Interreg IIIb: North Sea Programme

FACT SHEETS

A set of guidance notes, which contain concise but vital information for project partners.
Lead Partner seminars will be run twice a year by the finance unit. They are always open to all project Lead Partners and finance officers. Details of the schedule for these seminars are available on the homepage www.InterregNorthSea.org

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Background:

What does transnationality mean?
There is no general agreement on one definition of transnationality, but transnationality has a number of aspects:

- Transnationality deals with international co-operation on other levels than just the nation state. This can for instance be co-operation between municipalities, counties, NGOs or research institutes located in different countries.
- Transnationality as opposed to cross-border co-operation. The organisations working together don’t need to be located in a common border area. They can be located anywhere in the country as long as they have common interest with the partner organisation(s) in the other country/countries.
- Transnationality as relating to a transnational region, such as the North Sea Region. It is not relevant in which country the organisations are located, as long as the activities are relevant for the transnational region, e.g. as described in the transnational strategy of the CIP or in the NorVision document.
- Minimum definition, from the guidelines: ‘the project is selected jointly and implemented, either in 2 or more participating countries, or in a single participating country, where it can be shown that the operation has a significant impact on other participating countries.

The latter definition is stated in the Programme Complement of the North Sea Programme. This means that some projects, which only fulfil this minimum requirement could be selected in the Interreg IIIIB North Sea Programme. However, the North Sea programme aims to have mainly projects with a strong transnational component, as the B branch of Interreg III is created for transnational co-operation on spatial development issues.

A good transnational project has a common starting point and a common conclusion. If pilots are carried out in the project, there should be a real interest from the partner organisations in the outcomes of the pilots.

As a general rule, the partner organisations must be from the eligible area and the activities must be carried out in the eligible area.

Guidance:

When is a project truly transnational?

- A project is transnational when the main objectives of the project can be placed in a transnational context.
- When transnationality runs throughout the project: planning, activities, outcomes, dissemination of outcomes, follow-up. Continued co-operation after the project is a sign of ‘natural transnationality’: the partners really find the co-operation useful.
Project Development:

**TRANSNATIONALITY**

- When the project is relevant for the transnational strategy of the North Sea Programme as described in the CIP.
- When it has a positive impact in several parts or the whole of the transnational area.
- When the outcome of the project is (expected to be) clearly different from what could have been achieved without transnational co-operation. NorVision puts it like this: “The Vision respects subsidiarity, meaning that it should only be concerned with those issues which cannot be satisfactorily considered by the countries and regions independently, and where there are significant benefits to be gained from transnational co-operation.”

**What is not transnational co-operation?**
- Cross-border co-operation.
- International co-operation between the national governmental levels only.
- A project in which the partners work on their individual subprojects without (the need for) common linkage.

**Why is transnationality important?**
- It can lead to finding new solutions to existing problems much quicker than in a national context. (Thinking out of the box)
- Many regions face similar problems but apply very different answers, this gives scope for exchange of knowledge/experience and common pilot activities.
- It strengthens the cohesion of a transnational area, like the North Sea Region.
- Working together leads to better understanding and thereby lays the foundation for future co-operation.
- Regions in Europe are becoming increasingly interdependent, economically but also in the fields of culture, nature development, tourism etc.
- Infrastructure (transport, communications, nature) is increasingly a transnational issue and can often be tackled more effectively in a transnational context.
- Some problems are transnational by nature (environment, economy, spatial structure) and require transnational co-operation for ‘real’ solutions.
- It brings ‘Europe’ closer to organisations not used to co-operate beyond the national borders.
- It helps to bring the organisation in tune with the latest (international) developments.
It provides a practical learning opportunity for the staff of the organisations involved.
It helps to develop the organisations’ capacity to be innovative and responsive to the changing world.
It is a very practical way to evaluate the way the organisation presently deals with the issue concerned.

What are pitfalls in transnational working?
- Cultural and linguistic differences: are we really talking about the same thing?
- It takes more time to agree in a transnational context.
- Different holidays, working hours and working methods cause delays.
- International meetings cost more time and money.
- Having too many partners: informing everyone sufficiently, settling the financial issues with all partners can be complicated and time-consuming.
- Having too few partners: some interesting and useful organisations are left out of the project.
- The solutions learned in other countries might be impossible to implement in your own country due to legal, institutional or other obstacles.
- It is important to know and trust your transnational partnership.
- Different levels of commitment/interest among the transnational partnership.
- It is important to set out clear objectives/deliverables from the beginning. This makes it possible to measure the success of the project.
Background:

**Spatial visions for the EU and the North Sea Region**

The European Spatial Development Perspective (ESDP) was agreed at Potsdam in 1999 by the EU Ministers responsible for spatial planning. The ESDP describes common objectives and concepts for the future development of the territory of the European Union. The Interreg IIIB North Sea Programme should contribute to the implementation of the ESDP in the North Sea Region. Projects are expected to use this spatial strategy for the EU and the spatial vision for the North Sea Region (Norvision), when developing their spatial development strategies.

**Guidance:**

**What is spatial development?**

...an integrated way of working

Spatial development is an integrated way of working. On the one hand it is important to involve the sectors and policy areas relevant to the issue focused on (horizontal integration). On the other hand it must also involve the relevant authorities and organisations from the local, regional, national, EU and transnational level (vertical integration). The North Sea Programme particularly supports the integration of environmental, economic and social issues (sustainable development).

So for example, if a project wants to develop a distance learning course for people in rural areas it is necessary to involve various sectors in addition to educational institutions. Local SMEs can inform about the skills needed in the areas involved. Local and regional administrations can inform about skill-building initiatives already in place or planned. National authorities can link the initiative to national strategies on distance learning and improving ICT skills to make the project more strategic. ICT companies can give advice about the most suitable technologies.

