaints

1. The beneficiary state shall put in place a mechanism for submitting complaints which must be capable of effectively processing and deciding on complaints on suspected non-compliance with the principle of good management in relation to the implementation of the FM in the beneficiary state. The beneficiary state shall, at the request of the donors, examine the complaints received from the donors. The beneficiary state shall, upon request, inform the donors of the results of those investigations.

2. The information on how to submit a complaint will be prominently displayed on the NFP website: <http://www.eeagrants.hr/>.

3. The NFP shall inform donors without delay of any complaint relating to suspected irregularities stipulated in Article 12.5 paragraph 1 of the Regulations. Complaints involving suspicions of other irregularities shall be reported to the donors in the reports stipulated in Article 12.5 paragraph 2 and Article 12.6 of the Regulations. The donors shall, where applicable, be consulted on the appropriate response.

In the event that the BFBR receives a complaint, it shall promptly inform the NFP/PO thereof.

1.5. Conducting procurement procedures

When conducting procurement procedures, particular attention should be paid to the mandatory and internally planned deadlines, the risks arising within the procurement procedures (in particular those resulting in repeated procurement procedures) and possible *ex-ante* reviews of procurement documents.

Below is an overview of the legal framework defining the public procurement procedures for the BFBRs that are subject to mandatory public procurement (SMPP) and for those not subject to public procurement (NSMPP).

1.5.1. BFBRs subject to mandatory public procurement

The BFBR is a client within the meaning of the Public Procurement Act and is required to conduct public procurement in accordance with this Act (OG No. 120/16), applicable by-laws and in accordance with Article 8.15 of the Regulations.

As part of its organisation/institution, the BFBR has a service in charge of and responsible for carrying out all forms of procurement, and this service conducts procurement on behalf of the PO (which in addition ensures that it is carried out in accordance with national regulations).

At the end of each year, the BFBR shall adopt a procurement plan for the following year. A template for the public procurement plan is given in Annex 2.

Public procurement principles (Article 4 of the Public Procurement Act)³

- ✓ The client is bound by the principles of the free movement of goods, freedom of establishment and freedom to provide services and all the resulting principles, such as the principles of competition, equal treatment, non-discrimination, mutual recognition, proportionality and transparency.
- ✓ Public procurement shall not be conceived with the intention of evading the application of the Public Procurement Act or of evading the application of the rules on public procurement of low and high values, or with the intention of unduly favouring certain tenderers or putting them at a disadvantage.
- ✓ The client is obligated to apply the provisions of the Public Procurement Act in such a way as to allow for efficient public procurement and the spending of public funds economically and purposefully.
- ✓ The tenderer shall, during the performance of a public procurement contract, comply with the applicable obligations regarding environmental, social and labour law, including collective agreements, in particular the obligation to pay the agreed salary, or to apply the international environmental, social and labour law provisions listed in Annex XI of the Public Procurement Act.

1.5.1.1. Preparation of procurement documents

The procurement documentation shall contain the following elements and information⁴.

1. General information:

- ✓ name and registered office of the client, OIB (PIN), telephone number, telefax number, website and email address;
- ✓ person or service designated for contact;
- ✓ Procurement Record Number;
- ✓ list of tenderers with whom the client has a conflict of interest or a statement that such tenderers do not exist at the time of publication of the procurement documents;
- ✓ type of public procurement procedure or specific procurement process;

- ✓ estimated value of procurement;
- ✓ type of public procurement contract (goods, works or services);
- ✓ statement of whether a public procurement contract or framework agreement is being concluded;
- ✓ statement of whether a qualification system is being established (for sector clients only);
- ✓ statement of whether a dynamic procurement system is being established;
- ✓ statement of whether an electronic auction is taking place; and
- ✓ website where the report on the consultation conducted with interested tenderers is published.

³ <https://www.zakon.hr/z/223/Zakon-o-javnoj-nabavi>

⁴ https://narodne-novine.nn.hr/clanci/sluzbeni/2017_07_65_1534.html

2. Information on the subject of the procurement:

- ✓ Terms of Reference (TOR) — see Annex 3;
- ✓ descriptions and codes of the lots of the subject of the procurement, where the subject of the procurement is divided into lots, or in high-value procedures, an explanation of the main reasons why the subject is not divided into lots;
- ✓ objective and non-discriminatory criteria or rules to be applied to determine which lots of the subject of the procurement will be awarded to a certain tenderer if a limited number of lots may be awarded to a single tenderer, or participation is limited to one or several lots only;
- ✓ volume of the subject of the procurement;
- ✓ technical specifications — see Annex 4;
- ✓ criteria for assessing the equivalence of the subject of the procurement (if reference is made to a brand, source, patent, etc.);
- ✓ cost statement;
- ✓ location of the performance of the contract;
- ✓ start and end of the performance of the contract; and
- ✓ options and possible contract renewals.

3. Grounds for exclusion of a tenderer:

- ✓ mandatory grounds for exclusion of a tenderer;
- ✓ other grounds for exclusion of a tenderer that the client intends to use; and
- ✓ documents proving there are no grounds for exclusion.

4. Selection criteria for selecting a tenderer (competence prerequisites):

- ✓ competence prerequisites for professional work performance;
- ✓ economic and financial capacity prerequisites and their minimum levels;
- ✓ technical and professional competence prerequisites and their minimum levels;
- ✓ competence prerequisites in the case of a group of tenderers;
- ✓ objective and non-discriminatory criteria or rules for reducing the number of suitable candidates, the minimum number of suitable candidates to be invited to submit tenders or engage in communication and, where appropriate, the maximum number of candidates; and
- ✓ documents proving the fulfilment of the selection criteria for selecting a tenderer.

5. The European Single Procurement Document (hereinafter: ESPD):

- ✓ a statement that the tenderer is obligated to provide the ESPD in the tender or in the request to participate as preliminary evidence demonstrating that it meets the required criteria for the qualitative selection of the tenderer, except in the case stipulated in Article 7 paragraphs 6 and 7 of the Regulations on Procurement Documents and Tenders in Public Procurement Procedures (OG No. 65/2017); and

- ✓ instructions on how to complete the ESPD form (specifying the data to be provided by the tenderer in the ESPD).

6. Information on the request to participate or the tender:

- ✓ content and manner of drafting;
- ✓ manner of submission (by electronic or non-electronic means);
- ✓ minimum requirements to be met by tender variants, if allowed, and specific requirements for their submission;
- ✓ manner of determining the price of the tender;
- ✓ tender currency;
- ✓ the awarding criterion and its relative weighting or, where applicable, the criteria in descending order of importance, unless the criteria are set out in the call for competition or will be specified in the call for tenders, negotiations or communication;
- ✓ language and alphabet in which the tender or part of it is drawn up;
- ✓ period of validity of the tender; and
- ✓ statement that a tender submitted by electronic means of communication via the EPPC of the Republic of Croatia is deemed to bind the tenderer within the period of validity of the tender, regardless of whether it is signed or not, and that the client may not reject such a tender solely on those grounds.

7. Other provisions:

- ✓ details on the time and date of an on-site visit or of an on-site review of documents supporting the procurement documents;
- ✓ statement of the intention to use the option of a procedure consisting of multiple consecutive stages in order to reduce the number of tenders or bids;
- ✓ quality assurance standards or environmental management standards;
- ✓ number of tenderers to be party to the framework agreement, in the case of a framework agreement with several tenderers;
- ✓ the term of the framework agreement and a statement of the reasons for the term of the framework agreement being longer than four or eight years, respectively;
- ✓ manner of awarding contracts on the basis of a framework agreement;
- ✓ statement of whether the framework agreement binds the parties to perform that framework agreement;
- ✓ statement of all clients (by name or generically by type/category/site) on behalf of whom a framework agreement is concluded;
- ✓ other conditions to be used for awarding a contract under a framework agreement;
- ✓ data required to conduct an electronic auction;
- ✓ provisions relating to a group of tenderers (bidders or candidates);
- ✓ provisions relating to subcontractors;
- ✓ statement that data on designated subcontractors (name or company, registered office, OIB (PIN) or national identification number, account number and its legal representatives) and the elements of the contract to be performed by them (subject or quantity, value or percentage share) are mandatory components of the public procurement contract;

- ✓ statement of mandatory direct payment to subcontractors where a part of the contract is subcontracted, or explanation of justified reasons related to the nature of the contract or specific conditions of its performance for which this is not applicable;
- ✓ type, means and conditions of guarantees, if requested, and a statement that the tenderer can make a cash deposit in the requested amount as well as the giro account number (IBAN) of the client;
- ✓ date, time and place of the (public) opening of tenders;
- ✓ works or documents to be returned to candidates or tenderers at the end of the public procurement procedure;
- ✓ specific conditions for the performance of the contract or framework agreement;
- ✓ statement on the application of commercial customs (usances);
- ✓ information on the bodies from which the candidate or tenderer may obtain valid information on the obligations relating to taxes, environmental protection, employment protection provisions and working conditions in force in the area where the works or services are to be carried out or provided and which will be applicable to the works to be carried out or to the services to be provided for the duration of the contract;
- ✓ deadline for taking the selection decision;
- ✓ deadline, method and terms of payment;
- ✓ conditions and requirements to be fulfilled in accordance with specific regulations or professional rules;
- ✓ deadline for appeals regarding the procurement documents and the name and address of the appeal body; and
- ✓ any other information deemed necessary by the client.

The extent of the information contained in the procurement documents depends on the type of the public procurement procedure used, the techniques or instruments used for electronic and aggregated procurement, the nature and complexity of the subject of the procurement, the criteria for the qualitative selection of a tenderer, the awarding criteria, whether a public procurement contract or framework agreement is being concluded and on other variable information depending on the specific case (for example, the procurement documents of an open public procurement procedure do not contain any provisions on tenderers and request to participate).

