INTERREG III B

NORTHERN PERIPHERY PROGRAMME

PRACTICAL GUIDE FOR PROJECT MANAGEMENT

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FOREWORD

The Practical Guide for Project Management has been produced by the Northern Periphery Programme Secretariat to assist in the management of the transnational projects granted aid under the programme. It does so in two ways: by supplying tools to manage such projects, and by reminding project co-ordinators of the objectives and procedures relating to projects funded by the European Regional Development Fund (ERDF) under the Interreg III B Northern Periphery Programme (NPP).

As an instrument for information and technical support, this guide will by implication evolve over time, and will be completed by suggestions from project co-ordinators, programme bodies, etc.

The guide is divided into eight chapters:

Chapter 1 Introduction
This chapter gives a brief introduction to the expectations of an Interreg III B Northern Periphery Project.

Chapter 2 The Project Partnership
This chapter introduces the responsibilities of the Lead Partner and other project partners and provides recommendations for partnership agreements.

Chapter 3 Project implementation
This chapter gives useful information on steering and decision-making structures within the partnership to apply as found relevant for the individual projects.

Chapter 4 Project Monitoring and Evaluation
This chapter provides facts on how project performance is evaluated and monitored by using reporting procedures and follow-up.

Chapter 5 Payments
This chapter presents the payment procedures to be used in the Northern Periphery Programme.

Chapter 6 Project accounts
This chapter gives advice to Lead Partners, who must keep separate project accounts in order for all expenditure to be audited and detailed summary reports drawn up.

Chapter 7 Specific rules concerning eligibility of expenditure
This chapter assists project co-ordinators to follow the specific rules concerning eligibility of project costs.

Chapter 8 Compliance with other EU policies
This chapter describes various other policies that have to be considered in the management of Northern Periphery Projects.

1. INTRODUCTION

1.1 WHAT IS EXPECTED OF TRANSNATIONAL INTERREG III B PROJECTS?

The criteria listed below must be **constantly borne in mind** by project co-ordinators and their partners, given the status of the **innovative community initiative Interreg,** which makes this programme original, and the fact that EU assistance under the Structural Funds is involved. Criteria will be used during the monitoring phases and during the final evaluation of the projects. The following elements must therefore be taken into consideration:

- **Innovative**
  The approach is and must remain innovative throughout the project. This implies that there are innovative elements during the different phases and at the different levels of the project: definition of actions, partnership, implementation, and methods used.

- **Transferable**
  Particular attention should be given to the **transferable** nature of the project, i.e. its capacity to be adapted elsewhere to produce positive effects in terms of local and regional development.

- **Added value**
  These elements of innovation and transferability together help define the **European added value** related to the project. Special attention should be paid to the economic and social results of the project: has the project **improved the socio-economic and spatial context** within which local development dynamics are today emerging or growing stronger in connection with the general **internationalisation** of the areas.

- **Tangible results**

- **Equal opportunities**
  Reinforcement of the impact of structural policies on the creation of jobs and **equality of opportunity** between men and women

- **Sustainable development**

- Establish **innovative and creative networks** focusing on transnational approaches to innovation

- **Utilise synergies and complementaritie**s with EU, national and regional policies that promote innovation, research and economic development

REMEMBER

1. Feel free to contact the Northern Periphery Programme Secretariat at any time if you have any questions.
2. Do not forget to publicise the part-financing from the EU structural funds
3. All changes in the project compared to the funding decision must be reported and examined by the Northern Periphery Secretariat and in some cases approved by the Managing Authority
4. Rules concerning public procurement must be applied by public bodies and the like.
5. Respect for the environment and equal opportunities shall pervade throughout the project implementation

Keep up to date with the news of the Northern Periphery Programme by visiting the website: http://www.northernperiphery.net/

2. THE PROJECT PARTNERSHIP

2.1 Lead Partner Responsibilities

The Interreg III B Northern Periphery Programme is based on the Lead Partner principle. This means that each project has to appoint a **Lead Partner**, who will be the partner in charge of the project. This partner in charge, i.e. the Lead Partner, will bear the overall **financial and legal responsibility** of the project and co-ordinate the various partners in the operation. The Lead Partner guarantees that it is entitled to represent the various project partners, concludes the grant letter with the Northern Periphery Programme Secretariat, requests payments and is liable for the total amount of the grant.

Lead Partners have to have proficient administrative and financial capacity to be able to operate a transnational project funded by the Interreg III B Northern Periphery Programme, as they will carry the overall responsibility towards the Commission and the Programme Administration. The demands on a Lead Partner are therefore higher than on other project partners.

The Lead Partner has to be a public body or similar and should come from within the programme area of Finland, Scotland, Sweden, Norway or Iceland in order to be entitled to take full responsibility for the Northern Periphery funding. Total support going to an individual Non-Member State must not exceed that Non Member States' contribution i.e. you cannot transfer ERDF funds to a Non Member State and vice versa.

Examples of Lead Partners are:

1. Regional and local authorities
2. Research and educational institutions
3. Public-like organisations like regional and local self-government of entrepreneurs (e.g. chambers of commerce)

The allocation of financial assistance from the European Union for the implementation of a project generates a series of obligations of different kinds. The Lead Partner undertakes to comply with these obligations when they agree to benefit from European Regional Development Funding through the Interreg III B Northern Periphery Programme. Formally speaking, even if the project is conducted as a partnership, and even if the partners have certain obligations to meet, fundamentally there is only one Lead Partner; the organisation that signs the declaration of acceptance in the grant letter. The Lead Partner's obligations are presented in the grant letter outlining the Interreg III B Northern Periphery Programme funding and the various annexes and sub-annexes that are an integral part thereof. The Lead Partner is responsible for ensuring the correct organisation and management of the project throughout its duration, satisfying obligations and any consequences arising from their non-compliance, even if these consequences are not directly their fault.

The Lead Partner will pass the necessary contracts with the co-operation partners specifying the partnership terms and conditions by detailing the division of the mutual responsibilities. The Lead Partner may require bank guaranties from other eligible partners.

The Lead Partner (entity) is the organisation, which is "legally" responsible (liable) for the entire implementation of the project, including for the other partners located in other Member States or Non-Member States. The Lead Partner will receive all Northern Periphery Funding and will then pay it to the other partners. The Lead Partner will be responsible for indemnifying any claim made against the project and their project partners.

The Lead Partner is responsible for defining the structures for dialogue and decision-making with the partners participating in a project and ensuring the effectiveness of these structures. The Lead Partner is also responsible for notifying the Northern Periphery Programme Secretariat as to any unforeseen problems, which may arise in the course of the project (i.e. possible redefining of the project, budgetary revisions exceeding what is considered 'minor' in the grant letter, deficiency on the part of one of the partners) and jeopardise the schedule.

The Lead Partner will also ensure the co-ordination and day-to-day management of the project, acting as the permanent contact point for the Northern Periphery Programme Secretariat. The Lead Partner delivers project reports and documentation, project outputs as well as audit and applications for payments.

"CHECK-LIST" OF THE LEAD PARTNER'S ROLE:

1. Organisation of the partnership and co-ordination of key actors under the authority of a steering committee for the smooth implementation and performance of the actions

2. Management of the project team (project co-ordinator and persons designated responsible in the other organisations or regions)

3. Preparation of contracts and reference terms for sub-contracting; monitoring of agreements between project partners;

4. Development of project management and monitoring instruments; (situation charts, progress reports, evaluations, etc...)

5. Management of the team responsible for administrative and financial matters, bookkeeping, verification of accounting records

6. Finalisation of working documents and technical and financial progress reports for submission to the steering committee, then to the Northern Periphery Programme Secretariat, and the organisation of their production

7. Preparation of steering committee meetings

8. Organisation of the project's participation in inter-network activities (thematic seminars, conferences, specific meetings)

9. Maintain dialogue with the Northern Periphery Programme Secretariat

10. Hosting and organisation of possible visits to sites concerned by the project by representatives of the NPP, project co-ordinators or experts from other projects in the framework of the programme's exchange activities

11. Information diffusion/dissemination of project results, in liaison with the Northern Periphery Programme Secretariat.

2.2 PROJECT PARTNER

Project Partners are responsible both for carrying out the measures in their respective areas and for the participation in co-operation measures of the associated and other participants in the area. Note that all project partners must have separate accounts - preferably in EUR as well as in national currencies. The project partners' accounts should be audited by an independent auditor once a year.
Project co-ordinators are strongly urged to establish partnership agreements that stipulate the responsibilities of each partner, with their technical and financial implications. Partnership agreements should be established from the start of the project in order to avoid any ambiguity.

2.3 PARTNERSHIP AGREEMENTS

The projects and partnerships funded under Interreg III B require institutional, technical and financial cooperation. It is expected by **the partners of the projects and networks to establish formal and informal cooperation procedures.**

Lead Partners are therefore strongly urged to establish partnership agreements (see example in Annex 1) that stipulate the responsibilities of each partner, with their technical and financial implications. Such partnership agreements must be established **from the start of the project** in order to avoid any ambiguity. The documents adopted for such agreements must be **clear, balanced, equitable and solid.**

The main points to be taken into account are outlined in the table below:

CONTENT OF AGREEMENT BETWEEN PARTNERS MAIN ELEMENTS
1. All partners are in agreement with the content of the grant letter and its annexes, including the project description and conditions, accepted by the receiving Lead Partner organisation, including the technical and financial terms (description of eligible costs, periodical reports) or empower the Lead Partner/project leader to accept it. The Lead Partner alone is responsible for evaluating, before committing all the partners, the reality of the technical and financial partnerships. 2. All partners accept the project's eligible budget and commit themselves to providing their individual contributions to the budget and to the terms of these contributions (a timetable for the payment of contributions should be attached). 3. The partners will remain united in the event of deficiency on the part of one of the partners, and undertake to rapidly find a valid solution of substitution. If such a solution proves impossible, the Northern Periphery Programme Secretariat must be immediately informed. 4. The partners undertake to keep separate accounts of their expenditure in the project according to the eligibility rules, adapted from Community regulations, as well as the reporting procedures, and to supply all necessary and relevant information for the preparation of activity reports. 5. The partners undertake to truly participate in the management, co-ordination and concrete implementation of the project actions that are entrusted with them as part of the project. 6. The partners undertake to participate in the optimisation and diffusion of results according to the Commission regulations and terms proposed by the Northern Periphery Programme Secretariat.

These six elements are not exclusive, but provide the base for agreements or texts which can be signed at the transnational level. The first point is extremely important, since it indicates the acceptance **by all partners** of the principle of ERDF/NPP assistance to the project and **the effective adherence by all partners to the technical and financial rules proposed by the NPP to the Lead Partner.**

3. PROJECT IMPLEMENTATION

Managing a transnational project under the Interreg III B Northern Periphery Programme involves financial and legal responsibility, which requires following the administrative procedures of the programme. Sound management of a project depends on good relations between the key actors concerned; Lead Partner, partners, national, regional and local authorities, Northern Periphery Programme Secretariat, Managing and Paying Authority and ultimately the European Commission.