...focus is on where development takes place

There are two key questions relevant to all projects when identifying how they contribute to spatial development:

- Where (in what area) does development take place?
- How is the area used?

The focus is on spaces or areas and their characteristics. Examples of areas that can be developed within the North Sea Programme are coastal zones, port-towns, densely populated areas, natural landscapes, public transport routes, the North Sea, water catchment areas, rural regions and villages, intermodal transport nodes, areas with a unique cultural heritage etc.

It is also important to consider how the area(s) focused upon is used and how this can be influenced in a positive way by the project. A project can, for example, focus on coastal zones and have as an objective the management of coastal zones in an integrated and more sustainable way. The project could then aim to influence development.
factors such as transport, tourism, housing, recreation, defence and wind energy.

The strength of this integrated approach is that it involves all the policy sectors and levels of decision-making necessary for solving the spatial problem effectively.

**…a policy relating to regional development and spatial planning**

Thematically spatial development relates both to regional development policies and to spatial planning activities. The former because Interreg IIIB projects should impact and change the present situation in the participating towns, regions etc in a positive way. For this reason they are expected to go beyond the exchange of information and experience.

Spatial development also relates to the field of spatial or physical planning in that both types of activities are concerned with where something takes place. The difference is that the North Sea Programme is mainly concerned with development rather than planning activities.

**Watch out …**

The programme covers some issues, which should only be addressed in a wider perspective. Social issues, business development or individual buildings, for instance, could be dealt with as part of a project, if they are important for improving the spatial situation that the project is focusing on. A project primarily focusing on such a topic would probably not be considered as contributing to spatial development.

**References:**


Inforegio website: europa.eu.int/comm/regional_policy
I Project Development:

INFRASTRUCTURE PROJECTS

Background:
Expenditure for infrastructure is, as a general rule, eligible under the Interreg IIIB North Sea Programme. Infrastructure expenditure is different from other types of expenditure in many ways and cannot constitute the primary objective of a project. Most often infrastructure expenditure constitutes sub-projects within the main project. Infrastructure expenditure is therefore dealt with separately in terms of regulation as well as reporting.

Grant rate:
Infrastructure expenditure will, as a general rule, be subject to the same grant rate as other types of eligible expenditure under the North Sea Programme.

This rule requires that the project is not profit generating, which is expected to be the case for all projects under the North Sea Programme. In cases where the infrastructure project generates revenue, the rules described in Commission Regulation 1260/1999, Article 29 apply.

Purchase of land:
If an infrastructure investment involves purchase of land, the following set of conditions must be met:
- There shall be a direct link between the land purchase and the objectives of the project.
- In general, the land purchase cannot represent more than 10% of the total eligible expenditure of the project. For environmental conservation projects, the rules described in Commission Regulation 1145/2003, Rule No 5 apply.
- A certificate must be obtained from an independent qualified valuer or duly authorised official body confirming that the purchase price does not exceed the market value.

Purchase of real estate:
If an infrastructure investment involves purchase of real estate, the following set of conditions must be met:
- There shall be a direct link between the purchase of real estate and the objectives of the project.
- A certificate must be obtained from an independent qualified valuer or duly authorised official body confirming that the purchase price does not exceed the market value and attesting that the building is in conformity with national regulation.
- The building shall not have received, within the previous 10 years, a national or Community grant, which would give rise to a duplication of aid.
II Financial Issues:

EXCHANGE RATES

Background:
Five different currencies are used in the seven countries participating in the North Sea Programme. In this Fact Sheet some guidance on how to address the currency issue on project level is described.

Guidance:
The currency issue and how to address exchange rate problems will have to be decided before the project is started. It is recommended that the issue is dealt with in a contract between the Lead Partner and the partners.

There are a number of different solutions to choose from:

1) All statements from the Lead Partner to the programme secretariat are completed in Euro. The project partners convert their expenses from their national currency into Euro. These converted figures are used by the Lead Partner to fill in the periodic report form.

2) All statements from the Lead Partner to the programme secretariat are completed in Euro. The project partners send their figures to the Lead Partner in their national currency. The Lead Partner has to convert all the received figures into Euro and use the converted figures to fill in the Periodic Report Table.

3) All statements from the Lead Partner to the programme Secretariat are completed in the Lead Partner’s national currency. The project partners send their figures to the Lead Partner in their national currency. The Lead Partner converts all the received figures into the Lead Partner’s national currency and uses these converted figures to fill in the Periodic Report Table.

When the statements of expenditure regarding a project are converted into Euro, the Commission rates in force on the last but one working day in the month preceding the month in which the statement of project expenditure and source of funding (Periodic Report) is completed must be used. The same rule applies for partner statements sent to the Lead Partner. Exchange rates are published in the Official Journals of the European Communities. They are shown unofficially on the Europa website of the European Commission (address below) but we recommend that you always verify these rates in the Official Journal.

There is a site for each currency shown below:
Norwegian kroner:
II Financial Issues:

EXCHANGE RATES

Swedish kroner:  

Danish kroner:  

English pound:  

When the programme Secretariat is paying the projects, the amount paid will be in Euro. If the Lead Partner wants to be paid in national currency the Euro amount will be converted using the exchange rate on the day the payment is carried out.

This means that the Secretariat will always convert all statements to Euro and calculate the payment in Euro. The Secretariat will monitor the project expenditure in Euro and suggests that Lead Partners do the same.

