



## **Project Implementation Handbook**

for the

### **INTERREG V-A Hungary-Croatia Co-operation Programme 2014-2020**

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Regarding the projects selected in the frame of the  
1<sup>st</sup> Call for Proposals

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## 1 Introduction, background

The Project Implementation Handbook of the Interreg V-A Hungary-Croatia Co-operation Programme 2014-2020 was developed on programme level and based on the followings:

- Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund (hereinafter referred to as the Common Provisions Regulation, CPR);
- Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial co-operation goal (hereinafter referred to as the ETC Regulation);
- the Interreg V-A Hungary-Croatia Co-operation Programme 2014-2020, approved by the European Commission on 7 September 2015 by Decision Ref No C(2015) 6228 (hereinafter referred to as the Programme);
- Call for Proposals package of the 1<sup>st</sup> Call for Proposals launched on 29 February 2016, with special attention to the Guidelines for Applicants and the Handbook to Tourism Projects;
- Experience gained during the implementation of the Hungary-Croatia CBC Programme 2007-2013.

The Project Implementation Handbook is intended to guide Lead Beneficiaries (LB) and Beneficiaries (B) of operations in the implementation phase on questions related to administrative and financial management, on monitoring, reporting and control procedures and on other programme related requirements. It gives advice on questions of general importance to all actions.

Should there be any amendments made to the Handbook due to legislative changes or other requirements which influence implementation of already approved projects, they will be available on the official website of the Interreg V-A Hungary-Croatia Co-operation Programme 2014-2020, [www.huhr-cbc.com](http://www.huhr-cbc.com).

For specific problems related to your project please contact the Joint Secretariat (JS) for advice. You can find the contact details on the above-mentioned official website.

**We wish you success in the implementation of your project!**

## **2 Responsibilities and tasks of the Lead Beneficiary**

### ***2.1 Lead Beneficiary principle and co-operation among partners (practical guidance)***

All projects must follow the so-called ‘**Lead Beneficiary Principle**’:

The Lead Beneficiary principle introduces responsibilities on beneficiary level, meaning that each B has its own responsibility till the limit of the tasks undertaken and funds requested. The aim of this main programme level principle is to contribute to the proper and effective functioning of cross-border partnerships, to emphasize the sustainable cross-border co-operation leading to sustainable actions, results and impacts.

The LB shall be solely responsible towards the programme management structure for the implementation of the terms of the EU Contribution Subsidy Contract, as well as for the timely and correct reporting towards the JS.

The delegated LB shall manage the project implementation process, shall co-ordinate the work of the partnership, and shall fulfil administrative and professional tasks. The co-operation between the B-s shall be established in order to serve the successful implementation of project activities. The LB shall guarantee that the B-s understand and are aware of the activities that have to be fulfilled and shall find and develop the most efficient way and source of communication.

**The overall tasks of an LB** are the following:

- Conclusion of the EU Contribution Subsidy Contract;
- Overall project co-ordination (e.g. ensuring the flow of information between the JS and the Bs);
- Activities linked to project management;
- Continuous contact and information of B-s on project progress;
- Preparation of Project Reports (PR) and Applications for Reimbursement (AfR) and collecting supporting documents from the Bs (where relevant);
- Submission of the PR-s / AfR-s to the JS and making revisions if required; Receiving the EU contribution and transferring the relevant amounts to the B-s;
- Preparation and submission of project modification requests to the JS;
- Maintenance of separate accounting for project implementation purposes in a manner ensuring the identification of each financial operation within the project;
- Complying with EU regulations and with the relevant national legislation for the whole partnership, with special regard to public procurement, State aid, information and publicity, furthermore rules on sustainable development and equal opportunities;
- Paying special attention to achieve the programme level result- and output indicators planned by the project;
- Handling irregularities;
- Managing activities related to project closure;

- Follow-up of the project results after project closure, ensuring the sustainability of the project results.
- Fulfilling the obligations laid down in the EU Contribution Subsidy Contract

### **2.1.1 Partnership Agreement**

The LB and the B(s) shall lay down the arrangements for their relation and responsibilities in the project in an agreement. As the EU Contribution Subsidy Contract establishes a legal base between the Managing Authority (MA) and the LB, the Partnership Agreement establishes a legal base between the LB and all B-s; accordingly, the LB should ensure that the Partnership Agreement has been signed by all legally authorised representatives of the B-s included in the partnership consortium.