It is vital that the Northern Periphery Programme Secretariat be informed as soon as possible if:

- the project encounters **difficulties of a technical nature** (underestimation of constraints, conflicts between development objectives and the preservation of the environment , for example)
- the project experiences **problems or delays**, for example, concerning budgets and yearly expenditure targets, poor assessment of the notion of eligible expenditure
- the project needs to be **adjusted in terms of content of the actions** that can be undertaken within the time period set, and therefore with regard to the work programme and timetable.

If the Northern Periphery Programme Secretariat is notified sufficiently in advance, solutions can generally be found that enable the project to continue. In contrast, a situation discovered late in the project leading to the non-fulfilment of initial proposals, could be difficult to accept, as it would have incurred expenditure which was not in accordance with the agreed proposal or unacceptable delays and failures.

Projects that do not meet their spending targets as described in Enclosure 1 of the Grant Letter risk having parts of their grant decommitted, as a consequence of the rules set by the European Commission regarding time limits on spending the ERDF funding. It is therefore necessary to meet the spending targets as described in the Grant Offer Letter and, where this is unfeasible, inform the Northern Periphery Programme Secretariat on the expected deviations and the reasons for these immediately.

Flexibility, within the framework of the budget, is possible to a certain extent, provided modifications are stipulated in advance. See section 7.4 for more information on budget changes. Deadlines can sometimes be extended, but only with serious justification.

To facilitate project implementation. the Northern Periphery Programme Secretariat recommends the Lead Partner to think about the following points concerning steering and decision-making and financial management. Note that the following sections contain recommendations and suggestions, which should be adapted to the specific conditions in the individual projects.

3.1 STEERING AND DECISION-MAKING STRUCTURES

The Lead Partner is the organisation that is named as beneficiary in the Grant Letter. As such, the Lead Partner is responsible for **ensuring the correct organisation and management of the project throughout its duration**. It is responsible for **defining the structures for dialogue and decision-making with the partners** participating in a project and ensuring the effectiveness of these structures. It is also responsible for **notifying the Northern Periphery Programme Secretariat as to any unforeseen problems, which may arise in the course of the project** (i.e. possible redefining of the project, budgetary revisions exceeding what is considered ‘minor’ in the grant letter, deficiency on the part of one of the partners) and jeopardise the schedule.

It is preferable that within each of the regions concerned, the Lead Partner be able to rely on one **co-ordinator** whose role has been defined beforehand and who is appointed by the authorities of these regions, particularly those which are part-financing the project activities. It is therefore in the Lead Partner's interest to be able to rely on **partner steering structures and forms of agreement** in their project.

STEERING COMMITTEE

A "steering structure" should be put in place **reflecting the project partnership.**

The steering committee (or guidance, monitoring or strategic committee) is responsible for:

1. Examining, on a regular basis, the situation regarding the project's progress, the responsibility and technical contribution of partners, adherence to the timetable; establishing the "rules of play";

2. Taking, within the framework of flexibility allowed, and without having recourse to the Northern Periphery funding, decisions concerning any possible scheduling or re-scheduling of the project which may be deemed necessary in order to ensure the concrete implementation of project activities within the imposed timeframe;

3. Adopting a new work plan and timetable which is submitted to the Northern Periphery Programme Secretariat in case of a change in direction or major changes in the project;

4. Examining technical and financial activity reports before their submission to the Northern Periphery Programme Secretariat;

5. Analysing, on a regular basis, the results achieved by the project;

6. Ensuring and supporting the definition and implementation of a policy of dissemination of result of the work undertaken.

The steering committee is a creation of the partners involved in the project. It is the **internal decision-making instrument**, which validates or transmits the proposals made by the Lead Partner and the team responsible for managing project activities.

The **chairmanship of the steering committee** logically reverts to the Lead Partner organisation, which is named in the grant letter. The decisions taken by this committee are in fact essential acts concerning the project's progression and its optimisation.

The steering committee should meet as often as necessary in order to approve activity reports, or when the chairman, either on his/her own initiative or at the request of one of its members, considers it necessary for the committee to meet.

PRACTICAL PROJECT IMPLEMENTATION / PROJECT TEAMS

The operational management of the project may be entrusted to a project team or teams by the Steering committee. Such teams bring together the **necessary skills and competences for the effective implementation of the project's work packages**. Such a team should be composed of key local partners from each participating region. The composition of project and technical teams will need to be approved by the steering committee and **a directory of network partners**, presenting their specific roles and contact details, will need to be prepared and distributed.

The team is managed, co-ordinated and motivated by a **project co-ordinator**. The selection of a project co-ordinator should be approved by the steering committee. It is recommended that the project co-ordinator generally belongs to the Lead Partner organisation named in the grant letter, and thereby constitute the "executive arm" of the organisation responsible for the project.

When managing a project and co-ordinating a transnational partnership, given the complexity of the partnerships of most of the programme's projects, the project co-ordinator must be able to **dialogue** - with the other partners, networks, and the Northern Periphery Programme Secretariat. Project co-ordinators must have **experience in the management of projects** (private, public or mixed). The Northern Periphery Programme working language is English.

Unless there is a valid justification to do so, the chairman of the steering committee and the project co-ordinator should not be one and the same person. The project co-ordinator will need to make use of opinions and suggestions from external sources. In addition, he/she will need to devote a large proportion of his/her time to ensuring the smooth running of the project, thereby leaving all discussions of a policy nature to the chairman and the steering committee.

The project co-ordinator, during each of the **key phases** planned in the work programme, mobilises the **regional project co-ordinators** who are responsible for the implementation of the project in the other regions. The project co-ordinator ensures that the regional co-ordinators organise their work jointly and monitors the work accomplished and to be accomplished in each of the areas concerned. The project co-ordinator performs the necessary evaluations and amendments required to implement the decisions of the steering committee, prepares new submissions for decision by the steering committee, updates situation charts, etc.

3.2 Financial management

A project co-financed with EU-assistance has to be managed and administered in a professional and reliable way. The financial co-ordination should not be underestimated, as experience shows that it is an extensive assignment to build up, maintain and phase out a transnational project of this kind. In order to make best use of the funds raised to the project, professional financial management is essential. It is recommended to appoint a financial manager to maintain the overall project accounts.

Note that all projects must have **separate accounts** - preferably in EUR as well as in national currencies. **Costs must be entered into the accounts and paid before they can be claimed**. Make sure to plan the liquidity of the project finances. The last payment will not be paid out until the project is completed and the final report and audit report has been received and approved.

Costs that are charged to the project must occur in the given project period indicated in the Grant Letter. Costs must be related to the project, i.e. belong to the project activities. Only actual expenditure incurred will be accepted. If the project partner can deduct VAT from the project costs, then VAT should not be included as an eligible cost in the accounts.

A progress report must be enclosed with each *application for payment/claim*. An independent authorised auditor should certify the accounts annually and the auditor's statement should be enclosed with the application for payment at that time. The final claim should include a complete audit of the **total project expenditure**. Costs for audits are eligible for co-financing and should be placed under Expenditure heading 1. External Experts and Consultancy fees. See section 4.1.1 for more information on audit requirements.

Note that if the ERDF-funding is not spent within three years from the year it is committed (N+2) the unspent part is automatically decommitted by the Commission. All projects that do not meet their spending targets, as described in Enclosure 1 of the Grant Letter, **risk having parts of their grant decommitted**. Decommitted funding is lost – permanently. If a Lead Partner finds him/herself in a situation where significant deviations from the approved spending plan are expected, the Lead Partner must immediately inform the Northern Periphery Programme Secretariat of the expected deviation and the reasons for these deviations.

All **changes in the project compared to the funding decision must be reported** and examined by the Northern Periphery Programme Secretariat, and in some cases approved by the Managing Authority.

Guidelines for system audit in Interreg IIIB Northern Periphery

The County Administration of Västerbotten, acting as Managing and Paying Authority for the Interreg IIIB Northern Periphery programme has decided on the following principles for auditing of main projects in the programme:

> In accordance with Enclosure 2, it is the Lead Partner's responsibility to ensure that the entire project is audited according to what is stated below.

1. Projects that send ledgers with each claim are to be audited twice during the project period:

   a) a system audit should take place approximately one year after the starting date of the project

   b) after the project is finished, a financial final audit should be made covering all expenditure and revenues of the entire project

2. Projects that do not send ledgers with each claim are to be audited as follows:

   a) an auditor's certificate should be sent annually, covering the expenditure and revenues of that year

   b) a system audit should take place approximately one year after the starting date of the project

   c) after the project is finished, a financial final audit should be made covering all expenditure and revenues of the entire project

PURPOSE

The system audit should evaluate the internal control system of the project. The purpose of this evaluation is to:

- help the project improve its own internal control system
- provide information so that the Paying Authority can make a risk analysis of the project
- assure a speedier handling of payment claims (if the project is found to have a satisfactory internal control system, this reduces the need for a detailed control of each item of expenditure)

METHOD

The auditor should evaluate the project's organisation, how the Lead Partner's responsibilities are fulfilled, and the reliability of the Lead Partner's accounting system, routines for salary costs and timesheets and routines concerning accounts payable. It is suggested that sample checks are made.

The Managing and Paying Authority has provided a questionnaire for the system audit which is downloadable from the Downloads Library of the NPP website under Reference Documents.

Each question should be answered by:

a) a short description
b) an assessment of whether the routines are satisfactory or not, and
c) suggestions for possible improvements

Based on the answers to the questionnaire, the auditor should finally make a general evaluation of the reliability of the project's internal control system.

PROJECTS WITH A STARTING DATE BEFORE 1ST JANUARY 2003

Since these guidelines were not available until May 2004, all projects that have a starting date before 1st January 2003 are exempt from the system audit. All other main projects should perform a system audit in accordance with the guidelines.

4. PROGRAMME MONITORING AND EVALUATION

The programme administration evaluates and monitors the project by progress reports and the final report.

4.1 PROGRESS REPORTS

The Lead Partner is responsible for gathering information from the other project partners and for composing and sending a progress report and an application for payment to the Northern Periphery Programme Secretariat every six (6) months. The reporting periods are January to June and July to December. The progress report is to be drawn up in July for the first 6 months of the year (January to June) to be sent to the Secretariat no later than by **31 August,** and January for the last 6 months of the year (July to December) to be sent to the Secretariat no later than by **28 February.**

The purpose of the Progress Report is to enable the Programme Monitoring Committee, Managing and Paying Authority and the Northern Periphery Programme Secretariat to follow, monitor, keep informed about and to be able to inform others about the developments of the project. The report shall describe the operations and activities as well as the finances for each reporting period.