The exchange rate used by the Secretariat for converting statements expressed in a national currency, will also be the Commission’s exchange rate from the last but one working day in the month preceding the month during the date the payment claim is received by the Secretariat.

References:  
I Project Development:

INFRASTRUCTURE PROJECTS

Responsibility:
It is the Lead Partner’s responsibility to ensure that these rules are complied with. The Lead Partner must also ensure that all public tender rules are adhered to (c.f. Fact Sheet No 7 Lead Partner Principle).

Reporting:
Infrastructure expenditure must be specified in an appendix to the application and must be reported on in the periodic report form. Section 3 in the periodic report form gives an overview of the approved budget and spending by budget line. Infrastructure expenditure must be reported under budget line 8 on aggregate level. Section 4 in the periodic report form gives an overview of the approved infrastructure budget. This is a common heading that includes all expenditure under budget line 8. In section 3, however, budget line 8 is divided into sub-projects that must be reported on individually. The amount spent on material investments by each project partner must be reported on here.

References:
**II Financial Issues:**

**ELIGIBLE COSTS**

**Background:**

“Expenditure actually paid out” are the key words in terms of assessing the eligibility of expenditure under the Interreg IIIB North Sea Programme. No expenditure can be reimbursed unless it is directly linked to the approved budget and based on invoices that have actually been paid. Activities that are not described in the approved application are as a general rule ineligible.

In cases where projects generate revenue, this revenue may not be treated as profit. All revenue generated from sales, rentals, subscriptions, fees or other equivalent sources must be reported and must be deducted from the eligible costs.

In addition to these key principles, a number of more detailed rules apply when the eligibility of an expenditure is to be assessed.

**Sub-contracting:**

Costs arising from sub-contracting are eligible provided that sections 3.1 and 3.2 of Rule 1 of Commission Regulation 1145/2003 are adhered to. It is the Lead Partner’s responsibility to ensure that public tender rules are observed and that contracts are awarded at normal market prices.

**Staff costs:**

Staff costs relating to projects are eligible under the North Sea Programme. National civil servants staff costs are as a general rule ineligible. Only in extraordinary cases will national civil servant staff costs be considered eligible. These cases will be decided on by the Steering Committee on a case by case basis. In order to be eligible, staff costs must:

- Be based on timesheets and payslips, which permit the identification of real costs in relation to the project.

- Only in very exceptional cases can staff costs exceed 50% of the total eligible expenditure under the project.

- Unpaid voluntary work and other ‘in-kind’ contributions are eligible provided that their value can be determined based on the amount time spent and a standard rate for this time (c.f. Commission Regulation, Rule 1, Section 1.7).

**Overheads:**

Overhead costs must be calculated on a real-cost basis. Consequently, no fixed percentage can be used. Typically, overhead costs will consist of costs for office accommodation broken down on project level on a pro rata basis.
II Financial Issues:

ELIGIBLE COSTS

Audit:
All costs for project audit are eligible costs. In some cases, interim claims can be audited by an internal auditor, in which cases the costs will be regarded as staff costs and posted under budget line 3, Permanent Staff. For most projects, also interim claims must be audited by an external auditor, in which cases audit costs must be posted under budget line 9, Audit.

Financial Charges:
Charges for financial transactions are eligible but debit interest is not eligible.

VAT:
VAT does not constitute eligible expenditure unless it is genuinely and definitively borne by the final beneficiary. VAT, which is recoverable by whatever means, cannot be considered eligible, even if it is not actually recovered by the final beneficiary.

Purchases:
Specific rules apply for purchases of second-hand equipment, purchases of land and purchases of real estate. See rules 4, 5 and 6 respectively of Commission Regulation 1145/2003 and Fact Sheet No 3 Infrastructure Investment.

References:
Interreg IIIB - North Sea Region

Project title: 
Lead Partner: 
Time sheet for: ____________________________

(Name of employee)

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(Organization)

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Total

Signatures:

Date: ____________________________ (Employee)

Date: ____________________________ (Line-manager)
II Financial Issues: AUTO DECOMMITMENT

Background:
At the beginning of each calendar year ERDF-funding is automatically committed by the European Commission. As the North Sea Programme was approved in December 2001, the first year of commitment was 2001. If this ERDF-funding is not spent within three years of the year when it is committed (N+2, where N is the year of commitment) the unspent part is automatically taken back or ‘decommited’ by the Commission. The first year of potential decommitment is, thus, 2003. In practice this means that all projects that do not meet their spending targets as described in the Grant Offer Letter risk having parts of their grant decommitted. Decomitted funding is lost – permanently.

Guidance:
The decommitment rule (also known as the N+2 rule) does not mean that funding set aside in a project budget for one particular year can be spent by a project up to 2 years after the year stated in the budget. If funds are unspent by the end of a budget year, they are in principle lost.

Thus, projects that do not meet their spending targets are in real danger of loosing their ERDF grant. The only way to avoid decommitment is to meet the spending targets as described in the Grant Offer Letter. If a Lead Partner finds him/her self in a situation where significant deviations from the approved spending plan are expected, the Lead Partner must immediately inform the programme secretariat of the expected deviation and the reasons for these deviations. Projects must therefore focus on meeting their annual spending targets. If these targets are met, there is absolutely no risk of decommitment.

Applicants are therefore strongly advised to prepare a detailed costed workplan before completing sections 7.1 and 7.2 of the applications form. This provides the best possible basis for estimating actual expenditure and the timing of this expenditure and will result in realistic spending targets that the project can meet.

References:
Background:
The activities of a project will be carried out by a number of partners of whom one will act as Lead Partner and thus form the link between the project and the programme secretariat, which acts on behalf of the Managing Authority and Paying Authority. The lead partner must be a public or a public-similar-organisation.

