

ANNEX III

Administrative Manual for Project Implementation

1. Introduction

The purpose of this manual is to give guidance and instructions to Project Developers (PD) on administration of the project implementation as well as on the reporting requirements in an EEP funded project.

It is the PD's responsibility to make sure that enough information regarding the project implementation and financial performance has been included in the reports and that the reporting clearly states the situation of the project.

It is recommended to always ask advice and guidance from the ECO (eep.eco@kpmg.fi) if there is any uncertainty whether the information provided by the PD is sufficient to approve their reporting.

Please also note that the Administration Manual is updated and additional guidance added when considered necessary and therefore PDs need to make sure that they are always following the latest guidance/manual. The PD's will always be informed of the possible revisions of the manual through email by the ECO. The latest version of the Manual will also be available at the EEP website (www.eepafrica.org).

This Manual is meant to be used aligned with the project contracts. If a part of this manual is in conflict with the contract, the contract shall be concerned as a priority.

2. Project Developer's responsibilities

Every PD monitors their own project and is responsible for reporting the progress of the project as stated in the Reporting and Payment Schedule (RPS). PD is also responsible of implementing the project as agreed in the contract made with the Ministry for Foreign Affairs of Finland (Ministry). In more detail the PD's responsibilities of project administration and reporting towards the Programme are:

- a) **The main contact person from the PD shall ensure that all relevant information is promptly provided to the ECO.**
 - Other project personnel are entitled to contact the ECO, but the PD is the main responsible party.
 - Questions and reports should always be sent to EEP.ECO@kpmg.fi –mailbox. The title of every email shall start with the project code, as it makes it easier for the ECO to follow-up on specific projects and thus enables a quicker answer to the PDs.

- PDs can also contact the ECO through the telephone number stated in the EEP website.
 - The ECO is always the relevant party to address questions regarding the project and the whole programme. Therefore no project or programme related matter should be appointed to the donors or any other party involved in the Programme.
- b) Meeting the reporting requirements relating to the progress of the project and the financial reporting (please see chapter 3 for more details).**
- PDs shall report the project progress to the ECO according to the reporting payment schedule (RPS) attached to the project contract, or to an addendum if the contract has been exceeded. Do notice that the reporting interval should not be longer than six month, please review chapter 3 for more detailed instruction regarding reporting.)
 - PDs are responsible of sending an updated RPS to the ECO if there are changes in implementation that also affect the reporting. RPS should always be prepared considering the realistic timing when the milestones are met.
 - PDs are responsible of requesting extension to the contract period if the original contract period is not long enough for implementing the project. It is important to realistically consider the time when the project is estimated to be finalized in order to avoid several extensions.

3. Preparing the reporting for the Project

3.1 Templates

When reporting of the project progress, the EEP reporting templates shall be used. There is a template for narrative progress report and a template for financial report. There is also a separate template for the project completion report submitted after all the milestone reports and completion of the actual project. It should be noted that any parts of the templates should not be deleted or tailored but they should be completed in the given format. All the reporting shall also include the submission date. All templates can be found on the Programme website www.eepafrica.org

3.2 Progress/milestone report

Reporting should be results based and follow the guidelines set out in the specific reporting template, which complies with Annex III in the project contract.

The progress reports should answer at least the following questions:

- a) Have the activities mentioned in the RPS been completed? Have the implemented activities contributed towards the planned results?
 - If yes, the report should include information regarding the implementation of the activity.
 - If no, there has to be a justification why the activities have not been completed and a clarification if they have been scheduled to be completed later during the project.
- b) In case of procurements, how the PD has ensured that procurement requirements have been met?
 - The report has to clarify the procurement process and supporting documentation for the procurement shall be provided.

Possible changes in the activities have to be justified, and how these changes are affecting the budget and the output results of the Project have to be clarified. If there are activities that have not been completed, the expenditures for the corresponding Milestone should be lower.

If the Milestone activities include studies and/or evaluations that are stated as milestone deliverables, the reports of those studies and evaluation shall be attached to the report as annexes.

If the PD wishes to make technical changes in the project plan, the report needs to clarify whether this has an effect on the output results of the projects. In general, if the outputs do not change, the technical changes can be approved. The PD should discuss any significant changes in the project with the ECO and these have to be approved by the ECO before they are made by the PD.

3.3 Financial report

Together with the payment request PDs are required to submit financial report showing funds received and costs covered by the grant during the reporting period.