The BFBR, acting as the client, is in particular responsible for determining, out of the aforementioned:

- ✓ estimated procurement value;
- ✓ type of public procurement contract (goods, works or services);
- ✓ Terms of Reference;
- ✓ volume of the subject of procurement;
- ✓ technical specifications, where applicable;
- ✓ criteria for assessing the equivalence of the subject of the procurement, if reference is made to a brand, source, patent, etc.), where applicable;
- ✓ location of the performance of the contract;
- ✓ start and end of the performance of the contract;
- ✓ options and possibility for contract renewal; and
- ✓ selection criteria for selecting a tenderer (competence prerequisites).

1.5.1.2. Procurement of services

The Public Procurement Act does not apply to the procurement of services with an estimated value lower than 200,000.00 HRK. In this case, the internal Regulations on Low-Value Public Procurement of the BFBR⁵ shall apply.

1.5.1.2.1. Description of the subject of the procurement

The description of the subject of the procurement, or the Terms of Reference (TOR), is an integral part of the tender documentation and should include all the relevant information needed by the service provider to estimate the amount of work to be done and the price to be offered.

Since the Terms of Reference comprise an annex to the contract on the provision of services, the service provider is not obligated to deliver results or provide services which are not mentioned in the Terms of Reference.

The project description should contain at least the following information:

- ✓ data on the contracting body;
- ✓ brief description of the project (with a view to defining the context);
- ✓ the geographical area in which the service is to be supplied (if the service provider includes the costs of travel into its offer);
- ✓ the activities that the service involves;
- ✓ expected results of the contract (not to be confused with immediate results);
- ✓ immediate results;
- ✓ staffing prerequisites (required expert profiles, if applicable);
- ✓ the infrastructure/documents provided by the contracting body;
- ✓ implementation period (of the service contract);
- ✓ reporting requirements, if any (in addition to reporting on immediate results mentioned above);
and
- ✓ the estimated price.

1.5.1.2.2. Tender procedure criteria (professional qualifications)

In order to ensure quality, it is advisable to establish criteria or conditions relating also to the qualifications of experts, and not just of the competing companies. Professional qualifications include, for example:

- ✓ number of years of experience;
- ✓ experience in similar projects, etc.

All these professional qualifications must be attested by specific documents/certificates.

⁵ The BFBR is recommended, if it does not have any Regulations on Low-Value Public Procurement in place, to adopt them no later than 15 days after signing

1.5.1.2.3. Selection criteria

In order to ensure quality, the recommended selection criterion is the most economical tender overall and not the lowest price. In this case, for example, the price is awarded 20 points⁶, while the other points are awarded according to other criteria so that the final sum of points is 100.

For example, if the offer is for the technical design of a museum⁷, the criteria might be as follows.

Criteria	Maximum no. of points
Price	20
Number of years of professional experience of the expert (fewer than 5 years — 10 points 6–10 years — 25 points over 10 years — 40 points)	40
Reconstruction of museums — projects where the expert worked as the head designer 3 projects or fewer — 10 points; 3 to 5 projects — 25 points; 5 or more projects — 40 points)	40
Total (sum)	100

1.5.1.2.4. Service contracts

Like all other contracts, any service contract must comply with the Civil Obligations Act (OG No. 35/05, 41/08, 125/11, 78/15). It must also comply with the Grant Agreement, in particular with regard to the payment procedure.

1.5.1.3. Preparation of tender documents for the procurement of goods / equipment and works

The Public Procurement Act does not apply to the procurement of goods with an estimated value of less than 200,000.00 HRK and works with an estimated value of less than 500,000.00 HRK. In this case, the internal Regulations on Low-Value Public Procurement of the BFBR⁸ shall apply.

1.5.1.3.1. Technical specifications

The main document in the procurement of goods and works are the technical specifications which include a detailed description of the technical and functional requirements of the equipment/goods and services and a description of any supporting services expected.

⁶ The Beneficiary determines the ratio of points awarded for price and quality. In order to facilitate the calculation, the maximum number of

⁸ The BFBR is recommended, if it does not have any Regulations on Low-Value Public Procurement in place, to adopt them no later than 15 days after signing

points awarded for price and quality should be 100.

⁷ This example is illustrative and ought to be adapted to the situation, needs and preferences of the Beneficiary or applicant.

⁸ The BFBR is recommended, if it does not have any Regulations on Low-Value Public Procurement in place, to adopt them no later than 15 days after signing

The procurement of goods and services/equipment refers to the procurement of specific items, but may also include some procurement-related services such as: delivery, installation, testing, training, warranties and additional after-sales services (additional warranties, spare parts, etc.). The NFP must take into account the entire scope of the procurement.

Supporting services can be divided into 2 categories:

- ✓ services to ensure the proper functioning of the equipment procured, including delivery, installation, training of personnel, etc.; and
- ✓ after-sales services covering the period after the provisional handover of equipment to the end of the contract.

It is to be noted that all complementary services should be investigated when investigating the market, as they also increase the price.

Another important matter to be considered when procuring goods and services is that of warranties.

Warranties within procurement contracts can be divided into:

- ✓ standard warranties (maximum of 2 years after the provisional acceptance of the equipment); and
- ✓ commercial warranties.

The commercial warranty constitutes an after-sales service and must be clearly stated in the technical specifications as it constitutes a complementary service and, as a general rule, an additional cost for the contractor.

More detailed instructions on the drafting of technical specifications can be found in Annex 4.

1.5.1.3.2. Procurement contracts

Like all other contracts, any procurement contract must comply with the Civil Obligations Act (OG No. 35/05, 41/08, 125/11, 78/15). It must also comply with the Grant Agreement, in particular with regard to the payment procedure. More information can be found in Chapter 3.

1.5.1.4. Procurement of services and goods with a value of less than 200,000.00 HRK and works with a value of less than 500,000.00 HRK

Pursuant to the Public Procurement Act, the BFBR is not required to publish public calls for tenders for the procurement of services and goods with an estimated value of less than 200,000.00 HRK and works with an estimated value of less than 500,000.00 HRK. However, the BFBR must draw up the tender specifications in accordance with these instructions.

For the sake of transparency of public procurement procedures, at least three tenders should be obtained for the awarding of any contract of a value below 200,000.00 HRK.

1.5.2. BFBR not subject to the Public Procurement Act (NSMPP)

Beneficiaries who are not subject to the Public Procurement Act and have their own regulations on the conducting of procurement procedures are required to submit them to the NFP/PO for inspection within 5 days following the signing of the Grant Agreement.

The NFP/PO shall, upon review of the regulations on the conducting of procurement procedures delivered by the BFBR and no later than 5 business days following their receipt, issue an opinion in which it gives its consent to the BFBR for their application or asks the BFBR to follow the procedure specified for the BFBRs which are not subject to the Public Procurement Act and do not have their own regulations on the conducting of public procurement procedures.

BFBRs which are not subject to the Public Procurement Act and do not have their own regulations on the conducting of public procurement procedures shall follow the following instructions.

1. GENERAL RULES

1.1. An NSMPP is bound by the **principle of avoidance of conflicts of interest**. The conclusion of a contract shall not be permitted between associated enterprises or associated persons, unless an associated enterprise or an associated person is the only one capable of supplying the goods, works or services for technical reasons or because of exclusive rights over the subject to be procured, which an NSMPP shall prove.

This rule shall be applied appropriately and to the following associated persons: to relatives by blood by vertical lineage or by horizontal lineage up to the fourth degree, relatives from the wife's side of the family up to the second degree, spouses or non-marital partners, regardless of whether or not the marriage has ended, as well as adoptive parents and adopted children. The responsible person of the NSMPP shall sign a declaration of there being no conflict of interest before the procedure is carried out in accordance with these Rules.

1.2. The NSMPP is required to respect **the principle of proportionality**, ensuring that any measure chosen is necessary and appropriate in view of the purpose of the procurement. The awarding criteria laid down in the call for tenders and applied during the review and evaluation of tenders shall be proportionate to the size, nature and complexity of the procurement and of the contract resulting from it.

1.3. The NSMPP shall act in accordance with the **principle of equal treatment and non-discrimination** that ensures impartial, objective and complete review of all participants at all stages of the procurement procedure. The NSMPP may not specify the conditions for participation in such a way as to constitute an unjustified obstacle to the participation of certain (for example foreign) tenderers (eligibility requirements discriminating foreign tenderers, such as registration in special registers or holding special permits/authorisations in order to carry out activities in the Republic of Croatia in accordance with specific regulations).

1.4. When selecting a procurement procedure, NSMPPs must ensure that they do not artificially share the subject of the procurement in order to avoid a more complex procurement procedure in line with the provisions of these Guidelines.

1.5. The NSMPP is obligated to take all measures in accordance with the **principle of rational and cost-effective spending of funds** in the context of comparing the prices and the current market value of the subject of the procurement.

1.6. If there is a suspicion that the price agreed with the supplier/contractor is unduly high, the NFP/PO has the right to request additional supporting documents and/or to carry out an analysis of market prices and, if justified, in the process of checking the eligibility of costs/expenditures, to declare such costs/expenditures as ineligible.

2. PROCUREMENT PROCEDURE WITH A SINGLE BIDDER

2.1. For the procurement of goods, works and services with a total estimated value of up to and including 150,000.00 HRK excluding VAT, NSMPPs select a tenderer capable of providing the subject of the procurement.

2.2. The NSMPP is free to choose between the conclusion of a procurement contract and the issue of a purchase order, which must contain all the essential provisions in accordance with the Civil Obligations Act.

3. PROCUREMENT PROCEDURE WITH MANDATORY PUBLICATION

3.1. For the procurement of goods, services and works with a total estimated value exceeding 150,000.00 HRK excluding VAT, the NSMPP shall publish a call for tenders on its website and on the following website: www.eeagrants.hr.

3.2. The NSMPP may additionally send a call for tenders to three or more tenderers of its choice and shall carry out the procedure taking into account all the tenders received.