The Partnership Agreement shall give an overview of the Bs' role in the project, activities to be fulfilled, timeframe of the activities, and relationship between the B-s, as well as the procedure used in case of disputes. The agreement shall be prepared in a way to cover all the special situations that might occur during the project implementation phase, as well as steps to be taken following project closure. The B-s shall agree on the ownership of the project results, on the ways to ensure the achievement and sustainability of the project results, and on solutions regarding the handling of risk situations. The B-s shall be fully committed towards successful project implementation.

The Partnership Agreement lays down provisions regarding:

- Activities of the LB and the B-s in the project,
- Specific obligations of the LB,
- Obligations of the B-s,
- Responsibilities of the LB and of the B-s,
- Reporting obligations of the B-s,
- Audits,
- Information and publicity,
- Ownership, use of results,
- Changes in the project partnership,
- Irregularities and the repayment of funds,
- Co-operation with third parties, assignment.

It is important to point out that the Partnership Agreement template can be further extended by the B-s. Modifications of the Partnership Agreement might cause the necessity of modifications to the EU Contribution Subsidy Contract as well. Due to this LB-s and B-s are required to carefully plan the division of tasks and finances in the framework of their partnerships.

During project implementation in a case where the LB organisation ceases to exist without a legal successor, the LB role can be fulfilled either by a new organisation being compliant with the programme rules, joining the partnership and taking over all tasks and financial responsibility of the dissolving LB – or in case there are several B-s from both sides of the border then one of them can take over the LB role (without the project

activities and budget dedicated to the original LB). In both cases the LB change has to be approved by the MC.

In general the resigning of a Beneficiary should not jeopardise achieving the original project aims.

After project implementation (in the follow-up period), in a case where the LB/B organisation ceases to exist without a legal successor, the maintenance of project results shall be ensured by the remaining LB/B(s) who have to conclude a written agreement (property rights agreement) and have to submit it to the MA while in parallel notifying the JS. The LB role has to be ensured during the follow-up period as well, in order to be able to submit follow-up reports upon request.

## 2.2 Concluding the Subsidy Contract for EU Contribution

The EU Contribution Subsidy Contract is due to guarantee on one hand the rights and obligations of the LB, on the other the rights and duties of the MA, being the responsible body for the correct use of EU Contribution within the framework of the Programme.

After the **Monitoring Committee (MC) decision, the EU Contribution Subsidy Contract shall be concluded between the LB and the MA.** As a first step the 'letter on the award of subsidy' – issued by the MA, constituting the legal basis for contracting – is sent to the successful LB; it contains all relevant information and condition(s) essential for contracting. **For concluding the EU Contribution Subsidy Contract the LB has to submit all listed documents and has to fulfil all conditions stipulated in the letter on the award of subsidy, in general within 30 or 60 calendar days following the receipt of the respective letter. The completion is calculated on the basis of the date of the stamp of posting (in case of postal or courier service delivery), or on the basis of the proof or receipt issued by the JS (in case of personal delivery).**

If necessary the responsible JS member provides personal consultation to the LB on the fulfilment of the conditions and the documents to be submitted.

**In duly justified cases,** before the expiration date, the LB can ask the JS in written form for the extension of the deadline for fulfilment of contracting conditions only once, for a maximum of 30 calendar days period.

Lack of complete fulfilment of stipulated documents and conditions after the expiration of the deadline might result in the withdrawal of the awarded subsidy by the MA.