The Lead Partner is considered as the final beneficiary. Payments to the project must be based on expenditure actually paid out by the final beneficiary. The Lead Partner will as final beneficiary act as a link between the project (partnership) and the programme (Joint Technical Secretariat). At project level the Lead Partner is the overall administratively and financially responsible body. The Lead Partner is responsible for: Appointment of a project auditor, Delivering project reports and documentation, Delivering project outputs, Production of documents required for audit and payments, Overall project management. All payments from the programme will be made to the Lead Partner.

Guidance:
The concept of the final beneficiary can be extended to cover the other project partners. This is a significant advantage for the project administration as only expenditure actually paid by the final beneficiary will be considered eligible expenditure. In order to be covered by the extended concept, the following conditions must be met:

1) A Contract is drawn up between the Lead Partner and the project partners.
   Or
2) The Lead Partner keeps accounting records that provide detailed information about all expenditure actually incurred in the project – also expenditure paid by the project partners.

The information will show:
- The date of the accounting records.
- The amount of each item of expenditure.
**III Partnership:**

**LEAD PARTNER PRINCIPLE**

- The nature of the supporting documents.
- The date and method of payment of the expenditure.

All necessary documentary evidence (e.g. invoices and payments) will be kept by the Lead Partner.

In addition to this, the following conditions are mandatory:
- The overall financial responsibility remains with the Lead Partner in the role as final beneficiary.
- The expenditure paid by the project partners must be supported by invoices or documented by accounting documents of similar value.
- A formal report must be presented to the Lead Partner on all expenditure paid by the project partners. The Lead Partner remains responsible for checking that the expenditure is eligible and has actually been paid and that the products or services have actually been delivered.
- The audit trail is maintained to partner level in accordance with Commission Regulation 438/2001 article 7.

**References:**

Interpretative Note of the Commission Services, Subject: Council Regulation 1260/1999 – Article 32 (1) Subparagraph 3
Background:
Each project application that is submitted to the Programme Secretariat must include a Letter of Commitment from each of the partners involved in the project. The purpose of this letter is to ensure that the necessary funding for completion of the projects is available. The Letter of Commitment is a legally binding statement from the partners stating that the partner is fully capable of participating in the project from a financial point of view and able to deliver the outputs required.

No project applications will be considered by the Steering Committee unless all Letters of Commitment are in place.

In some cases further evidence of commitment will be required for example in the form of a bank guarantee.

Guidance:
The Letters of Commitment are legally binding documents and must consequently be signed by a person that is entitled to make financial commitments on behalf of his/hers organisation. The Letters of Commitment must be issued on official paper from the partner organisation.

Each Letter of Commitment must:

- State that the partner is familiar with the application and accepts to be a partner in the project.
- Declare that the partner is willing to fulfil his/her obligations as described in the application.
- State the sum of match funding that the partner will make available in accordance with the application and from which date match funding will be available.
- Mirror the funding plan in the application.

References:
Letter of Commitment

On behalf of XXXX I hereby confirm that XXXX will participate in the Interreg IIIB project XXX under the North Sea Programme.

XXXX is familiar with all aspects of the project application regarding the Interreg IIIB project XXXX and accepts to be a (Lead)Partner in the project. I hereby also declare that XXXX is willing to fulfil all obligations as described in the application.

In accordance with the project funding plan, XXXX will make available Euro XXX for our participation in the project. The funding will be available from (Date).

(Signature and stamp)
Background:

All projects funded by the North Sea Programme must make the results of their projects available to the general public. No partner – Lead Partner or partner organisations – can claim any physical or intellectual ownership to the results generated during the project. Consequently, project partners are anticipated to be primarily public organisations.

Private organisations are not excluded from participating in projects, but they can only participate as public similar organisations, which means that any outcome of the project must be made available to the general public, no ownership of results can be claimed and no profit can be made by such a project partner neither during the project period nor after the project period. It is not possible for private organisations to receive any direct or indirect financial support for setting up businesses, to fund the operation or to acquire assets.

Guidance:

Most projects under the North Sea Programme are expected to be carried out by public organisations. Alternatively project partners can be public similar bodies.

A public similar organisation is defined by the role it plays in the project. In order to be considered eligible, the project must have a public similar purpose, meaning that the outcome of the project must be made available to the general public and that the project is carried out within the limits stated above. In addition to this a publicity strategy must be an integrated element in all projects.

For a public similar body, a bank guarantee is usually required in order to verify that the Lead Partner’s financial situation enables him/her to carry out the project as described in the application.

References:

Background:

All project applications under the North Sea Programme will include a detailed costed workplan.

The workplan will in detail describe the activities that are anticipated in the application from a financial point of view.

One of the main purposes of a costed workplan is to demonstrate that the project applicant has thought through exactly what he/she intents to do in a quantitative way as well as the qualitative way described in the application. This is of crucial importance for the success of the project, as it introduces an element of realism into the planning of the project that will be absent without the costed workplan.

Realism in the planning of a project is important if the project is to meet the spending targets, which will be key element of the Grant Offer Letter. The spending targets are a very important element of the Grant Offer Letters, as the fulfilment of the spending targets will make it possible to avoid decommitment of funds. See Fact Sheet no 6 for further details of decommitment.

Guidance:

The formal minimum requirements for the costed work plan are that a budget in the format included in this fact sheet is presented for each sub-partner in the project as well as on aggregate level for the project as such.

In addition to the budget a time schedule divided on an annual basis must be presented in the format described in the application form. Each work package must be costed on aggregate level as well as on an annual basis. This division on an annual basis will form the basis for the spending targets of the projects.

