



International trainings 

Financial Management of the Twinning Projects

Gintaras Makštutis
25-29 October 2010



Scope of the presentation

1. General Principles;
2. Payment Procedure;
3. The Expenditure Verification Report;
4. Services Rendered and Documentation in Support of Invoices;
5. Audit;
6. Private Sector Inputs: tendering; procurement and contracting;
7. Provision for changes in prices;
8. Principles of taxation.





International trainings 

General Principles of the Financial Management of the Twinning Projects



General Principles 1

- All eligible costs incurred by the MS partner and its staff detailed in the breakdown of costs are reimbursed to the lead MS under the relevant EU Programme.



General Principles 2

RTA

- The RTA is responsible for the day-to-day financial management of his personal allowances and record of expenditure;
- The RTA should report at least quarterly on his/her financial situation to the MS PL;
- The RTA report should be integrated into quarterly financial report.



General Principles 3

- For the private sector inputs the contracting authority will make payments;
- If the contracting authority is MS body (for private sector input) reimbursement will be made in the framework of the overall settlement of accounts;
- All payments are subject to presentation of either a request for pre-financing or an invoice;
- Request for pre-financing and invoices must bear the original signature of the MS PL.



General Principles 4

- Payments funded by EU programmes are made in Euro;
- Costs incurred in other currencies must be converted at the rate published by the Directorate General of EC **for the month in which the expenditure is incurred;**
- Payments shall be made within 45 days of receipt of the request for payment.



Payment agents for Twinning projects

IPA

- Centralised- EC Delegation;
- Decentralised- CFCU;
- Decentralised without Ex-ante control- Administrative Office.

ENPI

- Centralised –EC Delegation;
- Decentralised with ex-ante control of EC Delegation- supervisory Ministry.





International trainings 

Payment Procedure



Payment Procedure 1

- Article 15 of the General Conditions (Annex A2) of the Twinning Contract applies



Payment Procedure 2

- A pre-financing of 80% of the budget of the Twinning Contract corresponding to first 12 months of the implementation period mentioned in article 2 of Special Conditions;
- The following documents shall be provided:
 - Twinning contract signed by both parties;
 - Request for payment.

Practical exercise: 24 months, 1.000.000 EUR.



Payment Procedure 3

- All other payments shall be included into the special conditions;
- If MS Twinning partner can demonstrate that more than 70% of the cumulated pre-financing has been consumed, a subsequent pre-financing payment may be requested;
- The request for payment has to be endorsed by the Beneficiary.



Payment Procedure 4

- Final payment shall not be less than 10% of the Twinning budget;
- Subject to approval of the final project report demonstrating that the mandatory result has been achieved;
- MS Twinning partner may submit the final invoice together with the final financial report and expenditure verification report.



Payment Procedure 5

- If the project duration is 12 months or less, the payments will be done in two operations: a pre-financing and final;
- Any interest or equivalent benefits accruing from pre-financing paid to MS partner shall be mentioned in the interim and final reports and refunded to Contracting Authority. They are not take into account when calculating the sum total of pre-financing under the Contract.





International trainings 

The Expenditure Verification Report Services Rendered Audit



The Expenditure Verification Report 1

- The final financial report must be accompanied by an expenditure verification report;
- The report has to be from the recognised, independent auditor;
- The auditor must certify that all transactions invoiced by MS partner were duly justified;
- Veracity and eligibility of the transactions must be audited.



The Expenditure Verification Report 2

- The report shall be forwarded no later than three months after duration of the work plan (the final month of the legal duration);
- The MS partner shall not provide the original documents when requesting payments.



Services Rendered and Documentation in Support of Invoices 1

- The MS Project Leader is responsible for endorsement of services rendered;
- The Beneficiary administration will provide the “certified correct” visa on quarterly reports;
- The CFCU/AO will provide the “pass for payment” visa after verification that all costs invoiced are eligible.



Services Rendered and Documentation in Support of Invoices 2

- The MS Twinning partner is obliged to keep full accurate and systematic record and accounts of Twinning project;
- The number of days worked in BC and costs incurred should be clear from record;
- The records must be kept by BC an MS for 7 years;
- European Court of Auditors (COA), European Anti-Fraud Office (OLAF) can inspect or audit.



Audit

- Twinning projects and their management may be subject to various audits:
 - ad hoc audits called by the Commission, the European Anti- Fraud Office (OLAF) and other Commission services;
 - ad hoc audits by the European Court of Auditors.





International trainings 

Private Sector Input



Private Sector Inputs: tendering; procurement and contracting 1

- Twinning projects are self- contained projects centred around public sector co-operation;
- Private sector input only in exceptional cases. Subject due to the justification;
- Provisions of the Practical Guide to Contract procedures for EC external actions (PRAG);
- Ceiling 5.000 EUR for equipment and 10.000 EUR for services.



Private Sector Inputs: tendering; procurement and contracting 2

Supply of goods

- Up to 5.000 EUR per Twinning Project. MS PL responsible for contracting. Single tender.
Examples: small measuring equipment, laboratory consumables
- Over 5.000 EUR. CANNOT be financed by the Twinning Budget



Private Sector Inputs: tendering; procurement and contracting 3

Supply of services

- Up to 10.000 EUR per budget item. MS PL responsible for procurement and contracting. Single tender.
Examples: supply of travel services, translation, expert private sector input to training.
- Over 10.000 EUR per budget item. MS partner may ask contracting authority to manage.
Examples: RTA Assistant, software, translation





International trainings 

Provision for changes in prices Principles of Taxation



Provision for changes in prices

- Up to 2,5% of the overall budget is allocated in every Twinning budget;
- Drawing on the provision does not require an addendum of the budget with prior approval of the Contracting Authority;
- Examples: RTA salary, non-wage labour costs, travel costs, rental facilities;
- The reserve cannot be used to increase the fees of STE.