The documents listed in the letter on the award of subsidy for concluding the **EU Contribution Subsidy Contract** which have to be submitted to the JS are the following:

No	Document	Comment
1.	Original documents proving the fulfilment of the conditions set by the MC in its co-financing decision  (e.g. AF Sheets modified in accordance with the conditions set, other documents, declarations,	<i>Only relevant if the project was approved with conditions.</i>  <i>Original documents connected to the fulfilment of the conditions set by the MC for contracting – in the form required in the formulation of the conditions, each</i>

No	Document	Comment
	explanations etc.)	<i>document being certified by the legally authorised representative of the LB (except for letters of support / other declarations which are issued by third parties).</i>
2.	Information on eventual changes in the data compared to the data provided in the original application, concerning the LB/B (e.g. changes in the AF, change in the legally authorised representative of LB/B, address, contact details etc.; VAT status of LB and/or Bs)	<p><i>Beyond the modified AF sheets, a separate table containing the following information (columns), certified by the legally authorised representative of the LB has to be submitted in printed and electronic versions. Column names of the requested summary table:</i></p> <p><i>a) AF relevant Sheet / point, cell, budget item;</i>  <i>b) original text in AF;</i>  <i>c) modified text in AF;</i>  <i>d) justification for the modification.</i></p> <p><i>In case of change in the legally authorised representative of the LB/B, the following documents have to be submitted:</i></p> <ul style="list-style-type: none"> <li><i>• original specimen of signature (being in line with GfA 4.2.1.1 point 6.);</i></li> <li><i>• extract from register proving the change (being in line with GfA 4.2.1.1 point 3.);</i></li> <li><i>• official announcement of the result on the elections for mayors / county prefects (if relevant).</i></li> </ul> <p><i>Declarations on VAT status have only to be submitted if changes have occurred since the submission of the project proposal. (In these cases the template of the VAT declaration as published with the application package of the current Call for Proposals has to be used.)</i></p>
3.	Original declarations of the LB and of the B-s, certified by the legally authorised representative, concerning the current non-existence of the reasons for exclusion as listed in Chapter 3.1.2 of the Guidelines for Applicants	<p><i>Declarations will have to be submitted only for those organisations where changes in the compliance with the exclusion criteria have eventually occurred. There is no compulsory template.</i></p> <p><i>Cases when an organisation does not submit a declaration, although it is not anymore in compliance with the exclusion criteria, shall belong under the legal responsibility of the affected organisation.</i></p>

No	Document	Comment
5.	Data of the bank account opened by the LB for the purposes of the project in EUR currency	<p><i>To be submitted in form of an original statement signed by the bank. There is no compulsory template.</i></p> <p><i>Minimum data requirements: name and address of bank, IBAN number and SWIFT code of the account.</i></p>
6.	Original specimen of signature, certified by a public notary, of the counter-signatory person of the LB (if relevant)	<p><i>Only relevant if counter-signature has to be applied by the LB organisation for the EU Contribution Subsidy Contract.</i></p> <p><i>Format of the document has to be in line with GfA 4.2.1.1 point 6.</i></p>
7.	Partnership Agreement, signed by the LB and all B-s	<p><i>Compulsory for every project. The template provided to the LB can be extended but the compulsory content has to be present.</i></p> <p><i>In case of substantial extensions the JS has to be consulted in order to avoid contradictions between the extended Partnership Agreement and provisions of the Subsidy Contract and/or the applicable EU- and national legislation.</i></p> <p><i>Three originals have to be submitted to the JS.</i></p>
8.	Land or building registration certificates	<p><i>They have to be original documents (issued and certified by the respective institution which issues land or building registration certificates) or copies, certified by a public notary.</i></p> <p><i>The certificates cannot be older than 30 calendar days and must be in the original language.</i></p>
9.	<p>All necessary permits or the official declaration certifying the exemption of permission issued by the responsible authority (if relevant)</p> <ul style="list-style-type: none"> <li>• Legally binding building permit documents,</li> <li>• Environmental permit,</li> <li>• Water licence,</li> <li>• Cultural heritage permit,</li> </ul>	<p><i>They have to be originals or copies certified by a public notary, not older than 30 days at the time of submission.</i></p> <p><i>Plus original extracts in English.</i></p>