References:
IV Application & Approval:
DETAILED COSTED WORKPLAN

### Apportionment of Estimated Expenditure (Section 7.1 in Application Form)

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<tr>
<th>Expenditure in Euro</th>
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### Funding

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### Timing and Estimated Expenditure (Section 7.2 in Application Form)

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IV Application & Approval:

TECHNICAL ASSESSMENT PROCESS

Background:
All project applications submitted by the close of the Call for Proposals will be assessed following a standardized procedure. The Programme Secretariat carries out the technical assessment of the projects, according to the approved procedure and criteria, using the technical assessment forms. Before the assessment procedure begins a letter acknowledging receipt of application is sent to the Lead Partner. If essential information is missing the acknowledgement letter informs on this as well.

The assessment procedure is split into two phases, the eligibility check and the second phase, based on the core selection criteria and the priority considerations. Prior to this standardised procedure, the secretariat offers project applicants pre-assessments of their draft project ideas.

Guidance:

Pre-assessment of project drafts
Once a project idea has been outlined, project developers have the possibility to submit a 3-4 page draft with the main aim, activities and outputs of the project to the Secretariat. Good applications need to address a range of issues and the pre-assessment gives the opportunity to receive comments on the project idea’s strength and weaknesses at an early stage. The sooner this can be done, the longer partners can work on developing the idea before the actual deadline. A pre-assessment can never provide a guarantee that a project will be approved but it can improve its chances.

As the secretariat also carries out the final assessment of project applications for the Steering Committee, a separation of responsibilities between giving advice to projects and then carrying out technical assessments is required. As a result the secretariat will not carry out pre-assessments on applications that are virtually complete or once the Call for Applications has opened.

This service is in great demand and a queuing system has therefore been introduced to cope with the workload. Each project can only ask for one pre-assessment and it takes about 3 weeks to carry it out. The pre-assessments are made by the Project Development Unit that will consult a Finance Officer when a draft includes any financial issues.

Eligibility check
Only projects that have passed the eligibility check will be considered by the Steering Committee for approval or rejection. The reason for this is to make sure that projects presented to the Steering Committee meet the basic requirements of Council Regulation 1260/1999 and Commission Regulation 1145/2003 as well as the basic requirements of the Interreg IIIB North Sea Programme.

A description of the eligibility criteria can be found in the Programme Complement, pp 8-9.
If a project fails the eligibility check, the Lead Partner will receive a letter explaining why the application is ineligible. Lead Partners of eligible projects will be informed about the outcome of the eligibility check and in addition a copy of the application is sent to the National Authority to ensure that the project is not against national policy.

**Assessment against Core Selection Criteria and Priority Considerations**

The Project Development Unit at the Secretariat completes the technical assessment of all eligible applications, consulting the Finance Unit on financial matters. Every eligible project is assessed against a number of Core Selection Criteria, including Measure Criteria, and Priority Considerations. (Detailed description in Programme Complement, pp. 10-19)

There are eleven *Core Selection Criteria* covering the essential criteria that a project must fulfil in order to be approved. If a project is assessed as being weak in any of these criteria, it will be recommended for rejection. Every project has to apply under one of the programme’s measures. If it relates to several, the most relevant should be chosen. The *Measure Criteria* assess the contribution that the project will make towards achieving the objectives of the relevant measure. Projects must demonstrate that they will make a valuable contribution.

The *Priority Considerations* do not refer to the Priorities and Measures of the programme but to other aspects of a project that are considered valuable. Examples are the achievement of tangible and measurable results, innovation and synergy. If there are more project applications which pass the eligibility check and comply with all Core Selection Criteria than the programme budget allows for, the Steering Committee can use the Priority Considerations for selecting between project proposals.

**Recommendation and decision**

A conclusion is reached based on the assessment described above. The technical assessment and application form of each eligible project is sent to the Steering Committee members 3 weeks before the Steering Committee meeting. The members of the Steering Committee are guided by the secretariat’s recommendations but it is the members of the committee themselves who make the final decision on a project. A project may be approved, rejected but invited to reapply, rejected or, in very exceptional cases, approved with minor conditions. The Lead Partners of the projects considered by the Steering Committee will be informed of the Steering Committee’s decision following the meeting.

**References:**

- Community Initiative Programme, chapters 7.2.4 ‘Joint Technical Secretariat’ and 7.3.1 ‘Financial Management of Projects’
- Programme Complement, chapter 2 ‘Project Selection Criteria’
- Application Guide, chapter 2 ‘Application Procedure’
IV Application & Approval:

TECHNICAL ASSESSMENT PROCESS

- Pre-assessment (not obligatory)

APPLICATION

TECHNICAL ASSESSMENT PROCESS

- Eligible projects
  - Core Criteria
    - Measure Criterion
    - Priority Considerations
      - Project Development Unit

  - Ineligible project
    - Financial matters
      - Finance Unit

Recommendation to SC on project application

SC meeting
- SC decision on project approval/rejection

Approval with conditions

Approval

Rejection with recommendations

Rejection
**Background:**

Every project must provide indicators, which are used to measure performance. Project applications should include indicators to measure progress on all important project activities and aims. Progress towards achieving indicator targets must be included in every 6-monthly report and the final report. Some indicators are the same for all projects (see CIP, chapter 6.1). Other indicators will be chosen by projects to reflect the specific activities and aims of the project concerned. Reports on the indicators will be used to assess the progress of the individual project and the programme as a whole. Selecting the appropriate indicators is one of the core criteria for approval of projects.