3.3. The content of the call for tenders, the deadline for the submission of tenders and the other terms of the call for tenders are specified as follows.

3.3.1. The call for tenders shall contain at least:

- the name of the client and its contact details (address, telephone number and contact person);
- the description of the subject of the procurement/technical specifications;
- cost statement (if applicable);
- the awarding criterion;
- the deadline and location for providing the subject of the procurement; and
- the deadline and address for the submission of tenders.

In the call for tenders, the NSMPP may also specify other terms and conditions which it considers essential (contract terms and conditions, location of access to additional documents relevant to the preparation of the tender, warranties, deadline, manner and terms of payment, etc.).

3.3.2. For a specific procurement, the NSMPP may specify, in the call for tenders, the eligibility

requirements for tenderers. When setting the eligibility requirements, the NSMPP should take into account equal tendering opportunities for domestic and foreign tenderers. The tenderer must be able to submit, in the tender, a relevant document or certificate of membership of the relevant professional chamber of the country of establishment and to submit a declaration of commitment (in case its tender is selected) to provide a certificate of membership of the relevant professional chamber of Croatia prior to signing the contract in order to be able to carry out activities in the Republic of Croatia in accordance with special regulations. The same applies to all authorisations, approvals, etc. that are a prerequisite for carrying out activities in accordance with the special regulations of the Republic of Croatia.

3.3.3. The subject of the procurement shall be described by means of technical characteristics and/or by means of functional requirements. If commercial brands are stated, then each reference to a brand must be accompanied by the phrase 'or equivalent' (except in the case of upgrades to or technical interoperability with an existing system where this is the only product that is technically acceptable). The technical specifications shall not contain technical and functional requirements defined in such a way that only a specific brand can meet them. The NSMPP is required to describe the subject of the procurement in a clear and non-discriminatory manner, allowing for competition between tenderers and comparability of the tenders in relation to the requirements it has laid down.

3.3.4. The awarding criteria may be:

- the lowest price; and
- the most economical tender overall (best value for money based on the quality-price ratio, technical advantages, functional characteristics, environmental characteristics, operating costs, delivery date, etc.), where the call for tenders should specify the relative weighting to be given to each of the criteria chosen for the purpose of determining the most economical tender overall.

3.3.5. When setting (appropriate) deadlines for the submission of tenders, the NSMPP should take into account the complexity of the subject of the procurement and the time needed for tenderers to prepare their tenders. The period before the deadline for the submission of a tender may not be less than 8 (eight) days.

3.3.6. This period shall begin on the first day following the sending or publication of the call for tenders and shall end with the end of the last day of that period. National holidays, Saturdays and Sundays do not affect the beginning and running of the deadline period. The term 'business day' means all days other than national holidays, Saturdays and Sundays. If the last day of the deadline period falls on a national holiday, a Saturday or a Sunday, the deadline period shall end at the end of the next business day.

3.3.7. If, during the publication, there is a need to amend the call for tenders (if the tenderer requests additional information, explanations or modifications concerning the prerequisites set out in the call for tenders during the deadline period for the submission of tenders), these amendments must be transparent and published (or delivered, where the call for tenders has been sent to more than one tenderer) at the same time, so that all the tenderers are aware of the amendments.

3.3.8. The deadline period for the submission of tenders should be appropriately extended where it is shorter

than 8 (eight) days following the date of publication of any amendment.

3.3.9. After the end of the deadline period for the submission of tenders laid down in the call for tenders, the content of the tenders submitted is reviewed, compared with the technical specifications and/or the Terms of Reference of the subject of the procurement, and whether or not all the prescribed terms and conditions for tendering have been met is determined.

3.3.10. The tender which fulfils all the prerequisites set out in the call for tenders and:

- has the lowest price (where the awarding criterion is the lowest price), or
- is the most economical overall (where the awarding criterion is the best value for money) is considered to be the most advantageous tender.

3.3.11. The NSMPP may not modify the conditions laid down in the call for tenders during the tender review and evaluation procedure.

3.3.12. Where the information or documentation to be provided by a tenderer is incomplete or erroneous, or appears as such, or where certain documents are missing, the NSMPP may, while respecting the principles of equal treatment and transparency, require the tenderers concerned to supplement, clarify, complete or provide the necessary information or documentation within an appropriate period not shorter than five days. This procedure shall not lead to negotiations regarding the awarding criterion or the offered subject of the procurement.

3.3.13. The NSMPP is required to evaluate the tenders using objective criteria and is required to keep all the documentation related to the procedure followed to justify its selection and demonstrate compliance with these Guidelines.

4. SPECIAL PROCUREMENT PROCEDURES

4.1. The NSMPP may conduct the procurement procedure by sending or publishing a call for tenders to one or more tenderers (as applicable) irrespective of the estimated value of the procurement if the following conditions are met:

- in exceptional and justified cases, where the need for urgent action was caused by circumstances that the NSMPP could not have foreseen, avoided or remedied, other than as a result of its own action and/or omission, and relate to the need to preserve human life and health, property or to prevent further damage to the property connected to the contract; or
- where there is no possibility of obtaining multiple tenders on the market because the subject of the procurement is exclusively related to a particular tenderer that is the only one who can supply it (for technical reasons, such as interoperability with and/or upgrades to an existing system or reasons relating to the protection of special or exclusive rights), where the NSMPP shall provide detailed reasons and circumstances and substantiate the decision with appropriate evidence; or
- where it is necessary to contract additional works, goods or services beyond those stipulated in the Grant Agreement that are necessary for the completion of the project, in which case, the total value of the additionally contracted works, goods or services shall not exceed 50% of the total value of the primary procurement contract, and the unit prices from the primary

contract shall not be increased when concluding an annex thereto.

4.2. The circumstances stipulated under 4.1 shall be explained and justified by the NSMPP to the NFP/PO, which shall assess the warrantability of their application in the context of the eligibility of expenditures.

5. By way of derogation from point 4.1, if the value of the procurement from the primary contract plus the estimated value of the additional works, goods or services exceeds 150,000.00 HRK excluding VAT, the NSMPP must carry out a procurement procedure for additional supply of goods or additional works and services in accordance with the procedure described in point 3.

6. All of the above does not apply to the following contracts concluded by the NSMPP:

- acquisition, development, production or co-production of programme materials intended for audiovisual media services or radio media services concluded by audiovisual or radio media service providers;
- dates and times of radio, television or programme broadcasts concluded with the providers of audiovisual or radio media services;
- arbitration and conciliation services;
- legal advisory services provided by a lawyer during the preparation of any of the procedures and legal representation services provided to clients by lawyers;
- document certification and verification services provided by notaries public;
- employment contracts;
- contracts used to secure the service of publishing in the Official Gazette; and
- research and development services covered by CPV codes from 73000000-2 to 73120000-9, 73300000-5, 73420000-2 and 73430000-5 if they do not exclusively benefit the client for its own use in the conducting of its activities and if the client is not paying for the provision of those services in full.

Similarly, the NSMPP does not have to carry out a procurement procedure in a situation involving costs (of goods, works or services) paid to pre-determined bodies under regulations or other binding acts (such as the cost of the municipal charge, use permit, power connection or water connection).

7. If the Beneficiary claims depreciation from the grant for the equipment it uses for the purposes of implementing the activities, it claims depreciation costs in accordance with Article 8.2.4 of the Regulations.

8. In case of non-compliance with the procedure described above, the procurement procedure is subject to financial corrections.

9. The procedure described above applies to the BFBR and its activity implementation partners (the BFBR is obligated to ensure through the Partnership Agreement that the partners comply with the procedure described above).

10. If the BFBR and its activity implementation partners wish to conduct procurement procedures

following the applicable procedure of the Public Procurement Act, they can do so, in which case the applicable procedure is complied with in full, without derogation (to the extent objectively practicable). Until procurement by entities not subject to the Public Procurement Act can be published in the Electronic Public Procurement Classifieds at www.eojn.hr, the call for tenders by the BFBR and its partners is published on their own websites and on the following website: www.eeagrants.hr.

A notice by electronic means shall be deemed to have been delivered at the time when its successful transmission (Delivery Receipt) is recorded on the server for sending such messages.

Communication, exchange and storage of information shall be carried out in such a way as to maintain data protection and confidentiality in accordance with the relevant national regulations.

The proper conducting of the procurement procedure is the sole responsibility of the Beneficiary of Funds from the Fund for Bilateral Relations, while the NFP/PO will monitor the implementation of the public procurement procedures as defined in the Grant Agreement and described in the following section of the chapter.

1.6. Procurement plan

Where applicable, in accordance with the Grant Agreement, the BFBR shall submit the procurement plan to the NFP/PO no later than 15 business days from the signing of the Grant Agreement. Annex 2 shall be used as a template for drafting the procurement plan.

The procurement plan shall include at least the following information:

- ✓ list of procurement procedures;
- ✓ deadlines for the implementation of procurement procedures; and
- ✓ person responsible for each procedure.

The procurement plan shall be in line with the implementation plan of the Initiative. If there is a change in the procurement plan (due to delays, changes to the procedure, etc.), the BFBR is required to notify the NFP/PO thereof.

1.7. Review of implemented procurement procedures

The BFBR is subject to the review of the implementation of public procurement procedures by the NFP/PO and the AA.

The NFP/PO and the AA are obligated, where applicable, to review the public procurement procedures carried out by the BFBR as part of its activities.

The NFP/PO shall carry out an inspection in accordance with the national regulations in force at the time.

The AA shall carry out supervision in accordance with internationally accepted auditing standards and Article 5.5 of the Regulations. Its task is to test and verify the effectiveness of the management and control systems in the various bodies with a view to ensuring that European Union funds, including the EEA, are used for their intended purpose.