Principles of Taxation

- The RTA must observe the national tax legislation of his/her home country;
- The possible exemptions from customs duties, import duties, taxes for RTA are governed by the Financial Agreement signed by Commission and the BC;
- Costs for indirect taxes (VAT) cannot be covered from Community funds unless it is impossible for the MS partner to reclaim.





International trainings 

General Conditions



General Conditions I

- Article 1- General Obligations (the Beneficiary Shall implement the Action under his own responsibility.....)
- Article 2- Obligation to provide information and financial and narrative reports (The Beneficiary must provide the Contracting Authority with all required information...)
- Article 3- Liability (The Contracting Authority cannot be liable for damage or injury done by the Beneficiary
- Article 4- Conflict of interests (The Beneficiary should avoid...)
- Article 5 – Confidentiality (CA and Beneficiary undertake to preserve the confidentiality...)



General Conditions II

- Article 6 – Visibility (The Beneficiary must take steps to publicise that EU has financed the Action...)
- Article 7- Ownership (The rights belong to Beneficiary....) – *Derogation- the ownership rights belong to BC*
- Article 8- Evaluation/monitoring of the Action (Beneficiary shall provide evaluation body with any the required documentation)
- Article 9- Amendment of the Contract (The rules how to amend the contract) *Derogation- changes to the Twinning work plan and the budget shall be governed by the by the procedure spelled out in Special financial annex A7*



General Conditions III

- **Article 10- Assignement (the contract and payments cannot be assigned to a third party without the agreement of CA)**
- **Article 11- Implementation period of the Action, extension, suspension, force majeure and end date**
- **Article 12- Termination of the Contract *Derogation – either party (BC or MS) may terminate the Twinning Contract by giving three months notice in writing to other party, after having informed the Commission and the Administrative Office***
- **Article 13- Applicable law and dispute settlement (This contract shall be governed by the law of the Contracting Authority, and there the CA is EC by the Belgian law) Derogation- the parties shall go to arbitration. The appointing authority shall be the President of the Court of Justice of the European Communities**



General Conditions IV

- Financial Provisions
- Article 14- Eligible Costs *Derogation* – *the eligible costs are defined in Annex A7*
- Article 15- Payment and interest on late payments *Derogation- the expenditure verification report is not required for each payment. Only for final*
- Article 16- Accounts and technical and financial checks (the Beneficiary shall keep accurate and regular accounts...)
- Article 17- Final amount of financing by the Contracting Authority (The final amount shall not exceed the maximum grant laid down in Article 3.2 of the Special Conditions..)



General Conditions V

Article 18- Recovery –

The Beneficiary undertakes to repay any amounts paid in excess of the final amount due to the Contracting Authority within 45 days of receiving a request to do so

Should the Beneficiary fail to make repayment within the deadline the CA may increase the amounts due by adding interest

Bank charges shall be borne entirely by the Beneficiary



Main derogations from General Conditions

- The Member State Partner is referred to as the Beneficiary within the annexes A2 and A7;
- The word NGO's replaced by Member State Partner or designated Mandated Body.



Annexes and Special Conditions

- In the event of conflict between the provisions of the Annexes and those of the Special Conditions, the Special Conditions shall take precedence
- The General Conditions are applicable to European Community-financed grant contracts. To make them applicable for the Twinning some derogations shall apply
- All other Annexes are designed for Twinning Contracts



Practical exercise 1

1. Who has to take responsibility if not all mandatory results of the Twinning project have been achieved: the Junior Partner who was responsible for implementation of the component or the leading Member State. Who shall take the responsibility for the mandatory results? Explain why?



Practical Exercise 2

The Member State Partner submitted quarterly report to the Contracting Authority. Contracting Authority asked the MS partner to provide additional information in 10 days. Will the MS partner be right if they submit the information in a two weeks?



Practical Exercise 3

The RTA was injured during his work in the Beneficiary Country. Should Contracting Authority be liable for this injury?



Practical Exercise 4

Should Member State Partner undertakes any precautions to avoid conflict of interests and in a case of conflict should the Contracting Authority be informed without delay?



Practical Exercise 5

How long the confidentiality should be preserved after the end of the project?



Practical Exercise 6

What the Member State Partner has to do if it wants to publicate document concerning the Twinning Project ?



Practical Exercise 7

To whom belongs the rights of ownership to the project results?



Practical Exercise 8

What would be the Member States actions if the Commission carries out an interim or ex post evaluation?



Practical Exercise 9

Can we refer to the General Conditions for the amendment of the Twinning contract?



Practical Exercise 10

Can the contract and payments attached to it be assigned to the third party?



Practical Exercise 11

Can the Member State partner suspend the implementation of the Project (Action)?



Practical Exercise 12

What would be the termination procedure of the Twinning Contract?



Practical Exercise 13

Which country law is applicable for the dispute settlement?



Practical Exercise 14

What would be eligible costs according to the General Conditions?



Practical Exercise 15

Should Member State partner provide the expenditure verification report for each payment?



Practical Exercise 16

Who can carry out the verifications after the end project?



Practical Exercise 17

If Member State Partner gets a profit from implementing Twinning Project shall it pay profit tax?



Practical Exercise 18

How soon the Contracting Authority can recover amount paid in excess to the Member State Partner?





International trainings 

Thank you for your attention !