- a) **Reporting shall always be based on real expenditures and reported on correct budget lines.**
- b) The financial reports shall consist of all expenditures related to the Project, regardless if they are funded by the PD, third party or EEP.
- c) All reported expenditure shall have proper supporting documentation and all invoices paid with EEP funds shall be stamped with a "Paid with funds of EEP S&EA stamp.
- d) For salaries paid by the PD, the payment shall be supported by an advice of receipt by the employee. If the salary is paid to the bank account of the employee, an extract from the PDs bank account clearly showing the amount and receiver is also acceptable.

- e) In case a service has been provided by a third party that verifiably cannot provide a receipt, the person will have to sign a receipt indicating the amount or estimated cost of the service and enclose a copy of her/his identity documentation/card.
- f) If an expense has been split between EEP and another donor, the voucher has to state the amount that has been requested from the EEP.
- g) If the reported expenditures have been covered by an advance payment, the PDs should use the exchange rate of the advance payment date when converting the expenses that are clearing the advance payment. For any other expenditure, the exchange rate to be used in conversion is the exchange rate on the reporting day.
- h) All expenditures relating to project shall be budgeted. Changes in budget shall be approved before the costs that are not in the last approved budget can be reclaimed. (Please see additional guidance below)
- i) The amount financed by EEP (euro) in the financial report shall equal to the amount in the disbursement request for the reporting period.
- j) Only eligible expenses, can be reimbursed/funded by EEP.**
- k) If there have been changes in activities, the finance report should indicate similar variation in expenditures.
- l) The total eligible expenses that can be reimbursed/funded by EEP cannot exceed the total amount stated in the contract. Thus, in practice, eligible expenses can only be reallocated between budget lines.

3.3.1 Guidelines for differences in budget line items

Deviations of more than 10 percent or €1,000, whichever is less, from a budget line, shall be explained in the reporting. More specifically;

- a) It is acceptable that a budget line is exceeded with at most 10 percent or €3,000, whichever is less, without prior approval from the ECO.
- b) If a budget line is exceeded with more than 10 percent or €3,000, whichever is less, the additional expenses exceeding the budget line by 10 percent or €3,000, whichever is less, and prior approval to the change in budget has not been approved in advance by the ECO, the expenses might not be considered as eligible expenses even if they otherwise could be eligible expenses.

- c) If prior approval cannot be reasonable obtained, the change shall be communicated to the ECO as soon as possible. This means mostly a separate communication to KPMG from the normal progress reporting.

3.4 Project Completion Report

For a completed project, the Company must send the ECO a project completion report including photos for possible publication on the Programme website and in related publications. Please note that the final payment will be paid against approved Project Completion Report.

The project completion report shall include a profound analysis of changes in the project context and of the target group and the beneficiaries. In addition, the report shall contain a detailed assessment of the project progress and results based on comparing the intervention logic and plans with actual achievements, stating deviations, comments and observations made, as well as providing a description of the monitoring and management measures implemented. Based on this assessment, the report shall bring out conclusions with regard to future perspectives of the Project sustainability.

The project completion report shall also include the Auditor's report.

A brief leaflet covering the main outputs shall be completed by the end of the project by the project developer to attract further financiers (related applicable costs are to be included in the project budget) and contribute tangible and succinct information necessary for potential EEP replication, scale-up and knowledge sharing purposes

4. Disbursement of Grants

Grants are disbursed to projects after required reports and disbursement request have been verified.

Disbursements are paid only against written payment requests to the ECO in the form and content as shown in Annex II of the Project Contract. The template for the letter can be found from the EEP website. The payment request shall be prepared by the PD, signed by the authorized person and sent to the ECO via eep.eco@kpmg.fi email address.

In case of advance payment, PDs are responsible of filling up the advance payment request and sending it signed by the authorized person to the ECO via eep.eco@kpmg.fi email address. The template for the letter is attached to the Project contract as Annex II and can be found from the EEP website. The reasons why advance payment is needed shall be clearly stated, including and budget for how the advance payment is intended to be used.

When sending the reporting it is important to ensure that all the required documentation is submitted. The PDs should ensure that the report is as clear as possible and that a third person can understand the calculations and reconcile the numbers in the report with the related vouchers without any difficulties.

If the ECO has to request missing documentation or clarification on the reporting, this will slow down the disbursement process. If all the documentation is in place, the disbursements should be made within 30 days of receiving the disbursement request.

The final payment to the PD is subject to approval of the Project Completion Report and that the ECO has received an audit report regarding the project in the format described in section 4.

As the requested funds have been received, the PD shall confirm the received amount to the ECO by sending a bank statement via email.