Reporting on the financial and budgetary implementation of a project is to be done on the basis of six types of documents:

- the financial report: the certificate of expenditure and application for payment;
- the budget report: the monitoring table of budget commitments (MTBC)
- Summary of exchange rates
- Financial reporting summary (FRS)
- Entries
- Timesheets
- Auditor's statement (annually)
- Copies of ledgers from separate accounts for all partners (1st time only)

The progress reports must be submitted in English to the Northern Periphery Programme Secretariat both in original hard copy and electronically. The Northern Periphery Programme Secretariat requires only electronic versions of:

- the certificate of expenditure and application for payment
- the monitoring table of budget commitments (MTBC)
- Summary of exchange rates
- Financial reporting summary (FRS)

The Paying Authority should be sent original documentation regarding financial reports this includes ALL of the above-mentioned documents.

4.1.1 AUDITOR'S STATEMENT

As previously outlined, there are 2 options for auditing and it is either required that an independent authorised auditor certifies the accounts annually or, alternatively, that a project uses a Mid-term audit system in which each payment claim and progress report is supported by an accountancy ledger. Projects that use the alternative method are responsible for two audits, one in the middle of the project and a final audit. (Guidelines will be provided for those projects using the Mid-term audit system). The audit includes the accounts of the regional partners as well as the Lead Partner. The auditor must be familiar with the eligibility rules, programme specific rules and the European Regional Development Fund rules and preferably have previous experience of auditing EU-funded projects.

The auditor's statement must include the following points:

- Identification of the target of the audit (name and registration number of the project, date of NPP award)
- Date, signature and a statement how the auditing been carried out (sample checks etc)
- Eligible expenditure from the accountancy, described according the budget headings
- Confirmation of the information given in the Entries-file of the financial reporting package (for all partners)
- Other eligible expenditure, i.e. amount of contributions in the form of own work, general indirect costs and overheads with clear justification
- Amount of paid expenditure
- Amount of VAT, if included in the accounts, and a justification for this

See Annex 3 for the Auditor's statement outline.

4.2 THE FINAL REPORT

The purpose of the *Final Report* is to describe the entire project. It should be a qualitative summary of the project as a whole. The Final Report should contain the relevant information for the financers of the project as well as other organisations that may be interested in or benefit from the experiences and results of the project.

The final reports are to be sent to the Northern Periphery Programme Secretariat no later than three months after completion of the project with the final certificate of expenditure and application for payment.

There is a **separate reporting package for the final report** and this can be downloaded from the Downloads Library of the NPP website.

N.B. that the last 5 % of the project's budgeted ERDF/NMS funding will not be paid out until the final report has been approved by the Managing and Paying Authorities.

4.3 PROJECT MONITORING

When receiving the progress and final reports, including the claims for payment, the Managing and Paying Authority, with the support of the Northern Periphery Programme Secretariat, will focus its monitoring activities on:

- Analysis of the coherence of current project/network **activities** with the **objectives** of the projects and programme;
- Assessment of the **quality of the partnerships** and the effectiveness of the proposed **distribution of roles between the partners**;
- Examination of **the current degree of progress achieved** by projects and networks in relation to agreed timetables, in order to predict potential problems and reduce their possible consequences, and dialogue with project co-ordinators with regard to their levels of progress;
- Comparison between **improvements proposed and anticipated results** in relation to actual results and achievements;
- Transferability of project/network results;
- Analysis of project expenditure and budgetary matters.

Please note that as part of the monitoring procedure the Managing Authority and Paying Authority, the Northern Periphery Programme Secretariat, the Programme Monitoring Committee or the European

Commission may conduct “on-the-spot” inspections of the projects funded by the Northern Periphery Programme.

4.4. OTHER REPORTING

The Lead Partner should report to the Northern Periphery Programme Secretariat in the case of:

- the project encountering **difficulties of a technical nature** (under-estimation of constraints, conflicts between development objectives and the preservation of the environment, for example)

- the project experiencing **problems or delays** following, for example, partial or total **deficiency** on the part of one of the partners, difficulties in meeting the yearly expenditure targets, etc.

- the project needs to be **adjusted in terms of the content of the actions** that can be undertaken within **<u>the time period set</u>**, and therefore with regard to the work programme and timetable.

4.5. SELF EVALUATING

Continuous evaluation is in no way related to the notion of audit or control introduced by the European and national regulations. It is a procedure for use by the Lead partner and other partners, which can obviously also be used when preparing activity reports. Such evaluation is distinct from any monitoring mechanisms of the Northern Periphery Programme

Continuous evaluation requires that qualitative and quantitative indicators are linked to each individual project with regard to the project’s objectives, the results achieved and their impact, and to ensure that the selected indicators are subject to regular evaluation.

1. Indicators regarding a **project’s objectives** should consider the direct anticipated **results of the project**, in terms of job creation, newly developed activity, the number of operations undertaken for the optimisation of heritage, etc; but also, from a more qualitative point of view; improvements in organisation, joint validation of strategy by the partners involved, etc. It is therefore the responsibility of each Lead Partner/project co-ordinator to suggest a collection of simple indicators to their Steering Committee and the Northern Periphery Programme Secretariat.

2. Indicators regarding a **project’s results** are the physical measurement of the results obtained. Comparison with the project’s objectives or anticipated results will enable an analysis of any “variation” between these two categories of information, and to determine their causes. This, in turn, will enable project partners to evaluate the **effectiveness** of the project’s organisational structures. If one considers the costs and use of resources which lead to these results, one can also evaluate the project’s **efficiency**.

3. A periodical re-evaluation of the methods used for management, internal communication and steering of the project will also allow for an evaluation of the **quality of the organisation** implemented and the proposal of possible improvements. Likewise, the organisational methods which have led to notable results will be the subject of further development and a study of its potential transferability, through close dialogue between the project co-ordinator and the Northern Periphery Programme Secretariat.

In order to guarantee the satisfactory implementation of the project, the Lead Partner could self-evaluate the project periodically. Projects should use the project indicators, detailed in the application form (See also Project indicators below) and may use examples of the objective, result and impact indicators below. These can be adapted and completed in accordance with the specific situations, contexts and objectives of individual networks and projects.

Please note that the outputs of the project are to be measured and quantified continuously in each progress report. Qualitative assessments of the project's result are also welcome.

The Interreg III B Northern Periphery Programme will be evaluated through an interim and ex-post evaluation. This programme level evaluation can come to include a closer look on individual projects as well. The project indicators below will be aggregated on programme level and serve as an important tool in the monitoring process of the programme.

4.5.1 PROJECT INDICATORS

Horizontal indicators

Indicator	Classify accordingly:	Classification
Equal Opportunities	Directly or mainly contributing to equal opportunities	
	Indirectly contributing to equal opportunities	
	Neutral to equal opportunities	
Environment	Directly and mainly improving the environment	
	Indirectly contributing to improving the environment	
	Environmental neutral	
Transnationality	3 countries involved	
	4 countries involved	
	5 - 8 countries involved	
Indicator	**Measurement**	**Number**
Spatial development	Number of studies/documents of common planning	
	Number of spatial development networks	
Complex partnerships	Number of partnerships	
	Number of partnerships continuing beyond programming period	

Priority 1 Communications

Measure	Indicator	Description	Indicator measurement	Number
1.1 Transportation, logistics and transport infrastructure	Transport networks	Network activities for maintained and improved transports	Number of networks	
			Number of partners involved	
			Number of sectors involved	
	Northwest Russia connections	Projects connecting Northwest Russia to Western Europe	Number of projects	
	Intermodal transport	Projects concerning transport systems combining several forms of transport	Number of projects	
			Number of systems	
			Number of transportation methods combined	
	Communication links	Strengthened communication links as a result of the project	Number of new links	
			Number of improved links	
	Communication studies	Surveys of communication problems and solutions	Number of studies	
1.2 Access to information society	Job-locating projects	Projects concerning location of jobs in NPP area through ICT	Number of projects	
	Distance learning projects	Projects concerning distance learning	Number of projects	
	Health service projects	Projects concerning access to health service	Number of projects	
	Information society issues	Projects concerning Information Society	Number of projects	
	Studies on IT-access	Studies concerning IT-access	Number of studies	
	New IT-based applications and solutions	IT-solutions and services that are new to the area concerned	Number of new solutions	
	Establishment of virtual work places	Creation of (on-line) jobs in remote areas	Number of new jobs created	
	IT-services	Small and Medium sized Enterprises (SMEs) developing and commercialising IT-services	Number of SMEs developing and commercialising IT-services	

Priority 2 Strengthen sustainable economic development

Measure	Indicator	Description	Indicator measurement	Number
2.1 Sustainable use of nature and natural resources	Natural resources	Projects concerning natural protection and/or heritage	Number of projects	
	Cultural heritage	Projects concerning cultural heritage management	Number of projects	
	Cold-climate techniques	Projects concerning cold climate techniques	Number of projects	
	Combination of protective and commercial interests working together	Projects involving natural protection and commercial exploitation/use	Number of projects	
	Diversified businesses	Enterprise or organisation that have extended their business in relation to natural resources	Number of diversified enterprises	
	Local processing	Products or services that have been locally processed	Number of products/services	
	Environmental management	SMEs undertaking environmental management (reducing environmental impacts/increasing efficiency of resources used, as a result of the project)	Number of SMEs undertaking environmental management	
	Tourism	Common (nature based) tourism products	Number of new products	
2.2 Business innovation and development of human resources	Entrepreneurial training	Projects concerning entrepreneurial training	Number of projects	
			Number of people trained in total	
			Number or men (>25) trained	
			Number of women (>25) trained	
			Number of young men (<25) trained	
			Number of young women <25 trained	
	Business innovation	Projects concerning research, development and business innovation	Number of projects	
	SME networks	Transnational co-operation for SMEs regarding marketing and product development measures or other	Number of networks	
			Number of countries involved	
			Number of SMEs involved in total	
			Number of SMEs owned by men (>25)	
			Number of SMEs owned by women (>25)	
			Number of SMEs owned by young (<25) men	
			Number of SMEs owned by young (<25) women	
	Research and industry networks	Transnational co-operation between research and industry	Number of networks	
			Number of countries involved	
	SME development	New or diversified enterprises	Number of new enterprises	
			Number of diversified enterprises	
			Number of jobs created	
	E-business	New or existing organisations taking up e-commerce	Number of organisations taking up e-commerce	
	Combination of protective and commercial interests working together	Projects involving natural protection and commercial exploitation/use	Number of projects	