**Guidance:**

Projects must supply indicators for activities, outputs, results and impacts.

- **Activity indicators** measure general progress on implementation e.g. number of people involved, meetings held, publicity activity.
- **Outputs** are the end products of the activities funded e.g. number of reports written, kms of riverbed cleaned.
- **Results** are the immediate advantages of carrying out these activities e.g. political agreements, removal of certain pollutants from a river system.
- **Impacts** are the sustainable long-term benefits of an activity e.g. improved policies, increase in biodiversity.

Indicators should be quantitative and should be regularly monitored to check progress towards targets. For this reason, projects should avoid having too many indicators. It may be difficult for projects to collect information on progress towards meeting impact targets but impact indicators must still be provided even if measurements cannot be made within project lifetime. In some cases a context indicator may be an appropriate way to study impacts. This measures an economic, social or environmental variable and change over project lifetime, without trying to quantify the project’s contribution (e.g. fall in CO2 levels). In cases where a relevant environmental impact indicator can be applied to the project, it is obligatory to do so. The indicators selected for each level should link logically to those selected for the previous level (e.g. there must be a clear connection between outputs and results). Indicators should also relate to North Sea programme objectives.
It is also important that the indicators selected are:

- **Relevant**: Will the indicators measure all of the project’s key activities?
- **Specific**: Is it clear exactly what will be measured, in what geographical area measurements will be made, what units (number of participants, euros, kms etc.) will be used etc.?
- **Measurable**: Will the project be able to collect accurate information to measure progress towards the targets set? The information required for measurements should be quite easy to collect.

The value for the indicators at the start of the project is called the **baseline**. It will often be zero and will only increase as the project progresses – e.g. number of reports produced. Sometimes, however, if you measure something that already exists (number of people employed in an area), the baseline figure will not be zero. Every indicator must also have a **target**. This is the figure that the project expects to reach at the end of its activities. Normally it can be expected that the figures reported at the end of the project will be roughly identical to the targets set at the start. Any significant difference between these two figures will require explanation – especially of course if the project has underperformed.

On rare occasions it may be possible to use qualitative indicators e.g. a target for ease of transport access could be ‘significantly improved’. In these cases, however, the criteria for such an improvement have to be clearly defined before project start and methods must be stated for collecting evidence that these criteria have been met.

**Finding further information:**

See the Application Form and Guide for the output indicators all projects must report on. Background information on the terminology used can be found in chapter 3 of the Programme Complement. Examples of indicators can be found in chapter 6 of the Community Initiative Programme (CIP) and chapter 5-9 of the Programme Complement. Please contact the secretariat if you need further guidance on indicators.
**V Reporting:**

**CHANGE OF BUDGET**

**Background:**
As part of their application for support under the Interreg IIIB North Sea Programme, all applicants are as a matter of course requested to submit a detailed budget that corresponds to the activities described in the application. When the individual project is approved by the Steering Committee, this approval covers the activities and budget described in the application. The approved budget can be found in the Grant Offer Letter.

In some cases changes to the original budget are, however, necessary e.g. if audit costs exceed the funding set aside for that purpose.

**Guidance:**

The total eligible budget of the project **cannot** be changed. No change of budget can reflect a change of output or outcome of the project.

**Minor changes – Up to 10% of an individual budget line or 10% of the overall eligible expenditure**
The Lead Partner can build in minor changes in the budget presented to the Secretariat in the periodic reports. The Secretariat must, however, be informed about all such changes and the changes must be explained. Provided the proposed changes are acceptable in terms of eligibility and compliance with the approved project application, the Secretariat will confirm the new budget in writing to the Lead Partner.

**Major changes – More than 10% of an individual budget line or 10% of the overall eligible expenditure**
In order to carry out major changes in the budget, the situation in which the project operates must have altered. On the basis of this new situation the Lead Partner must be able to justify that the proposed changes are imperative to the achievement of the original output and outcome of the project.

**Note:**
- The Lead Partner must ask the Secretariat for written confirmation of the proposed change. This must be done before any costs occur.
- Major changes involving a shift of money from “external costs” e.g. “Audit” or “Promotion and publications” to “Permanent staff” are normally not accepted.
- The guidance above does not cover changes in funding plan/the financial split between partners.
- Whenever changes are made to the budget, whether minor or major, the Lead Partner must provide a new version of section 7.1 of the original application.
- Any changes to budget line 8, ‘Infrastructure Investments’, require written permission from the secretariat.
Background:
A project auditor must be appointed from the start of the project. The project auditor must be authorised according to national regulation for audit of ERDF-funds and in most countries the auditor must be external. The project auditor has to accept to audit the project towards the Interreg secretariat before the Grant Offer Letter can be considered valid. It is the responsibility of the Lead Partner to appoint the project auditor.

Any claim for ERDF funding must be audited.

Guidance:
It is a significant requirement for good public auditing practice that the responsibility between the management and the auditor is well defined. The point of departure is that the management is responsible for and in charge of preparing the accounts, but it is the auditor’s responsibility to make an assessment of how the management of an agency has managed this task.

It is the responsibility of the management that goals, strategies and plans of action are available, and that performance follow-up is carried out. The management must ensure that sound financial considerations have been taken into account. It is the responsibility of the management to establish appropriate administrative systems, and an appropriate internal control system. Management includes performance, activity, resources and financial management. In other words, an administration should be organised to include the necessary financial management, accounting systems and internal controls, in order that accurate and reliable accounts may be presented, documenting that the funds have been applied in accordance with the requirements, and that the results that were sought have been achieved. The management must also report by way of accounts and reports.