5. Procurement

PDs are required to make all procurement in accordance with the contents of the Finnish legislation on public procurement (see Act on Public Contracts, available at www.eepafrica.org), generally accepted principles and good procurement practices.

As a general rule, the lowest price forms the selection criterion in competitive tendering. A favourable price in terms of overall economy can also be applied.

Dividing contracts into parts in order to keep the contract value below any threshold mentioned below is strictly forbidden.

The following procurement guidelines shall be followed:

- a) **Costs below €100:** procedure to be decided upon by the company;
- b) **Costs between €100 to € 999:** comparison of at least three quotes/offers obtained directly from suppliers,
 - The quotes and justifications for selection shall be annexed to a progress report.
 - Offers shall be obtained from at least 3 different suppliers whenever possible. The basis for the selection shall be documented and included in the disbursement request.
- c) **Costs between €4 000 to €29 999:** competitive tendering with invitations to tender sent directly to potential suppliers;
 - The quotes and reasons for selection shall be annexed to a progress report.

- Principles of equal and non-discriminatory treatment of tenderers shall be complied with.
- Selection of the provider shall be made in the first place on the basis of competitive tendering.
- When using competitive tendering, the Company shall draw up an invitation to tender and ask for tenders by e-mail, fax and/or letter. The invitation to tender can be delivered directly to selected potential tenderers (at least three whenever possible). All significant information concerning the purchase and the contract shall be presented in the written invitation to tender.
- The time limit for submitting written tenders must be reasonable.

Direct awarding shall only be used to the extent:

- the costs of competitive tendering exceed the benefits obtained from competitive tendering;
- the contract is urgent for reasons independent of the Company;
- a corresponding product has been procured in the recent past and the price level is known; and/or
- no other potential suppliers have been identified.

If direct awarding has been applied, this has to be agreed upon with the ECO in advance.

d) **Costs above €30 000:** competitive open tendering with invitations to tender announced publicly.

- The procurement procedure shall be beforehand separately agreed upon with the ECO.
- For Finnish Companies, procurements shall be made taking into account the Finnish act on public contracts (348/2007) and the Finnish Government decree on public contracts (614/2007) as they read when the procurement process is commenced by the Company
- In cases where Finnish procurement legislation is not applicable, the Company (Finnish or other) shall procure the goods or services in accordance with what is stated above as regards purchases of 4 000 - 29 999 Euros.

When a procurement with a total value of more than €10 000 is done, the specific selection criteria has to be communicated to the ECO before the procurement process, in order to remove doubts that specific selection criteria have been chosen to enable the selection of a pre-determined supplier.

It is important to ensure that the procurement guidelines have been followed specifically and documented sufficiently. Procurement documents shall be attached to the report.

The sufficient documentation regarding procurements includes:

a) Invitation and advertisement of a tender relevant to size of the tender

- b) Evaluation of the proposals, where all received proposals are ranked based on the criteria mentioned in the original tender.
- c) Further clarification why a specific tender was approved before others.

The documentation does not need to be extensive, but it has to make it clear how the Public Procurement Act was followed in the process.

6. Project Audit report

The Project Developer Company shall appoint the auditors of the project.

The project audits have to be performed by a legally authorized and certified audit firm and will have to present the firm's findings, risks and recommendations on the following aspects:

Financial statements and documents verifications, to insure that:

- a) there is an acceptable endorsement document for each expense;
- b) all expenses have been made according to the project budget;
- c) budgetary deviations and reallocations are in line with these current guidelines and other instructions given by the MFA or the ECO, furthermore clearly indicated and justified;
- d) all expenses are supported by appropriate original receipts and invoices as proofs of payment;
- e) expenses reimbursed by or charged to EEP do not include VAT that the PD can, or reasonable could, reclaim;
- f) all the original invoices, receipts or any other voucher issued to the Company's name are stamped with the statement "**Paid with funds of EEP S&EA II**"; and
- g) expenditure is within reasonable range of costs benchmarked against rates specified in the project document, market prices and/or other acceptable industry or Government rates for professional fees, mileage compensation and daily subsistence allowances.

Performance assessment, to insure that:

- a) the analysis of quantifiable project outputs is based on indicators specified in the full project proposal document;
- b) the quality of workmanship and adherence to installation and safety standards follow acceptable best practices in the country or the region of implementation as defined in the full project proposal document;
- c) the performance of technologies installed reaches the level(s) defined in the project document; and

- d) the final project beneficiaries are reasonably satisfied with the use of the equipment installed or services delivered from the project.