For the services, goods and works procured, the BFBR shall provide the following documentation for the purposes of review:

- ✓ the notice of competition, where applicable;
- ✓ the call for tenders, including Terms of Reference;
- ✓ evidence of the manner in which the invitation was sent to potential suppliers;
- ✓ the decision appointing the Selection Committee;
- ✓ a record of the tenders received;
- ✓ a record of the opening of tenders;
- ✓ a record of the evaluation;
- ✓ a record of the selection;
- ✓ the selection decision;
- ✓ the contract entered into with the selected supplier; and
- ✓ a tool for quality assurance for services, goods or works.

1.8. Financial management and payments

The financial management and payment procedures relating to the costs of the bilateral Initiative are described below.

1.8.1. Eligible costs

The eligible costs of the Initiative shall be those actually incurred by the BFBR and/or its partner(s) and that meet the criteria set out below (specified in accordance with Article 8.2. of the Regulations):

- ✓ they were incurred between the start date and the end date of the eligibility of the Initiative specified in the Grant Agreement (the NFP/PO informs the BFBR in a timely manner of the first date of eligibility of expenditures);
 - the cut-off date for the activities funded by a part of the funds from the Fund for Bilateral Relations managed by the PO shall be 30 September 2024;
 - the cut-off date for the Initiatives funded by a part of the funds from the Fund for Bilateral Relations managed by the NFP shall be 30 April 2025;
- ✓ they are related to the subject matter of the contract and stated in the estimated overall Initiative Budget;
- ✓ they are proportionate and necessary in view of the implementation of the Initiative;
- ✓ they are used solely for the purpose of achieving the Initiative's objective(s) and its expected outcome, in accordance with the principles of cost-effectiveness, efficiency and effectiveness;
- ✓ they can be identified and proven, in particular using the accounting records of the BFBR and are determined in accordance with the applicable accounting standards of the Republic of Croatia and generally accepted accounting principles; and
- ✓ they comply with the requirements of the applicable tax and social legislation.

The costs of specific activities funded from the Fund for Bilateral Relations are defined in Article 8.8 of the Regulations:

- ✓ activities aimed at strengthening the bilateral relations between donor and beneficiary states;
- ✓ searching for partners for donor partnership projects before or during the preparation of the project application, development of such partnerships and preparation of an application for a donor partnership project;
- ✓ networking, exchange, sharing and transfer of knowledge, technologies, experiences and best practices between entities in beneficiary states and entities in donor states and/or international organisations; and
- ✓ activities relating to the strengthening of cooperation and the exchange of experiences and best practices between Programme Operators Operator and similar bodies within beneficiary and donor states, as well as international organisations, provided that at least one entity from the donor state is involved.

In case the implementation of the Initiative and the achievement of the bilateral objectives require the procurement of new or second-hand equipment , only the portion of the depreciation corresponding to the duration of the Initiative and its rate of actual use for the purposes of the Initiative (Article 8.2.4 of the Regulations) is considered to constitute eligible expenditures.

Costs shall be considered eligible if the related works, goods and services have been procured in accordance with the relevant national legislation.

Examples of Initiatives that could be implemented and funded from the Fund for Bilateral Relations managed by the NFP include but are not limited to:

- ✓ 'matchmaking' events not linked to any specific programme;
- ✓ technical cooperation and exchange of experts;
- ✓ referrals for work and internship;
- ✓ capacity building and short-term training;
- ✓ workshops and seminars on topics of common interest;
- ✓ study trips and visits;
- ✓ collecting data, reports, studies and publications; and
- ✓ campaigns, exhibitions and promotional material.

Examples of Initiatives that could be implemented and funded from the Fund for Bilateral Relations managed by the PM include but are not limited to:

in the Work Plan and Programme pre-approval phase

- ✓ study trips to donor states for the PM, potential Project Promoters and their partners to obtain information on the course and development of the programme;
- ✓ feasibility studies for bilateral cooperation and expert advice for the purposes of planning a programme that integrates bilateral aspects;
- ✓ meetings with entities from donor states defined as potential partners within pre-defined projects;
- ✓ bilateral stakeholder consultations; and
- ✓ promotional activities to attract potential project applicants and partners for partner projects.

in the implementation phase of the Programme

- ✓ searching for partners for donor partnership projects before or during the preparation of the project application;
- ✓ developing such partnerships and co-preparing an application for a donor partnership project; and
- ✓ other types of activities aimed at strengthening the bilateral relations between donor and beneficiary states, where such activities may be carried out by: the PM itself, Project Promoter, Donor Project Partner or other relevant stakeholders.

1.8.2. Ineligible costs

The following costs are not considered eligible (in accordance with Article 8.7 of the Regulations):

- ✓ interest on debt, debt repayment costs and late payment costs;
- ✓ the costs of financial transactions and other purely financial costs linked to accounts, which are required by the NFP/PO or regulations in force, as well as the costs of financial services laid down in the Project Agreement;
- ✓ provisions for losses or contingent future liabilities;
- ✓ current exchange losses;
- ✓ recoverable VAT;

- ✓ costs to be covered from other sources;
- ✓ fines and litigation costs; and
- ✓ excessive or irrational expenditures.

1.8.3. Budget amendments

The BFBR is required to notify the NFP/PO in writing (by post, fax or email) of any intention to amend the budget and provide a short justification for the amendment.

The NFP/PO shall notify the BFBR in writing (by post, fax or email) of its opinion on the intention to amend the budget (whether it approves or not, depending on the explanation provided).

1.8.4. Cost budgeting within the BFBR budget

The BFBR shall plan out the full amount of the Initiative Budget within its own budget.

A BFBR that is a central government body (direct budgetary beneficiary) is required to create a separate code (activity number) in the accounting system (SAP) for the implementation of the Initiative, with the necessary funds planned at source 573.

If the BFBR is not a central government body (not a direct budgetary beneficiary), it shall create a separate code in the accounting system (depending on the accounting system it uses, it is necessary to create a code allowing searches to be made in the application, e.g. the place of cost, the profit centre, the project code, etc.) for the Initiative and also plan the full amount of the Initiative Budget within its own budget if it creates a budget.

The partner(s) of the BFBR shall (if applicable) plan its share of the Initiative Budget within the budget of its own institution if it creates a budget, as agreed with the BFBR in the framework of the Partnership Agreement.

1.8.5. Payments

The BFBR itself makes payments to suppliers according to internal procedures which must ensure compliance with all national/legal provisions and provisions of the Regulations.

Below is a description of how the NFP/PO makes the payment of the grant to the BFBR.

1.8.5.1. Payments to central government bodies

If the BFBR is itself a direct budgetary beneficiary, then the NFP/PO does not make any payments.

The BFBR itself makes payments to suppliers of goods and services and reports the executed payments quarterly to the NFP/PO (Annexes 6 and 7). The statement of payments made is accompanied by a request for authorisation of the payments concerned (Annex 17).

The NFP/PO reviews the expenditures and issues its approval to the BFBR upon verification (Annex 9). A copy of the NFP/PO approval form is sent to the BFBR and CA.

1.8.5.2. Payments to bodies that are not direct budgetary beneficiaries

Payments to bodies that are not direct budgetary beneficiaries shall be made by way of an advance payment, periodic payments (where applicable) and the final payment.

The payment dynamics shall be laid down in the Grant Agreement.

Advance payment

If the BFBR is not a direct budgetary beneficiary, it shall fill out an advance payment request at the time of signing of the Grant Agreement, as provided for in the Agreement itself.

The payment request can be found in Annex 5.

The procedure is as follows:

1. step 1: the BFBR fills out the payment request form and sends it (certified and signed by an authorised person) to the NFP/PO via email;
2. step 2: the NFP/PO approves and acts on the request received within the deadline provided for in the Agreement; and
3. step 3: the NFP/PO informs the BFBR by email that the payment has been made, which the BFBR verifies by examining the turnover of its transaction account, and then confirms the receipt of the funds to the NFP/PO by email.

When the BFBR has spent the advance payment in full, it shall be able to request further payments of funds by means of periodic reports, if applicable, or as provided for in the Agreement, or to recover the remainder of the funds for the costs already paid upon the submission of the Final Report.

Payment per periodic or final report

For payments made to the BFBRs per periodic and final reports, the following procedure shall apply:

1. **step 1:** the NFP/PO receives a payment request (Annex 5) from the BFBR in accordance with the Agreement together with the periodic (quarterly or semi-annual) or Final Financial Report for the BFBR (Annexes 6, 7 and 8);
2. **step 2:** the NFP/PO shall review the request against the provisions of the Agreement and forward it with a copy of the periodic (quarterly or semi-annual) or Final Financial Report for the BFBR for verification⁹, which should not last longer than 15 business days;
3. **step 3:** the NFP/PO shall notify the BFBR of the status of the request*
(* if irregularities have been detected in the request, the NFP notifies the BFBR of the need to correct it and the whole procedure restarts from step 1);
4. **step 4:** the NFP/PO forwards the approved request with a copy of the Agreement and reports for the BFBR to the accounting department for payment;
5. **step 5:** the accounting department shall notify the NFP/PO by email of the planned/executed payment;
6. **step 6:** the NFP/PO notifies the BFBR by email of the payment made; and
7. **step 7:** the BFBR verifies the receipt of funds to its transaction account and notifies the NFP/PO thereof by email.

The BFBR shall keep accounting records and provide evidence of payments in accordance with Article 8.12 of the Regulations.

However, the BFBR does not send all the supporting documents (e.g. invoices, accounts statements, travel orders, etc.) to the NFP/PO together with the payment request. The NFP/PO checks the warrantability of the payment request, except for advance payments, by carrying out a cost verification process as explained in Chapter 2.4.

The final payment must comprise the difference between the advance payment received, the payments made per periodic reports (where applicable) and the actual, authorised expenditures of the activities. The final payment request, if there is such a difference, shall be issued together with the Final Report and shall be processed once it has been approved.