Priority 3 Community Development

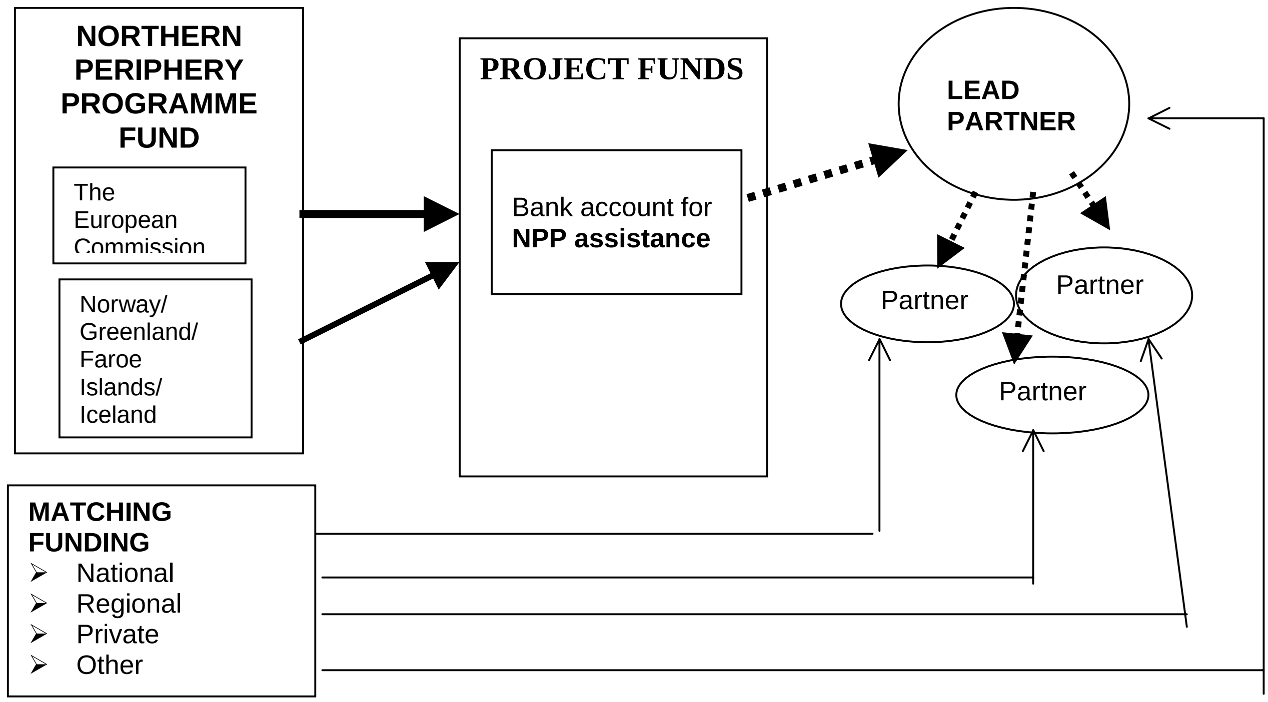
Measure	Indicator	Description	Indicator measurement	Number
3.1 Household related service	Studies on service provision	Studies concerning service in the NPP area, as a result of the project	Number of studies	
			Number of communities involved	
			Number of people involved	
	New approaches to service provision	New or improved services, as a result of the project	Number of new services	
			Number of improved services	
			Number of people served	
	Waste management	New ways of minimising, recycling and disposing of waste and minimising pollution	Number of studies	
			Number of demonstration projects	
3.2 Public management and spatial planning	Natural resource management projects	Projects focusing natural resource management	Number of projects	
	Co-operation projects on transboundary pollution	Projects focusing trans-boundary pollution	Number of projects	
	Local and regional participatory projects	Projects focusing local involvement in development planning	Number of projects	
			Number of groups/communities involved	
	New or improved local/regional planning tools/studies/documents	New planning tools for local and regional economic development and planning policy	Number of tools	
			Number of communities where tool used	
	Urban-rural partnerships	Partnerships between urban and rural areas/organisations	Number of new partnerships	
	Community capacity building	Projects to energise communities	Number of projects	
			Number of communities involved	
			Number of people involved	

Examples of other indicators that can be used:

Objective Indicators	
Qualitative	**Quantitative**
- Quality / density of local partnership - Quality of basic situation analysis - Quality of SWOT analysis - Concentrated effective steering - Implementation of practical action plan - Satisfactory participation of partners etc.	- Number of jobs created or sustained - Number of technology transfer operations implemented - Number of meetings between partners - Quality of transfers Number of enterprises participating in project etc.
Result indicators	
Qualitative	**Quantitative**
- Effectiveness of joint agreement - Info sheets summing up identified projects launched - Capacity for financing or bringing together resources for launching strategy etc.	- Number of jobs created or sustained - Implementation of services in support of activity creation - New economic partnerships - Effectiveness of technology transfer and consolidation of know-how in disadvantaged regions - Number of telematic applications and degree of use etc.
Impact Indicators	
Qualitative	**Quantitative**
Possible impact on - Employment - Activity, particularly that concerning the creation of new jobs and enterprises - SME competitiveness - Rationalization of organisations providing services to enterprises etc.	Impact of projects or networks on: - Employment - European cohesion - Modernisation and diversification of local productive fabric - Technological autonomy of disadvantaged areas - Opening towards new opportunities linked to the revitalization of cultures and the enhancement of heritage etc.

5. PAYMENTS

5.1 FINANCIAL PROCEDURE



5.2 Payment of the northern periphery financial contribution

Every application for payment must include at least the following:

- A **certificate of expenditure (and application for payment)** paid out so far, signed by the person responsible for the project and the final beneficiary of the Northern Periphery Programme grant.
- **Monitoring tables of budget commitments** showing the status of total expenditure, EU-expenditure and Non-Member State expenditure, broken down by category. The categories must be those used in the budget approved by the Northern Periphery Programme and so demonstrate the link between the categories of the budget approved and the expenditure paid
- **Summary of exchange rates**
- **Financial reporting summary**
- **Entries and timesheets**
- **Auditor's statement (annually)**
- **Copies of ledgers from separate accounts from all partners (1st time only)**

The Northern Periphery Programme, reserves the right to request any further information or justification it may require for the purpose of validating certificates of expenditure.

Payments will be made in EURO in accordance with the following procedure:

Payments to projects will be paid out against actual expenditure retrospectively. These payments shall be related to expenditure actually paid out, corresponding to payments effected by the final beneficiaries. **Note that the national match funding has to be paid out before a claim to the Northern Periphery Programme can be put forward**. Independent authorised auditors should audit the accounts annually.

Applications for payment are sent to the Northern Periphery Programme Secretariat with a periodic progress or final activity report. The Northern Periphery Programme Secretariat checks the claim and, if found necessary, asks for more information.

When the application for payment is found to be in order, the Northern Periphery Programme Secretariat sends the application for payment to the Managing and Paying Authority where the conformity with financial regulations and requirements is controlled. The aim of the control is to ensure that costs are eligible and based on accountable verifications and accounting systems.

When the control is done and the costs found eligible, the Paying Authority issues a payment from the ERDF and/or the pre-allocated funds from Norway, Faroe Islands, Greenland or Iceland to the Lead Partner of the project. The payment is registered in the data base system for managing and monitoring of the programme. The Lead Partner then allocates the payment to the other partners involved in the project.

The final payment will be made following:

- Submission of a **final report** and its approval by the Northern Periphery Programme Administration;
- Submission of the final certificate of expenditure paid and application for payment, the Monitoring Tables of Budget Commitments, Financial Reporting Summary, Summary of Exchange rates, Entries and Timesheets
- Statement of independent authorised auditor from all partners.

Certificates of expenditure in support of applications for payment must be drawn up in euros. Expenditure incurred in national currency must be converted into euros using the rate for the month during which the expenditure was entered in the accounts of the Partner Organisation. The rates used should be stated in the Summary of Exchange Rates table. The rates will be found through the following website;

http://europa.eu.int/comm/budget/inforeuro/en/catalog.htm

VAT is taken into account in the amount of the eligible expenditure if, and only if, it cannot be recovered according to the status of the body responsible for the project and current national rules.

5.3 FINANCIAL CONTROL

Note that the European Commission, in co-operation with the EU Member State concerned, will perform on-the-spot checks and sample checks of projects on the operations financed by the Structural Funds, including the European Regional Development Fund, and on management and control systems with a minimum of one working day’s notice.

5.3.1 Reduction, suspension and cancellation of assistance/Recovery of undue payments

The Managing Authority has the right to review or revoke a funding decision in part or in its entirety if:

- the decision was made based on faulty, incomplete or misleading information from the Lead Partner or any of the Partners;
- the Lead Partner or any of the Partners uses the grant for another purpose than that, for which it was intended;
- any other condition occurs which means that the Lead Partner or any of the Partners, considering the purpose of the grant, evidently should not be allowed to keep it;
- the Lead Partner or any of the Partners otherwise deviate from the conditions, rules and provisions that adhere to the grant.

If the Northern Periphery Programme administration considers that work has not commenced three months after the starting date, a letter of formal notice will be sent to the Lead Partner. The Northern Periphery Programme Administration will examine the grounds of the delay. If there are no legitimate reasons for further changes of the time plan, the grant of assistance will be cancelled without further formality.

6. PROJECT ACCOUNTS

The Lead Partner must keep separate project accounts in national currencies as well as in EUR so that all expenditure (costs) and all revenue (receipts) can be posted and audited, and detailed summary reports drawn up. **Please note that the existence of separate project accounts must be confirmed by sending in a copy of the ledgers of the separate accounts from all partners the first time you report.**

This obligation applies to each partner responsible for each of the regions: the Lead Partner keeps the overall accounts (consolidated accounts) of the project for which they alone are accountable to the NPP - in addition to the accounts relating to their own region.

6.1 OBSERVATIONS ON THE ACCOUNTING SYSTEM

The project accounting should be organised in the form of separate accounting. A strictly separate accounting system is absolutely indispensable, even if this leads to a dual treatment of accounts; in addition, it will remain necessary for the project operations to be posted in the usual accounts of the body managing the project.

-> Separate accounting: accounting system completely distinct from the accounting method(s) used by the Lead Partner and other partners, although designed in relation to the reference system of the project Lead Partner (public accountancy, company accounting).

It is necessary that separate project accounts be organised and kept at the level of each partner region by each of the “regional” project co-ordinators.

The Lead Partner, who alone is accountable to the NPP, is responsible for the overall project accounts.

Warning: the transfers of funds between the Lead Partner and partners from other regions do not constitute by themselves expenditure. This notably concerns repayments by the Lead Partner to the other partners.

-> Example of reciprocal operation
A project partner organises a seminar and bills the participation costs to all the participating partners of the project. These seminar costs are, on the one hand, revenue from the project for the organizing partner, and on the other hand, expenditure for the participating partners. As a result, these costs cannot be considered eligible expenditure as they are "balanced" within the project by an equivalent corresponding item of revenue.

The Lead Partner must receive copies of all supporting documents relating to regional accounts. It is therefore the responsibility of each region to send these copies to the Lead Partner, at the same time as the corresponding accounting statements.

It is therefore up to the Lead Partner, who alone is accountable to the NPP, to ensure that the financial and accounting statements drawn up by his partners are reliable and, in particular, **that each partner applies all the obligations relating to the project’s management.**

6.2 IMPLEMENTATION OF THE PROJECT'S ACCOUNTING SYSTEM

The project's accounting system ensures the posting of all expenditures (costs) and revenues (receipts) related to the project.

Expenditures (costs) are posted in their entirety, even those elements that are not eligible; the distinction between eligible/non eligible expenditure, and, in the case of eligible expenditure, between the amount, which is and is not eligible, must be clearly made in the accounting system.