No	Document	Comment
	<ul style="list-style-type: none"> <li>• Research permit,</li> <li>• Etc.</li> </ul>	
10.	Declaration of the Lead Beneficiary and the Beneficiaries containing the received amount of <i>de minimis aid</i> during the present fiscal year (2017) and the two fiscal years before, if relevant.	<i>Separate declaration has to be provided by each B/LB affected by State Aid as described in the letter on the award of subsidy. Original versions certified by the legally authorised representative of the LB/B are needed.</i>

Among these documents the signing of the EU Contribution Subsidy Contract might be conditioned based on the decision of the MC – as for instance presentation of a revised budget or timeframe for the project. In case the project is approved conditionally by the MC, prior to contracting the JS will update the contract details and start the negotiations on the fulfilment of the conditions in accordance with the MC decision within a specific deadline. In case the LB shall not be able to present and fulfil the specified conditions, the programme management bodies shall withdraw from contracting.

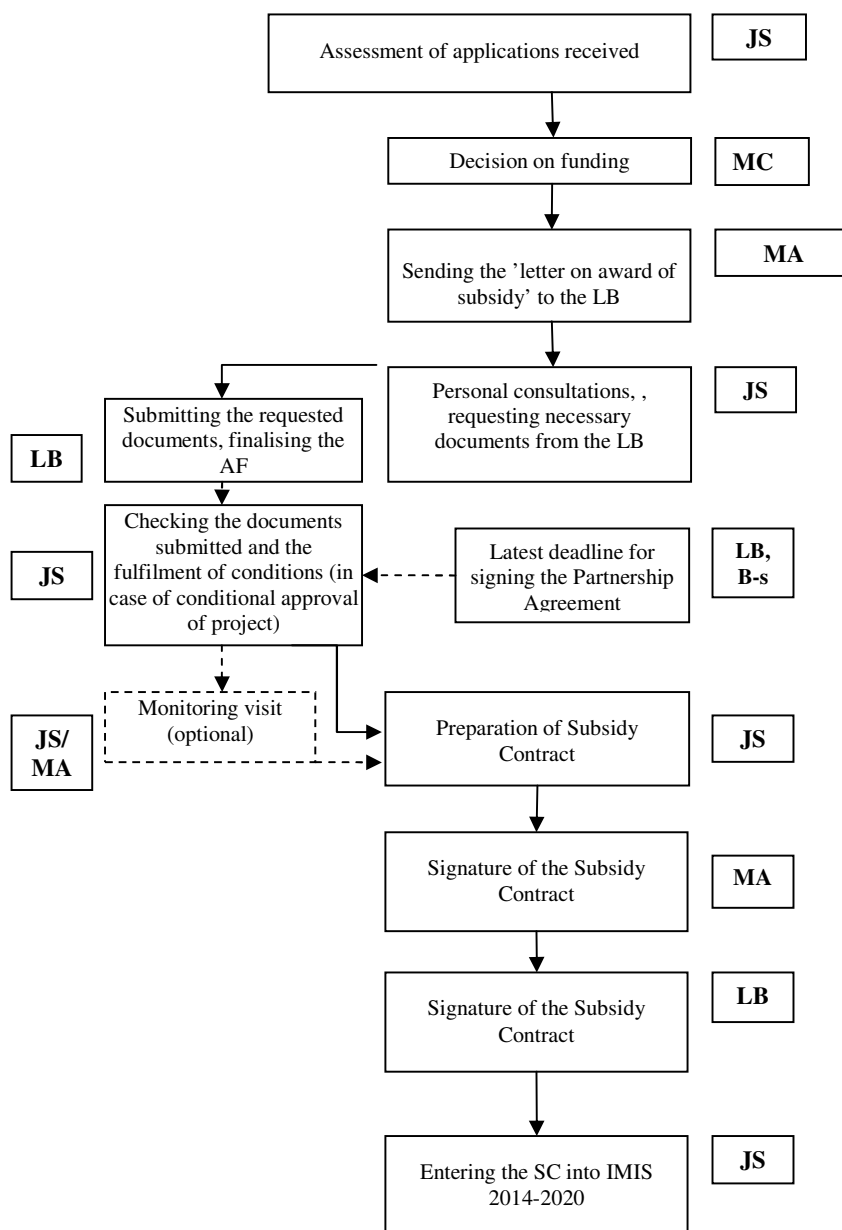
Through the contracting process the responsible JS member may request further additional information or completion of documents if proven necessary for the proper understanding and approval of the submitted documents. In general, in cases of completion of documents or further data for concluding the EU Contribution Subsidy Contract, the JS will ask the LB to submit requested documents in 10 calendar days from the receipt of the documents submitted by the LB.