It is also to be noted that all requests for disbursement may be sent to the **NFP** at the latest by and including **31 May 2025**, and they **may be sent to the PO at the latest by and including 31 October 2024**.

It is important to note that **payment requests received after this date will not be processed**.

1.9. General rules and documents required for accounting and financial monitoring

Accounting and financial monitoring should be in accordance with the relevant national regulations and professional accounting standards.

⁹ The verification procedure is described in more detail in Chapter 2.4.

The generally required documentation¹⁰ to prove a specific type of cost is:

- ✓ records from the accounting system used by the BFBR (and the Partner, if applicable) for operational purposes, such as the general ledger, analytical records, fixed/short-term assets records, small inventory records, accounting logs and other accounting records);
- ✓ documentation relating to the conducting of procurement procedures, such as evidence of publication, procurement documentation, tenderers' bids and evaluation reports as well as other relevant documentation;
- ✓ review of the commitments made under concluded contracts/purchase order forms;
- ✓ evidence of services provided, such as approved reports, manuals, work hours records, transport tickets, evidence of attendance at seminars, conferences and courses, as well as relevant documentation and materials obtained, such as participant lists, presentations, worksheets, certificates, etc.;
- ✓ proof of receipt of the goods, such as certificates of delivery from the supplier accompanied by certificates of receipt, provisional certificates of receipt and final certificates of receipt;
- ✓ proof of completion of the works, such as a certificate of receipt, take-over certificate, use permit and performance certificate, inspection report (if applicable), cost statement, record of delivery or measurement book with certified bills of quantities on an item-by-item basis;
- ✓ proof of purchase, such as invoices and receipts;
- ✓ proof of payment, such as bank statements, credit/debit notes, proof of payment from the contractor or interim and final payment certificates;
- ✓ proof that taxes and/or VAT have been paid and are not recoverable;
- ✓ proof of travel, such as travel order and travel invoice, travel report, transport tickets and boarding passes (additionally, invitations to events or event programmes, proof of participation (signature sheet), proof of payment of mission costs by the BFBR/partner (bank statements, withdrawal slips, etc.), proof of overnight stay (e.g. hotel invoice) if the journey lasts longer than one business day);
- ✓ accounting records and supporting documents proving payment of mission costs;
- ✓ for fuel costs, accompanying summary lists of mileage travelled, data on average consumption by vehicles used, official vehicle log or fuel and maintenance cost data;
- ✓ employee records, payslips, employment contracts or decisions on hiring and assignment (if applicable), decisions on project work, list of employees and amount of salaries and contributions paid on a given date signed by the head of the accounting department, work hours records, etc. for local fixed-term staff, details of the allowance to be paid, certified by the locally competent official, broken down into gross salary, health and pension contributions and net salary; and
- ✓ other documentation as appropriate in accordance with the Regulations, the Grant Agreement and other relevant regulations.

¹⁰ If the documentation proving the cost is not in Croatian or English, an unofficial translation should be provided, accompanied by a statement by an authorised person who issues it under substantive and legal responsibility that the unofficial translation is faithful to the original.

1.9.1. Salaries and other staff expenditures

The cost of working on the Initiative if it falls within one of the eligible cost categories may be claimed either as an actual salary cost (example of calculation below) or as a unit cost (i.e. hourly labour rate).

Calculation of the actual salary cost

Only the costs of the actual work hours of persons directly implementing the bilateral Initiatives are eligible. Work hours are the total number of hours spent working, excluding holidays, days off, annual leave, sick leave or other allowances. Work hours should be recorded using the work hours form (Annex 15) or an appropriate system of records, and adequately substantiated by evidence of their accuracy and reliability.

The following principles should also be taken into account:

- ✓ existence of an employment contract or an appointment decision, where, if the employee is employed to work exclusively on the bilateral Initiative (100%, full-time), a clear reference to the implementation of the Initiative should be included in the appointment decision / employment contract to avoid any confusion, and in this case, work hours records (filling in the form given in Annex 15) are unlikely to be required;
- ✓ overtime may be accepted provided that: it is necessary for the timely implementation of the bilateral Initiative, in line with the usual policies of the BFBR and its partners and in accordance with national legislation, while systematic payments of overtime do not comply with the requirements of the Proportionality and Sound Financial Management Regulations laid down in the Regulations in Article 8.2.2;
- ✓ overheads, daily allowances and any other expenses related to travel cannot be included in this category of expenditures; and
- ✓ all other allowances (e.g. monthly transport costs) must be directly linked to salary payments and incurred as well as paid by the BFBR and/or its partner in accordance with an employment contract or relevant national legislation.

The payslip consists of the Gross I amount shown at the top of the list and the calculation of taxes/surtaxes, salary contributions and transport allowances (if applicable). Account should be taken of what is included in the Gross I amount for the current month (e.g. stimulation not paid every month, one-off allowances or overtime not included in the base amount).

The cost of working on the Initiative shall be calculated as follows:

1. GROSS I = Gross I Base * coefficient + years of service compensation (base * coefficient * 0.5%, i.e. the applicable percentage per year of service) (for calculation purposes, years of service compensation from the list is excluded if it includes overtime, i.e. ineligible allowances, but is rather recalculated);
2. GROSS II = Gross I * % of salary contributions (to be found at the bottom of the payslip — 16.5%);
3. transport; and
4. percentage of work on the Initiative = hours worked on the activities / regular work hours (monthly amount of hours without non-working days such as holidays, annual leave, paid leave and sick leave at the employer's expense).

COST OF WORK = (Gross II + transport¹¹) * percentage of work on the Initiative

Allowances not included in the Gross I amount for the calculation of labour costs

The following categories shall not be included in GROSS I:

- ✓ family separation allowance;
- ✓ fieldwork allowance in the state or abroad;
- ✓ severance pay, voluntary health or pension insurance contributions not compulsory under national legislation and tax-exempt bonuses for employees;
- ✓ gifts to a child up to a certain age;
- ✓ gift to an employee in kind;
- ✓ newborn child aid;
- ✓ disability aid for employees;
- ✓ aid in the event of the death of an employee;
- ✓ aid in the event of the death of a member of the employee’s immediate family;
- ✓ aid for employee sick leave lasting longer than 90 days; and
- ✓ bonuses, occasional incentives or overtime.

Calculation of the percentage of work on the Initiative

The percentage of work on the Initiative is calculated by dividing the number of work hours from the records by the number of regular work hours shown on the payslip, while sick leave, annual leave, etc. are not included in the calculation — *see the example of the calculation*. The percentage of work on the Initiative must correspond to the percentage of work specified in the Budget, which forms an integral part of the Grant Agreement. In practice, a 0–100% amount of work hours per month is allowed, with the employee being entitled, until the end of the activity, to the planned % (cost) of work hours spent on the activity and with, in months when annual leave, sick leave or other non-working day (other than holidays) is used, the planned % of work under the Budget being recognised (if the percentage of work for that month is lower than the planned % of work under the Budget, the lower percentage is taken). Any changes must be discussed between the Parties.

The NFP and/or PO may introduce modifications in accordance with the rules laid down in the Programme Agreement and the Programme Implementation Agreement.

Sample calculation

PAYSLIP FOR IVICA IVIĆ FOR JANUARY 2019

Base amount	5,108.84		
Regular monthly work hours amount	184		
Coefficient	2.425		
	Hours	Coefficient	Amount
Regular work	160	2.425	10,772.99

¹¹ Transport allowance is an eligible expenditure only where it is regularly paid to a staff member irrespective of their assignment,

i.e. not only during the implementation of the activity, as it is a potentially eligible expenditure

Salary compensation for public holidays and non-working days	8	2.425	538.65
Mission allowance	16	2.425	1,077.30
Work on Saturdays (2 working Saturdays)	16	2.425	1,077.30
Work on Sundays	8	2.425	538.65
Years of service (0.5% * 10 years of service)		0.05	700.24
Allowance for work on Saturdays		0.25	282.79
Allowance for work on Sundays		0.35	197.94
TOTAL	208		15,185.86
GROSS SALARY			15,185.86
Pension insurance, 1 st pillar	rate	15.00%	2,277.88
Pension insurance, 2 nd pillar	rate	5.00%	759.29
Income			12,148.69
Personal allowance	factor	1.00	3,800.00
Tax base			8,348.69
Tax at a rate of 24%	rate	24.00%	2,003.69
Tax at a rate of 36%	rate	36.00%	0.00
Tax total			2,003.69
Surtax	rate	10.00%	200.37
Total tax and surtax			2,204.05
NET AMOUNT			9,944.63
Health insurance contribution	rate	16.50%	2,505.67
TOTAL SALARY COST			17,691.53

EXAMPLES OF CALCULATION OF COST CHARGED TO THE BUDGET OF THE ACTIVITY

1. CALCULATION OF THE GROSS I AMOUNT

Option 1	
Regular monthly work hours amount	184
Base amount	5,108.84
Coefficient	2.425
Subtotal	12,388.94
Years of service	619.45
Salary compensation for public holidays and other non-working days	538.65
GROSS I AMOUNT	12,469.74

Option 2	
Regular work	10,772.99

Mission allowance	1,077.30
Subtotal	11,850.29
Years of service	619.45
GROSS I AMOUNT	12,469.74

3. OTHER ELIGIBLE LABOUR COSTS

Transport	290.00
TOTAL ELIGIBLE LABOUR COST	14,817.25

CALCULATION OF CHARGE TO PO		
Regular work	hours	160
Mission	hours	16
TOTAL		176
Work on FMs	hours	40
% of work on FMs		22.73%
Total cost of work charged to the ACTIVITY		3,367.96

3. OTHER ELIGIBLE LABOUR COSTS

Calculation of the costs of work on the Initiative based on the hourly rate

The staff salary costs of the BFBR and (if applicable) of the Partner, as costs incurred for the purposes of the implementation of the Initiative, calculated using fixed rates, are calculated by dividing the latest annual documented gross amount of staff salary costs by 1,720 hours (annual hour amount). This gives the value of one hour worked on the Initiative, i.e. the hourly rate.