Taking this into consideration, it is the auditor’s responsibility to plan and carry out an audit, and to review and assess whether the management has complied with the aforementioned obligations to ensure a reliable and financially sound account. The task of the auditor is hereafter to plan, carry out the audit and to report accordingly.

The auditor has to verify the following during the audit:

1) If the project report is correct, meaning no essential errors or lacks
2) If the conditions for receiving the grant are fulfilled
V Reporting:

AUDIT AND CONTROL

3) If the grant is used for the purpose as mentioned in the grant offer letter
4) If the information given by the final beneficiaries is correct and documented

If the auditor is made aware of neglections of instructions given by the national authorities or the secretariat or even of offences then he has to notice the secretariat immediately.

The subject of audit has to be the expenditure for all partners for the entire project period.

If the auditor changes then the former auditor has to contact the new auditor and inform him why he is no longer the auditor for the project.

References:
V Reporting:

FINAL REPORT

Background:
As described in the Grant Offer Letter, all projects must submit a final report to the secretariat.

The report must be submitted in 10 copies and must include a five-page summary and supporting appendices.

The final report will document the activities and results of the project and will be submitted to the secretariat within 3 months after the project has been completed. Projects that do not respect the deadline risk losing the ERDF grant.

The final report form comes in two sections (but see box below relating to UK partners). You are required to add several circumscribed appendices, for example a full audit report or independent opinion on the full project expenditure and a final indicator sheet. Further details are to be found in the guidance to the report.

Section 1:
The first section deals with the financial aspects of the project. In addition to the standard periodic report form that you fill in, it also has to include a fully audited statement of accounts, or other form of opinion on expenditure as specified under national regulations. Further details are to be found in the guidance to the report.

The following information is valid for UK partners:

In addition to the periodic report form, UK Lead partners, and project partners where necessary, should provide summary information to support their final claim. This should be certified by the person responsible for the financial management of the organisation overall and must also include an opinion from an independent reporting accountant; a local authority’s appointed auditor; or the National Audit Office (or its equivalents in Northern Ireland, Scotland and Wales).

Model summary sheets, together with additional advice on UK requirements, are contained in the general Programme guidance on Final Reports.
Section 2:

For this section, you are required to answer a series of questions primarily about the activities, results and dissemination of the project. The questions are divided into three parts: project implementation, programme aims and programme secretariat/future programming period.

By answering these questions you should be able to demonstrate that your project has been carried out in accordance with the plans described in your approved application, or explain why this has not happened, if this is the case.

Your answers will enable the secretariat to obtain detailed information about the results of your project and determine its long-term impacts.

A template for the complete form can be downloaded from the North Sea Programme website (www.interregnorthsea.org).

References:
References:
Commission Regulation (EC) No 1159/2000 on information and publicity measures to be carried out by the Member States concerning assistance from the Structural Funds:

The European Commission’s website with guidance on the use of the EU emblem:
Background:
Section D3 of the Grant Offer Letter states that “In public statements (reports, publications, etc.) it must be pointed out that the project has been co-funded by ERDF/Norwegian ERDF-equivalent through the Interreg IIIB North Sea Region programme”.

The Commission encourages the use of the European Union emblem, its logos and its maps in all information and communication documents presenting European regional policy.

The Structural Funds regulation confers upon Member States the primary responsibility for informing potential beneficiaries and the general public of the role played by the Union in regional development. The Regulation states that “Publications (such as booklets, leaflets and newsletters) about regional assistance part-financed by the Structural Funds shall contain a clear indication on the title page of the European Union’s participation and, where appropriate, that of the Fund concerned as well as the Community emblem if the national or regional emblem is also used. Publications shall include references to the body responsible for the information content and to the managing authority designated to implement the assistance package in question.”

For more information on the requirements for references on e.g. websites, billboards or audio-visual presentations look in the Regulation.

Guidance:
The official colours are Pantone Reflex blue and Pantone Yellow 2C.

While respecting certain principles, you may use this emblem in a number of different ways:
- Reproduction on a colour background: preferably, the symbol should be placed on a white background. Avoid a wide variety of colours and in particular, those which do not complement the blue. In situations where it is impossible to avoid a colour background, the rectangle should be encased in a white border, the thickness of which is equal to one twenty-fifth of the height of the rectangle;
- Reproduction in white and blue: reflex blue should be used and the stars placed in white;
- Reproduction of documents in black and white; in this case the flag should be depicted as black stars on a white background.
Download the flag in the different formats from:
http://ec.europa.eu/regional_policy/sources/graph/embleme_en.htm
PUBLICITY REQUIREMENTS

References:

Commission Regulation (EC) No 1159/2000 on information and publicity measures to be carried out by the Member States concerning assistance from the Structural Funds:

The European Commission’s website with guidance on the use of the EU emblem: http://europa.eu/abc/symbols/emblem/index_en.htm
Background:
Costs for developing new projects and preparing project application material are eligible under the North Sea Programme. A specific set of rules regarding the eligibility of these costs have been decided by the Monitoring Committee of the programme.

Guidance:
Preparation costs are eligible provided:

- The costs are eligible according to Commission Regulation 1145/2003 and directly connected with the development of the project.
- The project is subsequently approved by the Steering Committee.
- The costs have been incurred not more than 6 months before the application is received by the Secretariat.
- The costs must be declared on the attached form for preparation costs and the form must be signed by the Lead Partner and verified by the project auditor.

The grant rate for preparation costs is 50% of the total eligible costs of preparing the project application. All grants for preparation costs are subject to a common ceiling of Euro 20.000 in assistance (ERDF) or 2% of the total eligible project-budget, whichever is the lower amount.