If deemed necessary, the JS and/or the MA can decide to carry out an on-the-spot visit at the premises of the LB (and of the B-s, if needed) or on other location(s) of implementation. The main purpose of the on-the-spot visit is to check whether the contents of the AF are in line with the findings of JS/MA staff in case of any irregularity and/or feasibility suspicion. See information about monitoring visits of the JS in Chapter 2.3.7.

The monitoring visit is carried out on the date agreed with the LB. During the visit minutes are to be prepared (to be stored in the project dossier), containing the observations of the JS/MA staff.

If the content of the EU Contribution Subsidy Contract is agreed by the contracting parties, it will be signed first by the MA and will be sent in 3 originals to the LB. The LB has to sign it during 7 calendar days from the receipt of the contract from the JS and has to send back the Subsidy Contract in 2 originals either personally (with proof of receipt) or by registered mail, certified (dated, stamped and signed) by the legal representative of the LB organisation.

### Concluding EU Contribution Subsidy Contract (SC)



The EU Contribution Subsidy Contract shall serve as a basis for the monitoring activities, and it is a core document in the event of settlement of disputes.

From the date of signature by the LB the contract enters into force and the project shall start on the date indicated in the EU Contribution Subsidy Contract. The starting date generally cannot be later than 2 months upon the signature of the contract. (At the same time, a project can be started by the partnership also before the stipulation of the EU Contribution Subsidy Contract but after the receipt of the project proposal by the JS – see Chapter 3.3.2.1 of the Guidelines for Applicants.)

After signing the Subsidy Contract, the Applicant becomes a Lead Beneficiary responsible for implementing the EU co-financed operation. All other B-s are also beneficiaries of European funds. If relevant, the LB and the B-s will each sign a separate contract for state contribution.

## 2.3 Project modifications

Even if well planned and prepared, the implementation of a project might face **the necessity of modifications** for several reasons. Based on the data to be modified, there are three types of modification: administrative modification, other project changes and SC modification. All kinds of modification have to be initiated by the LB in electronic form via IMIS Front Office.

Different types of modifications can be submitted at the same time. Based on the type the JS will process the request. Modification request(s) can be subject to approval, completion or rejection.

2.3.1 **Administrative type** of data amendment of the LB/B datasheet shall be handled automatically through IMIS Front Office.

Circle of data	Way of requesting, outcomes
a) Changes in the LB/B contact data (legal representative, contact person, phone number, mobile number, e-mail address, official address (in case it remains in the eligible area), and mailing address.	<ul style="list-style-type: none"> <li>– Submission of Administrative modification request by the LB via IMIS FO</li> <li>– Automatic approval</li> </ul>

The LB has to submit a separate modification request via IMIS in case of a change in the project bank account within 15 calendar days counted from the change incurred, or with the submission of the relevant PR/AfR at the latest. In case the LB fails to properly inform the JS on the details of its separate project bank account, all consequences, including those of financial nature, shall be borne by the LB.