The cost of work on the Initiative is calculated by multiplying the number of hours worked on the Initiative by the hourly rate.

During the implementation, the calculation may be updated, if necessary, following new data on the annual gross salary amount.

Documentation required to prove the costs of salaries and accompanying costs

- ✓ When the cost of salaries is claimed as an actual cost, then the cost of the Gross II amount (salaries and salary contributions) requires for the following to be provided as a basis: employment contracts of staff the hiring of whom is charged to the implementation of the Initiative, accompanied by an annex to the contract (if applicable) or a decision relating to work on the implementation of the Initiative, separate work hours records for each person working on the project, salary statements (payslips) for each individual, recapitulation of payroll

accounts, tax, surtax and contributions specifications (JOPPD forms) and proof of payment of salaries as well as of taxes, surtaxes and contributions (bank statements, certificates of execution, etc.).

- ✓ When the salary cost is claimed as a unit cost (i.e. hourly rate), then only the work hours records proving the number of hours worked charged to the project and, alongside the first periodic report (PPR), the employment contracts of employees charged to the project with an accompanying annex to the contract (if applicable) shall be submitted of the documents.

Keeping records of work performed on the project for BFBR members whose labour costs are eligible Initiative costs

Records of the work should be prepared by each BFBR member. As a minimum, they shall state:

- ✓ how many hours/days per month an employee worked on the Initiative; and
- ✓ a short description of the work or a specification of the activity to which it relates.

The number of working days per month does not include weekends and holidays, except in exceptional situations where the nature of the work requires it, which needs to be further explained and justified.

The normal duration of a working day is 8 work hours, except in the case of changes according to applicable regulations, internal regulations and documented practices. An example of a work records form is given in Annex 10.

1.9.2. Travel expenses

The Income Tax Regulations and Tax Administration Opinion (class: 410-01/13-01/1758, ref. no: 513-07-21-01/13-2, Zagreb, 27 May 2013) stipulate that mission costs (daily allowances, reimbursement of transport expenses, compensation for the use of a private vehicle for official purposes, overnight expenses, etc.) are to be calculated on the basis of a correct and authentic travel order and supporting documents proving the expenditures and other data specified in the travel order. Irrespective of the form in which it is issued, the travel order as an authentic document shall contain, in particular, the following data: the date of issue, the first name and surname of the person travelling on business, the place the person is travelling to, the purpose of the journey, the duration of the journey, the time of travel, the details of the means of transport used to travel (if travelling by car, the car make and registration plate number and the initial and final state of the meter — kilometre/hour), the time of return from the journey, the signature of the authorised person, the stamp, the calculation of expenses, the liquidation of the calculated costs and the mission report. The travel order shall be accompanied by documents proving the expenditures incurred, in particular: toll invoices, copies or confirmations of travel tickets, accommodation invoices and other documents.

In exceptional situations, the travel order may be accompanied by ticket price quotes instead of the tickets or invoices, only in the case of:

- ✓ loss;
- ✓ destruction; or

- ✓ theft of the original invoice¹².

Evidence of services provided shall consist of approved reports, manuals, work hours records, transport tickets, evidence of attendance at seminars, conferences and courses, as well as relevant documentation and materials obtained, such as participant lists, presentations, worksheets, certificates, etc.

Additional documents proving the cost of the travel:

1. invitation to the event addressed to the individual participant and proof of attendance (signature sheet);
2. event programme (or similar document addressing the reality of the event);
3. proof of payment of mission expenses by the BFBR/Partner (bank statements, withdrawal slips, etc.);
4. proof of overnight stay (e.g. hotel invoice) if the journey takes more than one business day; and
5. accounting records and supporting documents proving the payment of mission expenses.

The travel itself must be clearly linked to the implementation of the Initiative and must be carried out by the staff of the BFBR and/or its Partners.

Accommodation expenditures

Accommodation expenditures for missions shall be calculated in the amount of the overnight accommodation invoice received.

Eligible accommodation expenses incurred in the course of a mission are overnight accommodation costs, not daily rest accommodation costs.

Transport expenditures

Transport expenditures for missions shall be calculated in the amount of transport price for the means of transport used in the course of the mission.

The employer shall reimburse the expenditures incurred to an employee travelling by public transport on the basis of the documents attached to the travel order proving those expenditures. Depending on the means of transport used, the employee shall attach to the travel order a ticket/invoice for the train, bus, aircraft, ferry or ship, as well as documents proving any additional transport-related expenses (for example, the receipt for a sleeping car or cabin, invoices for booking paid, accommodation of baggage, airport tax paid, etc.).

Transport by private vehicle

Expenditures of travel by a private vehicle in the course of a mission may be incurred either by the use of an official car or by the use of a private car for official purposes. In both cases, the car make and registration plate number, as well as the initial and final state of the meter (kilometre/hour), must be indicated in the travel order.

In the event of travel by an official private vehicle, the employee must attach to the travel order documents relating to the payment of tolls, parking or the invoice for transporting the car by ferry, if the travel destination is a location on an island or similar. On the basis of the supporting documents, these expenditures shall be recognised as non-taxable expenditures incurred on mission.

For the use of a private car for official purposes, the employer shall, as a rule, set the amount of compensation according to the number of kilometres travelled for official purposes. Under the provisions of the Income Tax Regulations, the non-taxable amount of the compensation for the use of a private car for official purposes is up to 2.00 HRK per kilometre travelled. The employee must therefore enclose a calculation of the kilometres travelled for official purposes with the travel order. The non-taxable amount of the compensation for the use of a private car for official purposes, amounting up to 2.00 HRK per kilometre travelled, includes all the costs that an employee may incur in connection with the use of a private car for official purposes, such as depreciation of the car, expenditures for maintenance, fuel expenditures, repairs in the event of road traffic accidents on official business, etc. However, the compensation does not include expenditures for tolls, parking or similar expenses, so the employer may reimburse the employee for them on the basis of the invoices attached to the travel order, tax-free.

Persons sent on mission often pay a toll electronically (ENC device), including in the case of the use of a company car, but also in the case of the use of a private car for official purposes. As ENC devices are prepaid in nature and no toll invoice is issued for each passage through toll stations, the travel order shall be accompanied by appropriate documentation which unequivocally establishes that it is a toll cost incurred during that mission, as an authentic document for the purposes of recognising expenditures incurred (the registered user of the ENC device can obtain, from the website of the legal person charging the toll, a record of the traffic for an ENC device indicating the date, the time of entry and exit from the motorway, the name of the entry and exit station and the price expressed in HRK).

¹² Source: MF, Tax Administration Central office, class: 410-18/05-01/125, ref. number: 513-07-21/05-2 of 15 December 2005.

Daily allowance for missions

According to the provisions of Article 7 paragraph 10 of the Income Tax Regulations, daily allowances for domestic missions and abroad are used to cover the cost of meals, drinks and transport at the location where the employee is sent to.

As the non-taxable cost of overnight stays normally includes breakfast, the daily allowance covers the other two meals, lunch and supper costs, and transport costs at the location where the employee is sent to.

The Income Tax Regulations stipulate two conditions for the non-taxable payment of the daily allowance, which must be satisfied cumulatively, and are as follows:

- ✓ the distance to the location of the mission; and
- ✓ the duration of the journey.

Distance to the location of the mission

In order for the daily allowance to be paid tax-free, the distance to the location of the mission from the employee's place of work or place of residence or habitual residence must be at least 30 kilometres. If travelling by sea, the smallest distance between the location of the mission and the place of work or place of residence or habitual residence of the employee should be 16.20 nautical miles (1 nautical mile = 1.852 m, so 30 kilometres is equal to 16.20 nautical miles). This distance prerequisite (a minimum of 30 kilometres or at least 16.20 nautical miles) is laid down solely as a criterion for payment of the non-taxable daily allowance, and not as a criterion for determining whether a particular journey is considered a mission. An employee who is sent on mission to a location situated less than 30 kilometres from the employer's registered office or from the employee's place of residence or habitual residence may be compensated by the employer, tax-free, for transport costs incurred and, possibly, for overnight stays, but not paid the daily allowance, irrespective of the fact that the journey took more than 8 hours or more than 12 hours.

Duration of a mission

If the distance prerequisite is met, for the non-taxable payment of the daily allowance, both domestically and abroad, the criterion of the duration of the mission must also be met:

- ✓ for a mission lasting more than 12 hours a day, the employee is entitled to full payment of daily allowances; and
- ✓ for missions lasting more than 8 hours and less than 12 hours, the employee shall be entitled to half of the daily allowance.

Reduction of the daily allowance if food is provided during the mission

If one meal (lunch or supper) is provided at the expense of the employer on mission or during fieldwork, the non-taxable amount of the daily allowance paid in cash shall be reduced by 30% or 60% if two meals are provided (lunch and supper). Breakfast included in the price of an overnight stay shall

be considered as an overnight stay cost and shall not be considered as food provided.

Food shall also be considered as provided to the employee if a meal is provided (lunch and/or supper):

- ✓ as part of the participation fee for attending seminars, consultations, etc.;
- ✓ as part of the price of a ticket for travel by ship;
- ✓ as part of the price of an airline passenger ticket, because of a travel interruption; or
- ✓ from the employer's hospitality funds.

Determining the daily allowance for missions abroad

According to the provisions of Article 7 paragraph 18 of the Regulations, the daily allowance set for a foreign country to which the official travel takes place shall be calculated from the hour of crossing the Croatian border, and the daily allowance set for a foreign country from which the employee is returning shall be calculated until the hour of crossing the Croatian border. For the necessary travel time to the Croatian border and from the Croatian border to the place of departure to the mission, the employee is entitled, subject to the terms and conditions laid down, to payment of the daily allowance domestically. For any delay or travel through a foreign country which lasts for more than 12 hours, a specified daily allowance for that foreign country shall be included.