Revenues (receipts) are posted in their entirety: NPP assistance, regional/national matching funding, including revenue in the form of a contribution of staff, various forms of revenue, even if they do not enter directly into consideration as matching funding (commercial receipts, reimbursement of costs, investment income, gains from currency exchange).

6.3 CERTIFICATION OF THE PROJECTS' ACCOUNTS

The Lead Partner is required to appoint a project auditor. The Grant Offer Letter will not be considered valid before an auditor has been appointed. An independent financial controller (internal or national) or a certified external auditor should perform all audits. In addition auditors must have sufficient EU programme auditing experience and be familiar with EU rules and regulations. If an external auditor is appointed, the auditor must declare to be certified according to EU regulation 84/253/EEC or have an equivalent qualification. If an internal or national auditor is appointed, the auditor must be pre-approved by the Paying Authority. In order to be approved by the Paying Authority, the appointed auditor should describe in written:

- the nature and tasks of the auditing body
- how the impartiality and externality to the project is guaranteed
- qualification concerning ERDF rules

The Lead Partner should ensure that the certification covers not only the overall project accounts but also the separate "regional" accounts kept by the partner regions.

Note that the auditor(s) must confirm that the information given by each partner in the ENTRIES file of the financial reporting package corresponds to the separate accounting system kept at each partner.

See section 4.1.1 for further information on how the auditor's report should be drawn up.

6.4 PRESERVATION OF SUPPORTING DOCUMENTS

Supporting documents (bookkeeping vouchers and other supporting elements: service contract, rental agreement, leasing contract…) must be grouped together, **archived and preserved until ten years have passed after payment of the grant**, in the offices of the lead partner.

These documents must be grouped together, archived and preserved for the same length of time in the offices of each regional project leader. The Lead Partner must also preserve copies of all supporting documents, which have been submitted to him/her by the leaders of each partner region so that they can be shown in the case of an audit.

Representatives of the Managing Authority, Paying Authority, the Joint Programme Secretariat, the Programme Monitoring Committee, the Riksrevisionsverket, the European Commission and the

European Court of Auditors are entitled to examine the project and to take part of all relevant documentation and accounts of the project until ten years have passed after payment of the grant.

7. SPECIFIC RULES CONCERNING EXPENDITURE

Commission Regulation (EC) No 448/2004 of 10 March 2004 lays down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards eligibility of expenditure of operations co-finance by the Structural Funds. This reference document should be applied for the period 2000-2006 and can be downloaded from the Downloads Library of the Northern Periphery Programme website: http://www.northernperiphery.net/ under “Regulations”.

Project co-ordinators should familiarise themselves with the above-mentioned regulation regarding eligibility. The purpose of the following information is to provide additional guidance in relation to individual project and eligible costs. Every effort has been taken to ensure that this is consistent with the eligibility regulation and as appropriate specific rules have been identified for further clarification.

The following list is indicative of the types of expenditure that will be considered eligible for European Regional Development Fund (ERDF) support and should not be viewed as exhaustive. Not all of the headings have to be used, only those most appropriate to the individual project.

Please use the expenditure headings as they appear in the list adopting the same order and wording. The Northern Periphery Programme Secretariat will provide additional guidance on the different kinds of expenditure.

7.1 ELIGIBLE PROJECT COSTS

The following notes detail each category of expenditure that may be taken into consideration under the Interreg III B Northern Periphery Programme.

Expenditure in kind (that is, expenditure not giving rise to an actual payment) is not, in principle, eligible and cannot be considered as giving rise to entitlement to part financing.

However, regulation 448/2004 accepts in-kind contributions as eligible expenditure provided that:

a) they consist in the provision of land or real estate, equipment or materials, research or professional activity, or unpaid voluntary work;

c) their value can be independently assessed and audited;

..

e) in the case of unpaid voluntary work, the value of that work is determined taking into account the amount of time spent and the normal hourly and daily rate for the work carried out;

(f) the provisions of Rules 4 (purchase of second-hand equipment), 5 (purchase of land) and 6 (purchase of real estate) are complied with where applicable.)

ELIGIBLE PROJECT COSTS

EXPENDITURE HEADING	DESCRIPTION/DETAILS
1. External Experts and Consultancy fees (Subcontractors Charges)	Costs for work done by an independent consultant or expert, i.e. a sub-contractor, will only be eligible if the work is essential to the project and the costs are reasonable. Costs for auditing of the projects' accounts is to be placed under this heading. *Rates charged by consultants vary from one country to another, and rates charged to a project should correspond to standard rates in the consultant's country of origin. The rates should be in relation to level of experience and expertise/competence.* ***The recommended maximum rate for a senior consultant is 600-700 EUR per day.*** *Rates over 800 EUR per day will have to be justified in full by the applicant.* Note that the hiring of consultants is subject to **public tender regulations.** At the European Union level, a call for tender procedure is compulsory for contracts over a certain amount awarded by a public sector body (public supply, works or service contracts). At the level of each EU Member State, other rules may exist, and may be more binding, notably with regard to the amount of the contract which requires the issuing of a call for tender. In any event, in the case of a project implemented with financial assistance from the European Union/Northern Periphery Programme, the European rules must at least apply to all such contracts awarded within the framework of the project. Please see section 8.1.2 for more information on Public Procurement.

EXPENDITURE HEADING	DESCRIPTION/DETAILS
2. Staffing Costs	Staffing costs, i.e. salary, tax and social contributions, will normally be considered eligible for personnel **directly engaged** on the project where the applicant can clearly demonstrate that the personnel concerned are employed in **additional tasks**. Staffing costs should include employer's social contributions. Note: Applicants should not list individual staff posts in the application form; a detailed breakdown of staffing should be included in an annex. This should include calculations showing the employee's annual salary (including employer's social contributions, etc.), the period for which the employee is directly engaged on the project and the resultant eligible direct labour cost. Project staff salary includes social contributions and should be calculated as follows: Hours worked per week x 52 weeks minus annual holidays = Annual hours worked Annual salary/Annual hours worked = Hourly rate All eligible staff costs for personnel employed by the applicant must be presented as outlined above and **not** as a daily rate charged for staff. It is recommended that no more than 50 % of eligible costs are accepted as staffing costs, but the amount of work in a project has to be assessed in relation to the nature of the project and the activities and outputs. Staffing cost activities should be detailed in the annex to Table 24.
3. Travel Costs and Subsistence	Travel costs must be directly related to and essential for the effective delivery of the project, and should be broken down into a rate per person mile, and/or the expected cost of economy class travel on public transport for the number of journeys. Costs for subsistence allowances in connection to travelling are to be placed under this heading.

EXPENDITURE HEADING	DESCRIPTION/DETAILS
4. General Costs	**Premises Costs** This should include **rent**, **heat**, **light** and **service charges associated with the premises** where it can be clearly demonstrated that these are related to the project. ***Rent****:* The premises costs included must be **additional and related solely to the project.** If only part of the new and additional premises is used for this purpose then the amount charged to the project application should be apportioned accordingly. In this case calculations should show the actual annual rental cost to the applicant, the period of project usage, the proportion of the building used for the delivery of the project and the resultant eligible rental cost. ***Other Charges****:* The amount charged to the project should if necessary be apportioned as outlined above for rental and rates.
	Administration: This should cover **telephone, consumables** and **other reasonable costs** associated with the direct delivery of the project ***where it can be clearly demonstrated that these are additional costs being incurred by the organisation***. Telephone costs must be **directly related** to and necessary for the effective delivery of the project. It must be possible to provide an itemised audit trail for the specific telephone. Consumables may include items such as **postage**, **stationery**, and other costs, which the applicant can demonstrate as essential to the effective implementation of the project.
	Overhead costs (OH) Overhead costs are considered as eligible provided that they are <u>based on real costs directly related to the project</u>. The OH costs should be allocated pro rata according to a justified and fair equitable method (see *Commission regulation (EC) No 448/2004 as of 10 March 2004 laying down detailed rules for the implementation of the Council regulation (EC) 1260/1999 as regards eligibility of expenditure of operations co-financed by the Structural Funds*, Rule No 1: Expenditure actually paid out, section 1.7)

EXPENDITURE HEADING	***DESCRIPTION/DETAILS***
5. Promotion and publications	This heading may include costs related to all aspects of promotion and publications specific to the project such as: ➢ design and production of marketing materials, brochures and publications ➢ targeted advertising campaigns
6. Meetings, conferences and seminars	This may include costs related to aspects of **organising** of and **participating** in meetings and seminars, such as: ➢ rent for premises used, catering, general transportation Note that costs for travelling to and from the meeting should be placed under expenditure **Heading 3. Travel costs and subsistence**.
7. Equipment	Only equipment that is essential for the delivery of the project and which will be used **solely** for that purpose, and has been purchased from third parties within the eligible time period, will be considered eligible for ERDF. For equipment, which by its nature cannot be used for another purpose once the project has finished and which helps to preserve certain specified results arising from the objectives of the project, is the whole purchase price eligible. ***Note:*** ***A detailed breakdown of all items included under this heading should be provided in an annex.*** ***If second-hand equipment is to be purchased please refer to Rule No. 4 of the*** *Commission regulation (EC) No 448/2004 as of 10 March 2004 laying down detailed rules for the implementation of the Council regulation (EC) 1260/1999 as regards eligibility of expenditure of operations co-financed by the Structural Funds****.***
	Depreciation of owned equipment The following information is required: ➢ the cost and description of the item purchased; ➢ the purchase date; the number of years over which the item is being depreciated (this must be a **minimum of 3 years**); ➢ the % of the item use devoted solely to the ERDF project, over the life of the item.

8. Other costs	Other **eligible** costs clearly needed and relevant to the project should be budgeted in this budget line. The applicant is asked to **specify** these costs and **justify** their relevance. Under Other costs, **all in-kind contributions** should be listed, as in-kind contribution are eligible expenditure, according to regulation (EC) No 448/2004, provided that: (a) they consist in the provision of land or real estate, equipment or materials, research or professional activity or unpaid voluntary work; (b) they are not made in respect of financial engineering measures referred to in Rules 8 , 9 and 10 concerning venture capital and loan funds, guarantee funds and leasing (see EC No 448/2004). Please consult the Secretariat or the Paying Authority if this applies to your project; (c) their value can be independently assessed and audited; (d) in the case of provision of land or real estate, the value is certified by an independent qualified valuator of duly authorised official body; (e) In the case of unpaid voluntary work, the value of that work is determined taken into account the amount of time spent and the normal hourly and daily rate* for the work carried out; and (f) The provisions of Rules 4, 5 and 6 concerning purchase of second-hand equipment, land or real estate and equipment are complied with where applicable (see EC No 448/2004). Please consult the Secretariat or the Paying Authority if this applies to your project. *The method for calculating an hourly rate as explained in section 2. concerning Staffing Costs should be used whenever possible. If this cannot be done (this may be the case for one-man-businesses or for non-paid volunteers) the project may use a standard rate of € 20,00/hour. Using this standard rate should always be justified. Swedish and Finnish private partners may use the standard rate in all cases. N.B. voluntary work only applies to private bodies.