Changes in the LB Recording user and/or LB Signatory user of IMIS FO are handled as special modification requests. Please notify the JS in due time for further assistance.

2.3.2 **Other Project Changes (OPC) type** of modifications is relevant in the following cases:

Circle of data	Way of requesting, outcomes
a) Changes in the content of the project (resulting in 20% or less than 20% deviation from the quantified outputs; e.g. output or result indicators); b) Changes in the activities of the project (e.g. slight changes in terms or	<ul style="list-style-type: none"> <li>– Submission of OPC request by the LB via IMIS FO</li> <li>– Approval of the JS in IMIS</li> </ul>

quality); c) Budget reallocation between budget lines, <i>not exceeding</i> 20% of either affected main budget line, or not exceeding 10.000 EUR within the budget of the particular LB/B; d) any other data which does not belong to the circle of data which is handled as administrative- or SC modification (see in 2.2.1.1 and in 2.2.1.3).	
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2.3.3 The modification is considered as **SC modification type** in case of substantial changes in the project as specified in the EU Contribution Subsidy Contract, which are the following:

Circle of data	Way of requesting, outcomes
a) Changes in the composition of the project partnership (e.g. replacement of LB/B resigned/backed out from the project, excluding changes related to Supporting stakeholders); b) Any other cases decided upon by MA / JS to be considered by MC. c) Prolongation of project duration within the maximum project duration as defined in the Guidelines for Applicants; d) Budget reallocation between beneficiaries	<ul style="list-style-type: none"> <li>– Submission of SC modification request by the LB via IMIS FO</li> <li>– Written approval of the MC</li> <li>– Addendum to the Subsidy Contract</li> <li>– Validation of changes in IMIS by the JS</li> </ul>
e) Substantial changes in the content of the project (resulting in a more than 20% deviation from the quantified outputs); f) Budget reallocation between <b>main budget lines</b> <sup>1</sup> exceeding 20% of either budget line and exceeding 10.000 EUR within the budget of the LB / B; g) Changes to activities (introducing new ones or replacing old ones);	<ul style="list-style-type: none"> <li>– Submission of SC modification request by the LB via IMIS FO</li> <li>– Written approval of the MA and JS (in consultation with first level controllers, if necessary)</li> <li>– Addendum to the Subsidy Contract</li> <li>– Validation of changes in IMIS by the JS</li> </ul>

Additional Beneficiaries above the number designated in the approved Application Form cannot be included in the project.

<sup>1</sup> Main budget lines which can be affected by the reallocation are the following: 2. Staff cost (calculation on real cost basis), 4. Travel and accommodation costs, 5. External expertise and services costs, 6. Equipment expenditure, 7. Infrastructure and works.

Only one project modification request (containing any types) can be prepared and submitted at a time via IMIS FO. In case a project modification request is submitted via IMIS FO, starting a new modification request will not be allowed by the system.

Please note that only the LB is entitled to request and discuss project modifications with the designated JS member, hence the B-s have to discuss and finalise their project modification needs with the LB who is responsible for channelling information and documents to the JS.

In every case when the modification is validated in IMIS an automatic e-mail is sent by the system to the LB about the approved changes. The confirmation on acceptance shall explicitly identify the modified data, as well as the date from which the project modification is effective. Before the changes are submitted by the LB to the JS via IMIS FO, it is advised for the respective LB/B to discuss the changes in question with the designated first level controllers and the designated JS member.

Any budget modification should be carefully prepared by involving all B-s and by clarifying their needs.

Please bear in mind that modifications can be approved only in case there are no submitted Beneficiary Reports or Project Report.