If air travel is used for the mission abroad, the foreign daily allowance shall be calculated, unless otherwise stipulated in internal regulations and/or other regulations, from two hours before the scheduled take-off time of the aircraft from the last airport in the Republic of Croatia until the time of arrival of the aircraft to the first airport in the Republic of Croatia.

If travel by ship is used for a mission abroad, the daily allowance shall be calculated from the time the ship departs from the last dock in the Republic of Croatia until the time the ship returns to the first dock in the Republic of Croatia.

Where the official travel takes place in more than one country, the daily allowance set for the foreign country in which the travel commences shall be the one calculated at departure, and the daily allowance set for the foreign country in which the mission is concluded shall be the one calculated while returning. For any delay or travel through a foreign country which lasts for more than 12 hours, the specified daily allowance for that foreign country shall be included, and for any delay in a foreign country lasting less than 12 hours, the time spent in the next country in which travel or stay lasted longer than 12 hours shall be calculated.

If a single mission concerns a journey domestically and abroad, the entitlement to a daily allowance abroad shall be determined first, followed by the entitlement to a domestic daily allowance, taking into account the total number of days/hours spent on the mission. If a person spent a total of more than eight hours or more than 12 hours travelling, and less than eight hours abroad, the corresponding domestic daily allowance shall be paid, taking into account the total number of hours spent travelling both domestically and abroad.

Transport costs reimbursed from the daily allowance

The daily allowance shall reimburse the costs of transport at the location of the mission. Transport costs incurred by the employee on their way to the location of the mission are not covered by the daily allowance, but are refunded separately, on the basis of authentic documents (invoices or transport

tickets).

The costs of public transport (urban/suburban) relating to the first arrival to the destination of the mission (from the airport, bus or train station or port to the hotel or business meeting venue if there is no need for an overnight stay) and the last departure from the location of the mission (from the hotel or business meeting venue if there is no need for an overnight stay to the airport, bus or train station or port), as well as the cost of transport to and from the airport or other place of departure/arrival by public transport from and to the location from which the person was sent on official business (the person's place of residence/habitual residence or the employer's registered office) shall be regarded as mission transport costs and shall not be covered by the daily allowance. Public transport means transport by bus, train, ship or, in justified cases, transport by car /taxi.

Daily cost amount — *per diem*

If mission expenses are incurred as a result of the implementation of a specific programme funded by the European Union and/or FM from its budget, these expenses shall have a special status. In that case, in accordance with the provisions of Article 7 paragraph 2 point 26 of the Regulations, the total paid daily cost amount, *per diem*, is not subject to taxation. Consequently, in determining the entitlement to the non-taxable payment of the *per diem* amount, the non-taxable amounts of the daily allowance laid down in the Income Tax Regulations and the Decision on the amount of the daily allowance for missions abroad for beneficiaries funded from the state budget are not applicable, but rather the amounts determined by EU regulations.

According to the regulations of the European Commission, the *per diem* amount covers:

- ✓ accommodation costs;
- ✓ subsistence costs;
- ✓ local transport costs; and
- ✓ similar expenditures.

The terms and conditions for the payment of the *per diem* amount for individual programmes funded by the EU and FM budgets (for example, programmes funded by the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the NFM, the EEA, etc.) and their actual amounts are set by the European Commission¹³.

Since the mission expenditures of the BFBR are 100% funded by the FM funds, it is up to the employer / issuer of the travel order to determine whether *per diem* amounts or the traditional daily allowance calculation will be applied for the mission in question, while respecting the fundamental principles of eligibility.

1.9.3. Costs of services, goods and works

The basic prerequisite for the costs of services, goods and works being eligible for funding under the Initiative is a direct connection with the activity and a necessity for its implementation and that they are incurred within the period of eligibility of costs specified in the Regulations and the Grant Agreement, respectively.

Service providers, suppliers and contractors should be selected through procurement procedures and pursuant to relevant rules in accordance with the provisions of the Public Procurement Act or pursuant to the rules for entities not subject to the application of the Public Procurement Act (NSMPPs).

The costs related to the procurement of goods are eligible when the goods are delivered and installed during the implementation of the Initiative (the ordering of goods, signing of a contract or any other form of undertaking of payment obligations towards contractors (suppliers) during the implementation period for goods to be delivered after the end of the implementation period is not in line with the cost eligibility requirements). Advance payments paid to suppliers are also eligible if they are in accordance with the contracts concluded between the BFBR and the supplier.

¹³ <https://ec.europa.eu/europeaid/sites/devco/files/perdiem-rate-20150318.pdf>

2. Monitoring and managing the BFBR

The NFP/PO checks cover the administrative and financial as well as, where applicable, technical and physical aspects of the activities, where appropriate and in accordance with the principle of proportionality.

2.1. Scope, procedures and documentation

Scope: the NFP/PO checks should cover the administrative and financial as well as, where applicable, technical and physical aspects of the activities, and in particular:

- ✓ compliance with the Regulations, the Programme Agreements, the Grant Agreement as well as the applicable national and EU regulations (including but not limited to environmental, public procurement and state aid legislation);
- ✓ the adequacy of the supporting documents and there being an adequate audit trail;
- ✓ compliance of expenditures incurred with all eligibility rules;
- ✓ there being no double funding (where the same BFBR carries out more than one activity/project at the same time or receives funding from different forms of support or from other donors, there shall be a mechanism to verify the possible double funding of expenditure items);
- ✓ the physical progress of the Initiative when it is variable;
- ✓ the supply of goods or services; and
- ✓ compliance with the rules on promotion and visibility (poster photos, copies of promotional brochures, educational materials and diplomas can be used to prove compliance with promotion and visibility requirements).

Procedures: the standards and procedures used by the NFP/PO for the purposes of carrying out verifications are an integral part of this document and its annexes.

Documentation: the NFP/PO shall demonstrate, through appropriate documentation (check-lists) of the verifications/reviews carried out, that the overall intensiveness of the checks (sampling method) is sufficient to provide reasonable assurance on the legality and regularity of the co-funded expenditures under the programme.

All checks shall be documented in the form of check-lists. Check-lists should, as a minimum, include:

- ✓ a brief summary of the work done;
- ✓ an overview of financial reports/expenditure items;
- ✓ value of expenditures reviewed, i.e. the amount for which supporting documents are checked;
- ✓ the results of the checks, including the overall level and frequency of errors detected;
- ✓ description of irregularities detected with a clear identification of the rules violated and corrective measures taken (follow-up measures may include reporting of irregularities and a procedure for recovery of funds);
- ✓ the name and position of the person conducting the check; and
- ✓ date and signature.

2.2. Monitoring the implementation of the Initiative

The NFP/PO is responsible for monitoring the implementation of the projects to which FM grants were awarded under the programme it manages.

In the event of any possible changes (implementation dynamics, budget redistribution, achievement of indicators, etc.) the BFBR shall notify the NFP/PO in a timely manner using the form given in Annex 1.

The NFP/PO monitoring is carried out in two ways:

1. regular monitoring meetings; and
2. administrative ('desk-based') checks.

2.2.1. Monitoring meetings

The NFP/PO organises monitoring meetings, where applicable, with the BFBR to discuss the progress of the Initiative and other matters considered important. Participation is mandatory for all BFBRs and, upon request of the NFP/PO and where applicable, also their partners.

Monitoring meetings shall be held as appropriate.

The NFP/PO shall keep the minutes of these meetings. A signature sheet shall also be attached to the minutes.

2.2.2. Administrative ('desk-based') checks

Administrative checks are carried out mainly by assessing the progress of the Initiative through narrative and financial reports.

The NFP/PO compares what has been achieved against what was stated by the BFBR in its Periodic Progress Report (Annexes 6 and 7), in the period under review and against the planned progress as set out in the Initiative Description. To compare what has been achieved against what was planned, the NFP/PO uses the check-list given in Annex 12.

It is to be noted that, in addition to the information provided in the interim reports, the NFP/PO reserves the right to request information from the BFBR at any time during the implementation period of the Initiative and at least three years after the end of its implementation.

The Beneficiary of Funds shall provide the National Focal Point with the requested information stipulated in the previous paragraph within ten (10) calendar days from the date of delivery of the request.

2.3. NFP/PO monitoring of public procurement

The NFP/PO, where applicable, supervises public procurement procedures conducted by the BFBR. The public procurement procedures of the BFBR are controlled by the NFP/PO staff responsible for overseeing the implementation of projects, ideally a person with knowledge on conducting public procurement procedures, who may be a member/employee of the NFP/PO but need not be (NFP/PO may, if necessary, employ a public procurement expert within its institution or hire an external expert) and a person responsible for finances.

It is up to the NFP/PO to decide whether it will carry out the review of the procurement procedures prior to the actual publication of the procurement procedure (*ex-ante*) or at the end of the procurement procedure, i.e. after the selection and the conclusion of the contract (*ex-post*).

The method chosen shall be defined in the Grant Agreement.

If the NFP/PO opts for an *ex-ante* verification, the procedure is as follows.

1. Step 1: quality control performed on the public competition documentation

The NFP/PO shall establish an independent committee to review the public competition documentation.

Before initiating the public procurement procedure, the BFBR submits to the NFP/PO the complete public competition documentation drawn up by the responsible persons within the BFBR (for the smooth running of the project, it is recommended that the BFBR send the documentation for verification at least 30 days before the planned beginning of the procurement procedure).

The NFP/PO will send its comments and/or approval within 10 business days from the date of receipt of the complete public competition documentation. The BFBR may initiate a public procurement procedure only after the public competition documentation has been approved by the NFP/PO.

The check-list set out in Annex 13 shall be used for the purposes of quality control performed on the public competition documentation.