Examples of activities that would be eligible as preparation costs:
1. Consultancy costs concerning tasks that:
   - Cannot be carried out by the project partners due to lack of capacity or knowledge.
   - Form part of the project application (only a part of the total work related to the application can be carried out by consultants).

2. Translation costs concerning:
   - Papers which are necessary for the project application.
   - Translation made into English.

3. Travel and accommodation costs for an international meeting concerning:
   - One meeting.
   - Setting up the project application.

Examples of activities that would not be eligible as preparation costs:
- International partner search.
- Preparations by negotiations about the purchase of land, obtaining of permits etc.
- Salary costs
- Translations into languages other than English.
DECLARATION OF PREPARATION COSTS

Filing No: __________________________ Project title: __________________________

FACTSHEET No 17:
When making the declaration for preparation costs the specific rules outlined in FACTSHEET No 17 must be adhered to.

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<td>Other preparation costs *)</td>
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<td><strong>Total ERDF claimed</strong></td>
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Other costs must be specified, otherwise they will not be considered eligible.

Signatures:

Lead partner:

Project-Auditor:
II Financial Issues:

**SUB-PARTNERS**

Background:

All projects consist of a two-layer partnership in which the project is led by a project Lead Partner on behalf of a project partnership. In some cases and for various reasons the project partnership (and Lead Partner) finds it useful to involve a third layer of partners called sub-partners.

![Diagram of partnership structure]

Sub-partners are partners who are not part of the formal partnership as described in the project application and in the Grant Offer Letter, but at the same time directly involved in the implementation of the project.

Sub-partners are different from external experts or consultants in many ways but perhaps the most important difference is the fact that sub-partners often include costs for temporary or permanent staff in their detailed costed work plan.

Guidance:

**Eligibility**

If sub-partners are involved in a project the Lead Partner must inform the programme secretariat about their participation by submitting a list of sub-partners. The programme secretariat will subsequently confirm the list of sub-partners in writing to the Lead Partner. Only sub-partners reported to and confirmed by the secretariat are eligible as sub-partners.

**Audit trail**

Sub-partners can be regarded as an integrated part of a project and may thus include staff costs in their detailed costed work plans if they fulfil all the criteria listed in “Interpretative note from the Commission Services” on Council Regulation 1260/1999 – Article 32 (1).
II Financial Issues:

SUB-PARTNERS

It is the responsibility of the Lead Partner on behalf of the partnership to ensure that the requirements stated in the “Interpretative note” are adhered to.

**Safekeeping of documents**

When sub-partners are involved in a project it is recommended by the secretariat that invoices and other supporting accounting evidence is kept at partner level. The risk of relevant accounting documents being lost before the deadline stated in the Grant Offer Letter – end of 2013 – increases substantially if the project partnership decide to rely on sub-partners for safekeeping the documents. It must be stressed that expenditure for which no supporting evidence can be produced will be regarded as ineligible in the event of a control visit. In addition to this it is worth mentioning that any claims for repayment of funds will be directed towards the Lead Partner and the project partners stated in the Grant Offer Letter.

**References:**

- Interpretative Note from the Commission Services, Subject: Council Regulation 1260/1999 – Article 32 (1) Subparagraph 3 (available on the NSP website).
- Letter from the European Commission on “Internal hours of associated project partners” (available on the NSP website).
V Reporting:

ARTICLE 4

Background:

One of the tasks delegated to the programme secretariat is to ensure that sufficient management and control procedures are in place and to provide proof of existence at project level. The task is described in Article 4 of Commission Regulation (EC) No 438/2001 and the task is carried out on behalf of the National Authorities involved in the North Sea Programme.

In the North Sea Programme the requirements of Article 4 are fulfilled by:

- A statement from the project auditor – on each periodic report form, the project auditor confirms that he/she has carried out such checks as necessary to fulfil the requirements of Article 4. Payments cannot be made unless this is confirmed.
- Article 4 visits – on the spot – are carried out by the programme secretariat. It has been decided by the Monitoring Committee that all approved project will receive an Article 4 visit at least once in its lifetime.

This fact sheet focuses on the Article 4 visits to projects.

Guidance:

Article 4 visits are announced at least 2 weeks in advance and are carried out by two representatives from the programme secretariat, a finance officer and a project development officer. In addition, a representative from the national authorities from the country in which the visit takes place is invited. It is also strongly recommended the Lead Partner invites the project auditor to participate in the Article 4 visit.

A checklist will be used during the visit and based on the checklist the project Lead Partner will be asked to provide key information about the project. The list is enclosed as an appendix to this fact sheet.

Key points during an Article 4 visit are:

- Project implementation – is the project progressing in accordance with the approved implementation plan?
- Outputs – are outputs delivered as planned?
- Partnership – is the partnership working and facilitating the delivery of the project?
- Expenditure – is the project meeting its spending targets?
- Project management systems – is the project able to demonstrate a clear link from incurrence of expenditure to the submission of a periodic report i.e. the link between the accounting system and sections 3 & 4 of the periodic report? As part of this test invoices and other accounting evidence will be checked and followed through the system.
- How is the project and partnership monitored by the Lead Partner?
V Reporting:

ARTICLE 4

After the Article 4 visit the programme secretariat will draw up its report from the visit. The draft report will be sent to the Lead Partner who has 10 working days to comment on the report, sign it and return it to the programme secretariat.

The programme secretariat will subsequently co-sign the report and return one copy to the Lead Partner, one to the relevant national authority and one for the chairman of the Financial Controller Group.

References:

- Commission Regulation (EC) No 438/2001, Article 4
- Checklist for Article 4 Monitoring Check.