Avoiding project modifications is advised since in the integral control system (IMIS 2014-2020) BRs, PR/AfRs and project modifications are interlinked and thus proceeding modification requests might have limited possibility.

The process of submitting the modification request is described in the IMIS User Manual made available on the Programme website.

### **General rules for budget reallocations**

**The limit of budget reallocation is calculated from the concluded original EU Contribution Subsidy Contract**, so the accumulation of changes is counted together and rules are applied accordingly. By its nature, any increase of a budget line(s) on one side leads to a reduction of budget of other budget line(s) on the other side, therefore each affected budget line is taken into consideration, in line with the respective rule.

Given the case in the following example of a project that wants to do budget increases within the 20% limit:

<b>Budget line</b>	<b>Original budget</b>	<b>Modified budget</b>	<b>Increased/decreased amount</b>	<b>Increased/decreased amount in %</b>	<b>Approval by</b>
5 External expertise and service	20 000 EUR	26 000 EUR	6 000 EUR	30% increase	JS
6 Equipment expenditure	100 000 EUR	94 000 EUR	6 000 EUR	6% decrease	JS

The following example for reallocation request will be subject to a case-by-case decision of the MA:

Budget line	Original budget	Modified budget	Increased/decreased amount	Increased/decreased amount in %	Approval by
4 Service	20 000 EUR	32 000 EUR	12 000 EUR	60% increase	MA
5 Equipment / Supply	100 000 EUR	88 000 EUR	12 000 EUR	12% decrease	MA

All indicated changes in the project have to respect the rules of the Call for Proposals as laid down in the Guidelines for Applicants, meaning that if a limit for a certain type of cost had been given in the Guidelines for Applicants, the notified (initiated) change also has to respect the limit.

There are certain budget lines where lump sum amounts are calculated (e.g. 1. Preparation costs, 3. Office and administration expenditure, 6.2 Equipment for general office use) – here reallocation cannot be initiated.

When already contracted, the chosen reimbursement option for Staff cost can not be changed during project implementation.

It is important to know that since staff costs calculated on a flat rate basis are dependent on the direct costs of the project (5. External expertise and services costs, 6.1 Equipment expenditure, 7. Infrastructure and works), during the implementation phase the reallocation of direct costs might affect this dependent staff cost and thus will be calculated automatically. Please note that budget line 3. Office and administration expenditure is also dependent on the 2. Staff cost, and therefore might be affected by any reallocation applied in the direct costs or staff cost calculated on real cost basis.

The B-s have to bear in mind that, in general, new activities cannot be budgeted in the project, only in case they are approved by the MA in the frame of SC modification. Also, in general, budget items which have been affected by deduction in the project selection phase cannot be increased during the project implementation phase.

### **General rules for modifications of the Subsidy Contract**

**In general the maximum project duration, defined per Components in the Guidelines for Applicants for the 1<sup>st</sup> Call for Proposals cannot be exceeded.**

**In general, budget reallocations between B-s are not allowed.** In duly justified cases, where the implementation of the project is at risk without the reallocation, based on the professional proposal of the JS the MA can decide to refer the case to the MC for decision.

**Subsidy Contract modification can be requested only once during the project life cycle for projects whose duration is up to 12 months, while for those projects whose duration is 16 to 20 months, modifications can be made two times.**

(Concerning these longer projects it is possible to request one modification in the first 12 months of implementation and one in the remaining period.) Exceptions are possible only in duly justified and urgent cases (e.g. vis major situations).

In any case the request for modification has to be submitted to the JS through IMIS FO at least 45 calendar days before the project end date (end of the last reporting period), as well as 45 calendar days before the end of any of the reporting periods. Requests for modification which are submitted after these deadlines might be subject to automatic rejection.

Any request for modification of the EU contribution Subsidy Contract has to be reasonable, clearly justified with proper supporting documents if needed, and submitted by the LB to the JS via IMIS FO.

In case of SC modification the MA or the MC are entitled to bring the final decision.