7.2 INELIGIBLE PROJECT COSTS

The purpose of the information below is to provide additional guidance in relation to individual project and non-eligible costs. The following examples of the type of costs will not generally be considered eligible for Northern Periphery Programme assistance. This list is not exhaustive and merely indicates the broad types of expenditure normally considered ineligible. For further advice please contact the Northern Periphery Programme Secretariat.

Costs occurred outside the programme area are in general in-eligible.

1. **Loan charges** – The nature and amounts of any loan charges included in the overall project costs should be brought to the Northern Periphery Programme Secretariats attention.
2. **VAT which is legally recoverable.**
3. **Any costs defrayed outwith the eligible project period.**
4. **Costs** prior to the official project start date.
5. **Service charges** arising on finance leases and hire purchase arrangements.
6. **Costs resulting from the deferral of payments to creditors.**
7. **Legal costs** in respect of litigation.
8. Costs involved in **winding up** a company.
9. **Redundancy payments.**
10. **Payments into private pension schemes.**
11. **Bad debts.**
12. **Gifts.**
13. **Payments for unfunded pensions.**
14. **Compensation for loss of office.**
15. **Costs of works being carried out as a statutory requirement.**
16. Costs of **public administration staff engaged in their usual duties** of monitoring and inspection as commissioners of projects undertaken by other bodies.
17. **Daily allowances for those benefiting from certain measures taken under the project** (e.g. participation in seminars, training, publicity visits, study trips).
18. **Exchange rate losses** whether they are related to sums collected as NPP assistance, movements of funds between project partners, payment of suppliers and service providers.

19. **Overtime pay**

Comment on VAT and other taxes and charges

Only non-recoverable VAT that may not be refunded or offset by the tax authorities or by any other means may be included in the financing tables. The cost connected with VAT is eligible in full **only** if partner organisation actually bore this cost. Accordingly, expenditure where recovery is not possible will be entered in the accounts inclusive of all charges and expenditure where recovery is possible or which is zero-rated will be entered exclusive of tax. VAT which is recoverable, by whatever means, cannot be considered eligible, even if it is not actually recovered by the final beneficiary or individual recipient.

7.3 REVENUE, INCOME AND FINANCE CHARGES

Interest earned on the total amount granted by the Northern Periphery Programme must be used in accordance with the objectives of the project, and **the Lead Partner must account for the precise use made of it.** Otherwise, the amount of such interest will be deducted from the balance to be transferred by the Northern Periphery Programme.

Interest on loans, if any, arising for example from cash-flow problems, is not eligible.

7.4 RULES ON CHANGES TO PROJECTS

Projects may be amended during implementation. All amendments other than the minor ones specified below require approval from the Programme Monitoring Committee acting as Steering Committee.

The following are considered to be minor amendments:

- changes of less than 10 000 EUR in the allocation of the budget between partners in Member States or between partners in Non-Member States;

- Increases in one or more categories of expenditure, which, without increasing the overall budget approved by the Northern Periphery Programme, do not exceed EUR 20 000 per category or where they exceed EUR 20 000, do not exceed 15% of the amount entered in the budget for that category.

In any case, any amendment to the project must be notified to the Northern Periphery Programme immediately.

Any increase in a category of expenditure that exceeds the thresholds referred to above must receive the consent of the Programme Monitoring Committee acting as Steering Committee. If no consent is given, the proportion of the expenditure in excess of the thresholds will be considered ineligible.

8. COMPLIANCE WITH OTHER EU POLICIES

The Northern Periphery Programme has been drawn up in accordance with European Council Regulation (EC) No 1260/1999 laying down general provisions on the Structural Funds and Regulation (EC) No 1783/1999 of the European Parliament and of the Council on the European Regional Development Fund as well as the INTERREG III guidelines (OJ C 143, 23 May 2000).

According to Article 12 of the General Regulation (European Council Regulation (EC) No 1260/1999, operations financed by the Structural Funds must be in conformity with the provisions of the Treaty, with the instruments adopted under it and with Community policies and actions. This includes rules on *competition*, *on the award of public contracts*, on *environmental protection and improvements* and on the *elimination of inequalities and the promotion of equality between men and women*. This compliance is verified in the appraisal of operations as well as during their implementation through monitoring.

8. 1 COMPETENT JURISDICTION

The Northern Periphery funded projects should assure the following:

- Projects can complement other funds but costs of projects supported under other programmes are not eligible for support under this programme.

- Projects to be funded will not double fund any other programmes or actions funded by the ERDF or the European Union.

- Projects will comply with the following regulations and guidelines and be in accordance with the following documents, which all can be found on the Northern Periphery Programme website:

  - Commission regulation (EC) No 448/2004 of 10 March 2004 laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards ***eligibility of expenditure*** of operations co-financed by the Structural Funds

  - Commission regulation (EC) No 1159/2000 of 30 May 2000 on ***information and publicity*** measures to be carried out by the Member States concerning assistance from the Structural funds)

  - Regulation (EC) No 1783/1999 of the European Parliament and the Council of 12 July 1999 on the ***European Regional Development Fund***

  - Council regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds

  - The INTERREG III Community Initiative Guidelines (*Communication from the Commission to the Member States of 28.4.00 laying down guidelines for a Community Initiative concerning trans-European cooperation intended to encourage harmonious and balanced development of the European territory- INTERREG III)*

  - Interreg III B Northern Periphery Programme Document & Programme Complement

  - Rules concerning Public Procurement (Datasheet 11 of the Applicant's Package)

8.1.1 COMPETITION POLICY

Aid under this programme will be provided only where it is consistent with the de minimis provisions or the block exemptions for aid to small and medium sized enterprises and training aid.

De Minimis

Aid which complies with the conditions as defined in the Commission communication 96//C68/06 on 'de minimis' rules need not be notified and does not require prior approval. The ceiling for aid to private project applicants covered by the de minimis rule is 100,000 EUR over a three-year period beginning when the first de minimis aid is granted. The method of calculating the cash grant equivalent of aid received in forms other than grant is explained in the letter sent to Member States on 23 March 1993 by the Commission. The ceiling applies to the total of all public assistance considered to be de minimis aid and will not affect the possibility of the recipient obtaining other aid under schemes approved by the Commission. This ceiling applies to all kinds, irrespective of the form it takes or of the objective pursued, with the exception of export aid, which is excluded from the benefit of the de minimis rule. The public assistance, which is allowed up to the 100,000 EUR ceiling, comprises all aid granted by the national, regional or local authorities, regardless of whether the resources are provided from domestic sources or are part financed by the European Union. The de minimis rule does not apply to state aid relating to agricultural products listed in Annex 1 of the EC Treaty.

Block Exemptions

By Council Regulation No 994/98 of 7 May 1998, the Commission has been enabled for the first time to adopt regulations declaring certain categories of state aid compatible with the common market and exempting them from the notification requirements laid down in Article 88(3) of the EC Treaty. At the same time this regulation has provided a legal basis for the de minimis rule.

Block exemptions have now been provided for as follows:

- de minimis (see above)
- Small and Medium sized Enterprises
- Training Aid

8.1.2 PUBLIC PROCUREMENT

The purchase of goods and of services, as well as the order for public works, by public services or other <u>public bodies</u> is subject to Community and international/national rules. Please note that these rules <u>may also be applicable for companies, associations, foundations</u> etc under certain circumstances (for example receiving public grants like the Northern Periphery Programme funding). The procurement rules aim at securing transparent and fair conditions for completion on the common market. These rules have to be considered by project partners when it comes to the realisation of investments or when hiring consultants or experts to the project.

At the European Union level, a call for tender procedure is compulsory for contracts over a certain amount awarded by a public sector body (public supply, works or service contracts). At the level of each EU Member State, other rules may exist, and may be more binding, notably with regard to the amount of the contract which requires the issuing of a call for tender. In any event, in the case of a project implemented with financial assistance from the European Union/Northern Periphery Programme, the <u>European rules must at least apply to all such contracts awarded within the</u>

framework of the project. The levels that trigger the obligation to issue a call for tender procedure on a European level are:

- public service contract: an amount equal to or greater than **EUR 200 000** (excl. VAT)

Note that the rules differs depending on the kind of goods and/or services that are purchased as well as the value of the purchase. There are various thresholds set up based on the value of the purchase, and consequently various procedures to apply depending on these thresholds.

Further information on the European rules concerning public procurement can be found in the *"Guides to the Community rules in the area of public procurement (supply contracts, public works, services)"*, which can be downloaded from the following link:
http://simap.eu.int/EN/pub/src/guideline.htm

National/regional rules and thresholds

Scotland
As a rule of thumb, public bodies in the **UK** (Scotland) should ask for at least three bids when purchasing services or goods for more than £5000, (approx. 8000 EUR).

Sweden
In general, public bodies and other contracting authorities (see above) in **Sweden** should apply ordinary tendering procedures when purchasing services or goods for more than 70 000 SEK (två basbelopp, approx. 7800 EUR)

Finland
National legislation in **Finland** requires procurement units/contracting entities to submit competitive tenders for procurements that fall below the threshold value by sending out requests for tender to a sufficient number of potential suppliers in that field or by publishing an announcement, written in free form, regarding the competitive tender.

Thresholds: (1 January 2002 – 31 December 2003)

General state administration	Goods and Services: 162 293 EUR
Other state authorities, local authorities, joint municipal authorities, legal persons regarded as part of the public administration	Goods and Services: 249 681 EUR

Norway
Tendering procedures have to be followed by public bodies in **Norway** when purchasing services or goods for more than 200 000 NOK (approx. 25 000 EUR). Note the demands on **openness and competition** when purchasing services or goods also below these values.

Iceland
All procurement of services by public bodies in **Iceland** exceeding ISK 10 000 0000 (approx. 115 000 EUR) shall be put to tender.

Please consult the Northern Periphery Programme Secretariat, the Regional Contact Points, the Internal market web site (see link below) and/or your national public procurement authority for further information.

http://europa.eu.int/comm/internal_market/publicprocurement/index_en.htm

8.1.3 Publicity and Information Requirements and Guidelines

All project co-ordinators who receive assistance from the European Structural Funds are under the obligation to publicise the participation of EU Assistance at different occasions.

Commission Regulation No 1159/2000 lays down the rules for information and publicity about assistance from the Structural Funds. The regulation can be downloaded from the Downloads Library of the Northern Periphery Programme website under *Regulations.*

This section summarises the information given in the above-mentioned regulation as well as providing guidance on how to use the European emblem and the Northern Periphery logo.

Please note that the use of the EU emblem is obligatory when using any other emblem, like the Northern Periphery Programme logo, or the projects' own logo. The EU emblem should then be of the same size as the other emblem being used.

AIMS AND TARGET GROUPS

The aim of information and publicity measures is to:

Inform potential and final beneficiaries, as well as:

- regional and local authorities and other competent public authorities,
- trade organisations and business circles,
- the economic and social partners,
- non-governmental organisations, especially bodies to promote equality between men and women and bodies working to protect and improve the environment
- project operators and promoters,

about the opportunities offered by joint assistance from the European Union and Member States in order to ensure the transparency of such assistance.