Sustainability assessment, to insure that:

- a) project activities can continue beyond EEP funding as envisioned per the full project proposal; and
- b) there are adequate maintenance arrangements in place for long term operations of installed systems.

An audit report shall be issued showing explicit approval the handling of Grant funds for the execution of the Project. The report will have to be sealed and signed by the auditor including his/her name with certification number and submitted to the ECO. If the audit is performed by an audit firm that is not internationally well known, the documents proofing the authorization and certification of the audit firm have to be sent to the ECO with the audit report.

The Project Developer Company must ensure that the cost for the audit is included in the approved project budget and in the settlement for the last disbursement.

7. Eligible expenses

All expenditure must be necessary for the project and reasonable. All reimbursed costs are subject to discretion and their eligibility evaluated in relation to the project plan and project decision. Costs are only considered eligible, if proper procurement procedures have been followed, when products or services are sourced from another party.

7.1 Eligible expenses

- a) products and services purchased from external service providers;
- b) costs related to the evaluation of project effectiveness and monitoring;
- c) only reasonable project personnel travel and accommodation expenses and daily allowances in accordance with travelling regulations of the Government of Finland. The updated regulation is available on the EEP website
- d) acquisition costs of fixed assets necessary for project implementation (machinery, equipment, etc.), to the extent verified that no public assistance has been granted for their acquisition during the five previous years;
- e) rental or leasing costs of premises, machinery and equipment necessary for project implementation (including motor vehicles) if they result solely from the Project;
- f) general costs (indirect costs), e.g. costs resulting from the use of telephone calls, electricity or water, as well as accounting costs, rental and cleaning costs, office costs, when these can be shown to have occurred solely from the project (the allocation of indirect costs must be clearly demonstrated); and

- g) audit costs.

7.2 Ineligible expenses

Expenditure that is not based on the approved project plan or on financing decisions issued for the project or which has not been agreed on authoritatively with the Programme in project negotiations:

- a) merit pay, bonuses, fringe benefits and similar supplements to wages that are paid in addition to regular wage;
- b) general staff training;
- c) fines, penalty fees and legal expenses, except legal expenses that are related to the project and that has been approved in the budget;
- d) financing expenses: interest on loans, fees related to financing transactions, currency exchange fees and exchange rate losses;
- e) fees resulting from opening or managing an account, if providing the Grant does not specifically require this;
- f) value-added tax (VAT) that may be deducted or refunded, or compensated for in another way;
- g) fees related to customs clearance;
- h) expenditure without original receipts stamped "Paid with funds of EEP S&EA II";
- i) expenditure with professional fees, mileage rates, rental rates, etc which have not been agreed authoritatively and in advance with the Programme; and
- j) expenditure for equipment, installations and maintenance which do not comply with professionally acceptable standards in the country of implementation or with those presented in the project document.

8. Other implementation related rules

8.1 Repayment of unused funds

Any amount, including interest, which has already been disbursed but has not been fully used by the end of the project, shall be paid back in the full amount as applicable.

8.2 Billboard on project sites

Project sites will have to feature an installed metal billboard sign to identify the project as one financed by the Donors through the Programme. The design of the sign must be coordinated with the ECO. The project proponent shall ensure that the sign cost is included in the approved project budget.

8.3 Use of the EEP S&EA II logo in project related material produced by the PD

All printed or electronic documents related to the project prepared by the PD, either for promotional, information or other purposes, including project related information on the PD's website, will have to include the legend "Project financed by the Ministry for Foreign Affairs of Finland, the Austrian Development Agency and the UK Department for International Development", and the logo of EEP S&EA II, which will be provided by the ECO. Additionally, the document layout and illustrations shall be sent to the ECO for approval prior to printing and publication. In case the project is co-funded by other donors, the legend can be expanded to reflect such co-funding as appropriate.

8.4 Guidance and regulation from the Ministry or the ECO

The Ministry or the ECO as its representative has the right to provide additional information or guidance to the Project Developer Company regarding the execution and financial management of the project as well as to issue further audit and audit report related specifications. The Project Developer Company must comply with such further guidance and specifications.

8.5 Project related VAT

The Programme is not able to deduct or get the VAT paid refunded. The grant disbursed to the PDs from the Programme is, from the Ministry's behalf, considered to be a grant, not a payment for services provided by PDs for the Programme.

The PDs are responsible for following the applicable VAT regulation in the country or countries where the project or the PD is located and choose to deduct or apply for refunding of VAT for Project related expenses, if this is possible. The PDs can only get funding from the Programme for VAT expenses, if the PD cannot choose to deduct or apply for refunding of the VAT for Project related expenses.