2. Step 2: appointing a tender evaluation committee

The tender evaluation committee is appointed by the responsible person in the BFBR who is conducting the public procurement procedure. The evaluation report sent to the NFP/PO should be accompanied by a decision on this appointment.

The tender evaluation committee should be composed of an uneven number of members, i.e. at least three persons. The appointed members of the committee should have the administrative and/or professional expertise relevant to carrying out the procedure.

The members of the tender evaluation committee shall not have a direct hierarchical relationship between them.

All members of the tender evaluation committee must sign a Declaration of impartiality and data confidentiality before joining the evaluation process. The BFBR is obligated to:

- ✓ allow the NFP/PO representative to participate in the tender opening meeting; and
- ✓ allow the NFP/PO representative to participate as an observer in the evaluation of tenders.

The NFP/PO reserves the right to request that its representative be involved in the work of the tender evaluation committee as a member.

3. Step 3: selection and contracting

When the tender evaluation committee selects a contractor/supplier, the BFBR shall send a selection notice to the NFP/PO, accompanied by a tender evaluation report signed by all the committee members. This can be done within a maximum of 5 business days from the finalisation of the tender evaluation report.

If the NFP/PO decides to carry out an *ex-post* review, it is carried out as part of the cost verification procedure, with the obligation to establish a committee to review the tender documents. The BFBR is also obligated to follow steps 2 and 3 above during an *ex-ante* review.

The persons carrying out this review shall use the check-list set out in Annex 14.

In addition, and in accordance with Article 8.15 paragraph 5 of the Regulations, the BFBR/PO is required to ensure that the records of the selection and performance of contracts are kept by the BFBR for at least three years following the end of the programme, since they are to be provided to donors upon request during that period.

2.4. Verification of costs

The NFP/PO shall, at least twice a year, carry out cost verification in accordance with the requirements for reporting to Donors shown in the table below.

Period covered by the IFR	Latest date for submitting the IFR to the CA	Expenditures incurred and reported	Expenditures are proposed for the period
1 January to 30 June	31 August	1 January to 30 June	1 November to 30 April of the following year
1 July to 31 December	28/29 February	1 July to 31 December	1 May to 31 October of the following year

As part of the verification process, the NFP/PO performs a review of the supporting documentation demonstrating and justifying the payments made, as it is required to verify all expenditures declared by the BFBR. The NFP/PO shall carry out the verification process quarterly, for the following periods:

- 1 January to 31 March;
- 1 April to 30 June;
- 1 July to 30 September; and
- 1 October to 31 December.

Through the verification process, the NFP/PO should be able to ensure that:

- ✓ the summary of eligible expenditures provided by the BFBR is fully in line with the supporting

documents;

- ✓ the supporting/probative documents have been verified and established as authentic and accurate;
- ✓ the summary of eligible expenditures is based on verifiable accounting that is in line with generally accepted accounting principles and methods;
- ✓ the summary of eligible expenditures falls within the eligible expenditures in accordance with the Regulations; and
- ✓ there is a sufficient audit trail.

Consequently, the obligation of the BFBR to send to the NFP/PO, no later than **30 days** following the end of the reporting periods set out in the Grant Agreement, an overview of the payments made and reported in its Quarterly Report (Annex 6) for the periods from 1 January to 31 March and from 1 July to 30 September and, in the financial portion of the Semi-Annual Report by the BFBR (Annex 7), for the periods from 1 April to 30 June and from 1 October to 31 December.

In addition to these reports, the BFBR **does not provide** the NFP/PO with supporting documentation to prove the expenditures declared.

Upon review of the submitted report, the NFP/PO shall use a sampling method to select transactions for which it will request complete documentation.

The sample is created on the basis of risk factors and supplemented by a random selection of invoices/transactions to ensure that all the items have a certain likelihood of being selected. The following shall be taken into account:

- BFBR type/legal form;
- type, duration and components of the activity;
- value/type of expenditure items;
 - ✓ for transaction amounts of up to 1,000.00 EUR, at least 30% of the randomly selected transactions shall be reviewed;
 - ✓ for transaction amounts between 1,000.01 EUR–5,000.00 EUR, at least 50% of the randomly selected transactions shall be reviewed;
 - ✓ for transaction amounts of more than 5,000.00 EUR, all transactions shall be reviewed;
- type of physical progress indicator;
- experience so far (e.g. the number and severity of problems identified during the reviews of previous BFBR reports); and
- review procedures at the BFBR level (BUT this shall not replace the NFP/PO checks).

The form given in Annex 15 shall be used to explain and justify the creation of the sample.

For the BFBR, this means that, for the transactions selected by the NFP/PO, the following documentation should be submitted to the NFP/PO within 5 business days:

In the case of salary expenditures:

- ✓ payslips for individual employees;
- ✓ work hours records;

- ✓ a signed Declaration of percentages indicating the names of the persons who have worked on the implementation of the activities related to the Initiative in that reporting period;
- ✓ service contracts, where applicable;
- ✓ JOPPD forms for the team members employed under a service contract;
- ✓ proof of payment pursuant to a service contract; and
- ✓ performance report for employees hired under a service contract.

In the case of a supplier's invoice:

- ✓ a copy of the invoice;
- ✓ where applicable, the activity report; and
- ✓ confirmation/statement from the bank showing that the payment of the invoice to the supplier has been made (the payment of 100% of the value of the invoice, i.e. the portion funded by the grant and by own funds, shall be proven) or a SAP payment certificate.

In the case of basic supplies/equipment :

- ✓ a copy of the invoice;
- ✓ confirmation/statement from the bank showing that the payment of the invoice to the supplier has been made (the payment of 100% of the value of the invoice, i.e. the portion funded by the grant and by own funds, shall be proven) or a SAP payment certificate; and
- ✓ entered depreciation account card, if necessary.

In the case of travel expenses:

- ✓ the travel order with the travel invoice showing the final statement of costs completed within the prescribed period following the return from the journey, if possible within the same month as the travel — the date from the travel invoice shall be entered in the 'payment date' column in the table and the corresponding IFR currency exchange rate for that month shall be applied for payments made in another currency;
- ✓ withdrawal slips for advance payments and the remaining amount;
- ✓ hotel invoices for overnight stays;
- ✓ copies of local transport tickets (bus and similar if a refund is requested);
- ✓ transport company invoice;
- ✓ plane ticket (electronic);
- ✓ proof of travel carried out — a copy of the boarding pass (exceptionally, in case of loss of the original pass, the person is required to provide a signed declaration that it had been lost);
- ✓ confirmation/statement from the bank showing that the payment to the supplier has been made or a SAP payment certificate for the invoices of the supplier / transport company;
- ✓ a copy of the invitation to a meeting;
- ✓ signature sheets; and
- ✓ photos of the meeting.

For all cases: account cards for payments made.

In case of discrepancies in payments resulting from rounding errors not exceeding 50.00 EUR cumulatively, the relevant amounts shall be taken into account in the calculation of the final amount.

When verifying the costs of the BFBR, the authorised persons of the NFP/PO carrying out the verification shall use the check-lists given in Annex 16.

In case a check of the sample reveals a significant error, the scope of the verification shall be extended, i.e. all the transactions/costs declared shall be checked.

It is to be noted that all supporting documents must be systematically archived by the BFBR in its system since it may be subject to scrutiny for a period of three years following the end of the implementation of the FM 2014–2021.

3. Reporting and monitoring

The BFBR must submit, where applicable, periodic reports on the progress of the Initiative (PPR) to the NFP/PO, as well as a mandatory Final Report (FR).

The reporting dynamics shall be set out in the Grant Agreement.

3.1. Initiative Progress Report (PPR)

The BFBR shall prepare a PPR and submit it to the NFP/PO four times per year (during the implementation of the Initiative) for the purposes of period reporting:

- 1 January to 31 March (quarterly report, Annex 6);
- 1 April to 30 June (semi-annual report, Annex 7);
- 1 July to 30 September (quarterly report, Annex 6); and
- 1 October to 31 December (semi-annual report, Annex 7).

These reports must be submitted to the NFP/PO no later than 30 calendar days after the end of the period reported on in the PPR. The PPR contributes to the preparation of the periodic reports as well as of the annual report and final report on the implementation of the programme and the FM. These reports are prepared by the NFP/PO and submitted to the FMO for approval.

The purpose of the PPR is to provide quick insight into the progress of the programme (physical and financial) and the risks and difficulties that need to be mitigated and/or addressed. The report may also be used as a basis for discussion during the monitoring meetings mentioned above.

3.2. Final report

The BFBR must submit a final report at the end of the activity implementation period or after all the components have been implemented. The final report shall include information on the components implemented, costs incurred as well as the results and indicators achieved in accordance with what was planned in the application form and what was achieved during the implementation of the Initiative. The final report shall be accompanied by a final request for reimbursement and shall be submitted within 60 days of the end of the implementation of the Initiative, where applicable.

The template to be used for the final report is provided in Annex 8. The final report must be submitted to the NFP/PO no later than 60 days after the end of implementation and no later than the final date of eligibility of expenditures of the Initiative as defined in the Agreement.

Annex list

Annex 1 — Notice of amendment

Annex 2 — Procurement plan for the calendar year

Annex 3 — Terms of Reference

Annex 4 — Technical specification

Annex 5 — Payment request

Annex 6 — Quarterly Report for the BFBR

Annex 7 — Semi-Annual Report for the BFBR

Annex 8 — Final Report for the BFBR

Annex 9 — Approval of expenditures from the BF to central government bodies

Annex 10 — Work records form

Annex 11 — Budgeting form

Annex 12 — Check-list for administrative checks

Annex 13 — Check-list for carrying out a review of the public competition documentation

Annex 14 — Check-list for monitoring public procurement procedures

Annex 15 — Records on sample creation

Annex 16 — Findings of the cost verification carried out

Annex 17 — Request for approval of the costs of the BFBR — central government bodies