Inform the general public about the role played by the European Union in co-operation with the Member States in the assistance concerned and its results.

RULES ON THE TECHNICAL MEANS OF INFORMATION AND PUBLICITY

Publications, such as booklets, leaflets and news letters, about regional assistance part-financed by the Structural Funds <u>shall</u> contain a clear indication on the title page of the European Union's participation, and where appropriate, that of the European Regional Development Fund as well as the EU Emblem if the national, regional or transnational emblem is also used.

In the case of information made available by electronic means (websites, databases for potential beneficiaries) or as audio-visual material, the principles set out above shall apply by analogy.

Websites concerning the Structural Funds should:

- mention the contribution of the European Union, and if appropriate, the Fund concerned (European Regional Development Fund) at least on the home page
- include a hyperlink to the other Commission websites concerning the Structural Funds.

This means, in practice, that **any documentation of your project** (meeting documents, posters, brochures, press releases, website, calls for tender, newsletters, etc.) **should display on their *title page*:**

- The EU emblem including either of the following texts:
  - "Project part-financed by the European Union"
  - "Project part-financed by the European Union (European Regional Development Fund) within the INTERREG IIIB Northern Periphery Programme".
  -

PROJECT PART-FINANCED
BY THE EUROPEAN UNION

½

- The INTERREG IIIB NPP logo

Northern Periphery

USING THE EUROPEAN EMBLEM

The Standard EU Emblem
The basic EU emblem has 12 stars and this will not change –there is no correlation between the number of countries in the EU and the number of stars.

Colours
The standard colours for the EU emblem are "Panton Reflex Blue" and "Pantone Yellow". The blue and yellow colours should be used whenever possible since the emblem is more powerful in colour.

Four-Colour Process
If using four-colour process, the Pantone Yellow is obtained by using 100% Process Yellow, whilst 100% Process Cyan and 80% Process Magenta gives a colour very similar to Pantone Reflex Blue.

Single-Colour Reproduction
If only one colour is available, the rectangle should be outlined in black and the stars in black on a white background. If the only colour is blue (preferably Reflex Blue), it should be printed at 100% as background with the stars left in white.

Reproduction on a Coloured Background
Preferably, the emblem should be used on a white background. Where a coloured background is used, the emblem should be surrounded with a white border with a thickness equal to 1/25 of the height of the rectangle.

Correct Positioning

A frequent mistake is to use the emblem upside down. It is easy to check if it is the right way up by looking at the stars. If the stars have two points each pointing upwards, then the emblem is the wrong way up. Another mistake is to change the orientation of the stars. The circle is arranged so that the stars appear in the position of the hours on the face of a clock.

Timing of Publicity
Projects should not be publicised in terms of EU assistance until full and formal approval has been obtained**.**

Emblems & Logos

The Northern Periphery logo and all emblems can be downloaded from the Document Library of the Northern Periphery Programme website under *Emblems & Logos.*

Further Information
Further information and guidance is available from the Regional Contact Points or the Northern Periphery Programme Secretariat.

More information on the graphic requirements of the EU in conjunction with usage of the EU emblem can be found on the following webpage:
http://europa.eu.int/abc/symbols/emblem/graphics2_en.htm

ANNEXES

Annex 1. EXAMPLE PARTNERSHIP CONTRACT

Annex 2. EXAMPLE SUB-CONTRACTING CONTRACT

Annex 3. AUDITOR'S STATEMENT OUTLINE

ANNEX 1

(*based on Finnish examples of contracts)*

EXAMPLE
CO-OPERATION/PARTNERSHIP AGREEEMENT
PROJECT NAME

This agreement is entered into by and between:

(List Partners and their origin)
- ______________________
- ______________________
- ______________________
- ______________________
- ______________________

hereinafter together referred to as “the Partners”/”the Partnership” and relating to the Project entitled _____________ (*fill in Project name)* part-funded by the Interreg III B Northern Periphery Programme.

The Partners/Partnership wish to define certain of their rights and obligations with respect to the carrying out of the Project ___________(*fill in Project name).*

The Partners/Partnership have/has hereby agreed as follows:

1. PURPOSE AND DURATION

The Partners have agreed on joining forces for the implementation of the Project ___________(*fill in Project name*) as described in the grant letter and its annexes.

All Partners are in agreement with the content of the grant letter and its annexes, dated __________ /registration no__________ including the technical and financial terms (description of eligible costs, periodical reports etc). The Grant Letter will be signed on behalf of the Partners by _______________ (*fill in Lead Partner Organisation*) acting as the Lead Partner of the Project. The Lead Partner alone is responsible for evaluating, before committing all Partners, the reality of the technical and financial partnerships.

The present agreements will enter into force after the Grant Letter between the Lead Partner and the Managing Authority/Northern Periphery Programme Secretariat has been signed and shall remain in force until all responsibilities towards the Northern Periphery Programme have been fulfilled and all accounts with the Managing Authority/Northern Periphery Programme Secretariat and the Partners have been settled.

2. PROJECT ORGANISATION

Project management is assured by the Steering Committee and supported by the International Co-ordinator (based in __________) and national/regional co-ordinators (based in the Partner countries).

2. 1 The Steering Committee

The Steering Committee will consist of representatives of each *Partner/Partner country (and main financiers)*. Each representative shall be fully authorised to act on behalf of his/hers organisation in all matters relating to the operational issues. *Each Partner/Partner country representative of the Steering Committee should have one vote. Also the Project Co-ordinator, see 2.2 below, shall be included in the Steering Committee in a non-voting capacity.*

Meetings shall be held as necessary, minimum 2 times a year (*or as applicable*), usually related to international workshops. Each Partner can demand a meeting of the Steering Committee. Such a demand should be made in writing and *one month (or as applicable)* in advance. The Partners have the right to have a replacement attending the meeting. The International Chairman of the Committee shall be a representative of the Lead Partner organisation, and shall be appointed on the first Committee meeting. The national representatives of the country where the meeting is held shall organise the meetings of the Committee.

All decisions of the Steering Committee shall be unanimous. In case of disagreement, the matter in question shall be referred to the management of the Partners who will try to come to an agreement by simple majority.

The Steering Committee will direct the work, and:
- Define the general strategy of the Partners/Partnership
- Decide about foreseen costs
- Approve in general all matters related to operational issues/*the six-monthly/annual* work plans
- Monitor the progress of the project and analyse the results achieved by the project
- Adopting a new work plan and timetable to be submitted to the Northern Periphery Programme Secretariat in case of a change in direction or major changes in the project
- Define and ensure implementation of a policy of dissemination of result of the work undertaken

Minutes of all meetings in the Steering Committee shall be submitted to its members.

2.2 The International Co-ordinator
The Lead Partner organisation, ____________________, will appoint a Project co-ordinator/ Co-ordinator, who will:
- Be responsible for the operational management of the Project
- Draw up sixth-monthly/annual work plans for the practical implementation of the Project to be approved by the Steering Committee
- Report to the Steering Committee on the progress of the Project
- Be responsible for the financial administration and accounting of the Project
- Timely submission of reports and application of payments
- Liaise with the Northern Periphery Programme Administration and the Partners

2.3 The National Co-ordinators
The National Co-ordinators will be responsible for the overall technical implementation of the Project.
- Co-ordination with the counterpart organisations
- Integration of all national activities
- Editing and preparation of national evaluation reports
- Financial management of the local operational expenses
- Arranging planned meetings in his/her country

Changes or additions which are beyond the competence of the co-ordinators shall be referred to the Steering Committee.

3. CONTRACTURAL OBLIGATIONS OF THE PARTNERS

The Partners undertake to truly participate in the management, co-ordination and concrete implementation of the actions that are entrusted with them as part of the Project.

The Partners undertake to participate in the optimisation and diffusion of results according to the terms proposed by the Grant Letter.

- The Lead Partner Organisation, ____________, is in charge of Project Management, including possible sub-contracting, as described under Project Organisation above.
- The Partners assist in the technical management of the Project, if requested and within the limitations of normal contract obligation.
- The Partners shall be responsible for finding new staff, in the event of changes or additions to the work, requiring additional or alternative staff
- Each Partner is responsible towards their own national financier for the national funding received for completing the Project
- Each Partner undertakes to promptly supply the Lead Partner with all such information or documents required in connection with the Project
- Each Partner undertakes to promptly communicate any information which has to be given by it to the Steering Committee/Lead Partner/Project Co-ordinator for the purposes provided in this Agreement
- Each Partner undertakes to promptly perform the tasks assigned to it in the annual/semi-annual work plans and to promptly make available rights and information to other Partners in accordance with the terms and conditions set out in this Agreement
- In supplying any information or materials to any of the other Partners hereunder, each Partner undertakes to use all reasonable endeavours to ensure the accuracy thereof and in the event of any error therein, promptly on notifying to correct the same
- Each Partner undertakes to participate in the optimisation and diffusion of the Project results according to the terms set out in the Grant Letter/proposed by the Northern Periphery Programme Secretariat.

The work shall be carried out in accordance with all the terms and conditions set out in the Grant Letter, and revisions approved by the Northern Periphery Programme Secretariat/Managing Authority/Programme Monitoring Committee.

4. FINANCIAL ADMINISTRATION AND ACCOUNTING

The Lead Partner Organisation, ____________, shall:

- Be responsible for the financial administration of the Project and shall maintain separate accounts for the Project and the Partners
- Submit applications for payments to the Northern Periphery Programme Secretariat according to the Grant Letter and the Northern Periphery Programme Secretariat's guidance
- Provide a financial budget at the beginning of the Project period stated in the Grant Letter and financial statements every six months and at the end of the Project period stated in the Grant Letter
- Distribute the payments received by the Northern Periphery Programme to the other Partners.

The other Partner Organisations shall:

- Keep separate accounts for the Project accounts
- Provide financial statements to the Lead Partner in time for the sixth-monthly applications for payment

5. PROJECT COSTS, INCOME AND FINANCIAL RESULTS

Project costs are only those costs which have been included and budgeted in the Grant Letter, or have been approved by the Northern Periphery Programme Secretariat/Managing Authority/Programme Monitoring Committee at a later stage. Eligible costs are presented in the Grant

Letter. Project implementation has to follow the general financial guidelines given by the Northern Periphery Programme Secretariat and the European and national rules. No other costs can be charged to the Project unless specifically accepted in writing by the International Co-ordinator, who should have received acceptance from the Northern Periphery Programme Secretariat, prior to expenditure.

All Partners accept the Project's eligible budget and commit themselves to providing their individual contributions to the budget (in principle as soon as the action gets under way) and to the terms of these contributions (*a timetable for the payments of contributions should be attached*).

Project Incomes are the payments received from the Northern Periphery Programme and other national financiers according to the Grant Letter.

The Project accounts shall be audited annually and a final audited settlement of the accounts shall be made to the Northern Periphery Programme Secretariat no later than 3 months after completing the activities of the Project (*end of eligibility stated in the Grant Letter*).

6. DOCUMENTS

All official documents submitted to the Northern Periphery Programme Secretariat or other Project related organisations shall bear the name of all Partners.

Each Partner shall have access to work carried out by the other Partners in connection to the Project and copies of all final documents submitted to the Northern Periphery Programme Secretariat shall be made available to each Partner.

7. PUBLICITY

The Lead Partner and the Partners shall inform about the grant so that it is clear to the project's participants and the general public, that the project is partly funded by the European Regional Development Fund (ERDF). For example by:

- Posting on sites where the project has activities
- Stating the participation of the European Union and the ERDF in all types of information materials, announcements, advertisements, information events etc. Whenever a national or regional emblem is being used the project must also use the European banner.

All the Partners are expected to disseminate the results of the Project in accordance with Commission regulation No 1159/2000 regarding publicity requirements and are allowed to use the Project logo and name in a respective manner.

8. LOCATION AND FACILITIES

The official address for the Partners and the Project shall be:
(List the address of the Lead Partner)

____
____
____

Each Partner shall provide such office accommodation within its own organisation, as the Co-ordinators may deem necessary for the execution of the Project.

9. ASSIGNABILITY

No Partner shall sell, assign, mortgage, pledge, encumber or in any way transfer or dispose of its rights or duties under this Agreement, and the Grant Letter without the written consent of the other Partners.

10. LIABLITY TO THE Northern Periphery Programme

The Lead Partner is officially the sole Partner to be held liable by the Northern Periphery Programme in case of difficulties, failure or delays on performing the contractual obligations of the Project.

By signing this Partnership Agreement, the Partners hereby expressly agree on being jointly liable in case of non-fulfilment of the obligations stipulated by the Grant Letter.

11. PARTNERS' LIABLITY

National co-ordinators are obligated to guide the Project costs under the planned budget. Minor modifications can be made under the acceptance of the International Co-ordinator, who will have assured the acceptance of the Northern Periphery Programme Administration.

Each Partner shall give a report of their own financing and external financing to the Lead Partner;____________. The report must be given in January and in July each year. The financing report represents the last half years transactions. The costs must be divided according to the Budget set out in the Grant Letter. The application for payment can only be done **after the costs have been paid and entered into the accounts.**

The Partners undertake to keep separate accounts of their expenditure in the Project according to the rules and to supply all necessary and relevant information for the preparation of activity reports. The Lead Partner shall receive copies of all supporting documents relating to regional accounts and expenditures. This shall mean copies of bills, receipts and bookkeeping vouchers.

The Partners will remain united in the event of deficiency on the part of one of the Partners, and undertake to rapidly find a valid solution of substitution. In case of deficiency the Northern Periphery Programme Secretariat must be informed immediately.

11.1 Default and remedies

In the event of a failure of a Partner ("the defaulting Partner") in fulfilling of its obligations in whole or in part under this Agreement or the work plan which is irremediable or which is not remedied within thirty (30) days of written notice from the Lead Partner on behalf of the other Partners (a simple majority agreement is required for this action to be approved), the Partners/Partnership may jointly terminate the Agreement with the defaulting Partner by one months prior notice. The terminations will have the following consequences:

a) Upon termination the access rights granted to the defaulting Partner by the other Partners shall cease immediately. The access rights granted by the Defaulting Partner to the other Partners shall remain in full force and effect;

b) The scope of the tasks of the Defaulting Partner as specified in the Project description/Grant Letter and the work plan shall be assigned one or several legal entities which are chosen by the other Partners and are acceptable to the Northern Periphery Programme administration and which agree to be bound by the terms of the Agreement with preference to one or more of the remaining Partners;

c) The Defaulting Partner shall assume all direct cost increase resulting from the assignment referred to in (b).

12. INSOLVENCY

In the event of insolvency of any Partner, the other Partners are hereby irrevocable constituted and appointed attorneys-in-fact for such insolvent Partner to act for it in all matters affecting performance of the Grant Letter.

13. SETTLEMENT OF DISPUTES

The contract parties sign this agreement with the intention to work together amicably. The parties will negotiate disputes arising from this contract in order to obtain mutual acceptable settlements. Any disputes, on which no amicable settlement is possible, in spite of all efforts being made in this respect, will be settled by a city court according to regulations based on the Law ____________________ (*of the country of the Lead Partner).*

14. INTEGRATED AGREEMENT

This Agreement represents and constitutes the entire agreement between the Partners and shall not be explained, modified or contradicted by any prior or contemporaneous negotiations, representations or agreements, either written or oral. Any amendments to this contract must be agreed in writing.

Signed in *triplicate/quadruplicate*/(*number according to partners)*
The undersigned Partners hereby agree to carry out the above-mentioned tasks as described.

On behalf of the Lead Partner Organisation _______________

_________________________	______________________	____________
Signature	Full name	Date

On behalf of the Partner organisation ____________________

_________________________	______________________	____________
Signature	Full name	Date

On behalf of the Partner Organisation ___________________

_________________________	______________________	____________
Signature	Full name	Date

ANNEX 2

EXAMPLE

SUB-CONTRACTING CONTRACT

Organisation on behalf of the *Project name*, undertakes to complete the following work:

TASKS
Please list tasks to be undertaken by the sub-contracted organisation

-
-
-
-

FEES

EXPENSES

Expenses may be claimed against expenditure and proper financial reporting up to a maximum of __________ EUR for ………………..

TIMETABLE
Please list at what time the different tasks will be ready

-
-
-
-

CONDITIONS
Please list the specific conditions for the contract.

I hereby agree to carry out the above-mentioned tasks as described.

____________________________	_________________
Signature	Date

Bank information:

_____________________________	__________________
Bank	Account number

Annex 3

Enclosure 1

Auditor's Certificate for Interreg IIIB Northern Periphery Projects

General information

Name of Lead Partner		
Registration Number		
Name of Project		
Reference No. (304-xxxx-xxxx)		
Starting date of project (dd.mm.yyyy)		
Finishing date of project (dd.mm.yyyy)		
ERDF grant (amount)		EUR
Norwegian grant (amount)		EUR
Icelandic grant (amount)		EUR
Faroese grant (amount)		EUR
Greenlandic grant (amount)		EUR

Audited period (choose one option below):					
	Final Audit (obligatory)	*From*		*To*	
	Annual Audit (optional)	*From*		*To*	
	Other time period	*From*		*To*	

This audit covers		*Description/Specification/Notes*
	The entire project	
	Only the Lead Partner	
	Only one specific Partner (please specify)	
	Other (please specify)	

Questionnaire

If a question is answered by no, please specify under "Notes"

Question	**Yes**	**No**	**Note**

				s
1	***Accounting System***			
a)	The project has a separate project account, well separated from other activities within the organisation			
b)	Another method/system is used to keep the project's finances separate from other activities (please give a detailed description)			

Question		**Yes**	**No**	**Notes**
2	***Selection Method (Costs)***			
	Project costs to be audited has been selected as follows:			
a)	No sampling, all costs have been audited			
b)	All cost items over a certain amount have been audited (specify that amount)			
c)	Other method(s) have been used for selecting samples (please describe)			

Question		**Yes**	**No**	**Notes**
3	***Expenditure***			
a)	All examined costs are project related			
b)	All examined costs have been incurred within the project period			
c)	All examined costs have been paid			
d)	All examined costs are eligible according to Regulation (EC) 448/2004			
e)	Costs only include Value Added Tax if it is non-recoverable and the partner organisation(s) actually bore this cost			
3	***Expenditure (cont.)***			
f)	The Partner/Lead Partner has used a model for allocating joint costs, e.g office premises or overhead costs.			

If question 1e) has been answed by yes, please continue by answering 1g) and 1h) below. If the answer is no, proceed to question 1i).				
g)	The allocation model is duly justified, fair and equitable (please specify any objections to the allocation model)			
h)	The distribution model has been correctly applied			

Question 4 only applies to Lead Partner		Yes	No	Notes
4	***Total project expenditure***			
a)	Expenditure has been correctly separated between Member States and each Non Member State (Norway, Iceland, the Faroe Islands and Greenland)			
b)	A distribution model has been used for splitting some costs between partners/nations			

Question		Yes	No	Notes
5	***Co-financing***			
a)	Eligible co-financing has been paid out to the project in accordance with the information provided in the claims			
b)	Non-eligible co-financing (mainly private Swedish/Finnish co-financing) has been paid out to the project in accordance with what has been stated in the claims			
c)	In-kind co-financing is sufficiently documented and correctly valued in the claims.			

Question		Yes	No	Notes
6	***Project income***			
	Income as a direct consequence of the project and which has arisen under the project period is accounted for.			

Question		Yes	No	Notes
7	***Public procurement***			
	The relevant public procurement rules have been applied. (National rules and EU rules when applicable)			

Question		Yes	No	Notes
8	***Evaluation***			
	The financial information provided by the project is correct and the Partner has fulfilled the terms stated in the Grant Letter and enclosures (If this is not the case, please motivate this conclusion in detail. If needed, continue on a separate sheet)			

Place and date	Name in clear
	(title)
Stamp	

Cost and co-financing statement for Northern Periphery projects (Lead Partner)

This statement refers to the period from dd.mm.yyyy to dd.mm.yyyy

PROJECT COSTS INCURRED

Types of Expenditure	Approved budget EU	Actual costs this period EU	% of approved budget EU	Approved budget Norway	Actual costs this period Norway	% of approved budget Norway	Approved budget Iceland	Actual costs this period Iceland	% of approved budget Iceland	Approved budget Faroe Isl.	Actual costs this period Faroe Isl.	% of approved budget F.I.	Approved budget Greenland	Actual costs this period Greenland	% of approved budget Greenl.
1. External experts and consultants			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!
2. Staffing costs including social contributions			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!
3. Travel costs and subsistence			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!
4. General costs			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!
5. Promotion and publications			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!
6. Meetings, conference and seminars			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!
7. Equipment			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!
8. Other costs (please specify):															
a) Financed in-kind			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!
b) Financed in cash			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!
Total expenditure			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!
Deducted: Project revenue			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!			#DIV/0!
Project net cost [1]			**#DIV/0!**			**#DIV/0!**			**#DIV/0!**			**#DIV/0!**			**#DIV/0!**

[1] For EU-expenditure please specify:

Total costs within Objective 1 areas (EUR):

Total costs outside of Objective 1 areas (EUR):

Total:			0							
CO-FINANCING RECEIVED										
Eligible co-financing received, please specify source	**Approved budget**	**Actually received this period**	**Approved budget**	**Actually received this period**	**Approved budget**	**Actually received this period**	**Approved budget**	**Actually received this period**	**Approved budget**	**Actually received this period**
	EU	**EU**	**Norway**	**Norway**	**Iceland**	**Iceland**	**Faroe Isl.**	**Faroe Islands**	**Greenland**	**Greenland**
Total eligible co-financing	**0**									
Sw/Fi private co-financing (please specify):										

Total Sw/Fi co-financing	**0**										
TOTAL CO-FINANCING											