After the approval of the MA/MC the finalised Addendum to the EU Contribution Subsidy Contract has to be signed by both parties (i.e. LB and MA). The date from which the changes contained in the Addendum shall be effective is to be identified in the text of the Addendum.

It is important to note that modification of the EU Contribution Subsidy Contract needs approximately 30 calendar days in regular cases and the verification of costs on project part level is not possible if the content of the modification is related to the given reporting period.

## ***2.4 Reporting and Reimbursement Process of the EU Contribution***

The payment of EU Contribution is connected to the submission and approval of PR/AfR-s. The aim of the PR-s is to present the progress in the implementation of the project and the way B-s acted in order to obtain these results. The PR furthermore underpins the content of the Application for Reimbursement, proving that the costs incurred are directly linked to the tasks and activities stipulated in the EU Contribution Subsidy Contract. Each PR submitted to the JS will have to be prepared and submitted by the LB in electronic form via IMIS. Electronic certification of the PR/AfR is done at the last step of the submission by the 'Signatory user', being the legally authorised/statutory representative of the LB organisation. An essential condition of the transfer of EU Contribution is the timely submission of the reports, both on Beneficiary level and on project level, in the right format and with the correct information, together with the necessary supporting documents / annexes.

In case of considerable delays in submitting the PR/AfR as defined in Article 4.13 of the EU Contribution Subsidy Contract, or in case multiple completions of the PR/AfR are required attributable to the LB and/or any of the B-s, the MA is entitled to apply a proportional reduction to costs related to project management up to 25%.

The PR-s shall be submitted on a regular basis according to the dates specified in Article 4.13 of the EU Contribution Subsidy Contract. In order to help the successful preparation of the PR-s, the head of JS nominates a programme manager for each project, being the responsible colleague for the proper guiding of a given project. LB will be informed by IMIS in form of an automatic e-mail 30 calendar days before each PR/AfR submission deadline as defined in the EU Contribution Subsidy Contract.

Following the receipt of the notification e-mail, the LB shall prepare the PR/AfR based on the validated BRs and DOVEs available in the system. In case the LB cannot find all related BRs and DOVEs for the given reporting period concerning all Bs and LB of the partnership, the LB has to urge the Bs to have their DOVE validated.

Additional obligatory deadlines to submit a PR/AfR above those regulated in Article 4.13 of the EU Contribution Subsidy Contract may be set by the MA in order to avoid decommitment of EU contribution at programme level.

The submission of an interim PR/AfR may be requested by the partnership through the LB in exceptional cases, which will be subject to JS approval.

The EU Contribution will be transferred directly to the LB's bank account (sub-account) exclusively opened for the project. It is the sole responsibility of the LB to further transfer the paid amount of EU contribution to the relevant Bs,

#### **2.4.1 Progress Report and Application for Reimbursement (PR/AfR)**

At the end of each reporting period of the implementation (after every 4 months), the LB will have to prepare a PR/AfR, informing the programme management bodies about the activities carried out and the expenditure that has occurred since the last reporting. In order to elaborate a comprehensive report, the LB will have to gather data and documents regarding the entire project from all B-s available in IMIS. LBs also will have to prepare their own Beneficiary Reports concerning their part of the activities implemented, necessary for the validation of their own expenditures by the Control Bodies. The LB/Bs should be aware that this is a time- and resource consuming procedure, therefore the precise preparation of the documents is essential for the successful reimbursement process.

With the submission of the PR/AfR which is a summarised activity- and a financial report based on the available validated BRs and DOVEs of each LB/Bs relevant for the given reporting period, the LB has to submit other relevant supporting documents etc. as well.

The deadline for the LB to submit to the JS the PR/AfR for each four-month reporting period via IMIS FO is **80 calendar days** (final PR/AfR is 100 calendar days) from the end date of each reporting period. The project starting date wherefrom the reporting periods are counted, the reporting periods and the actual deadlines for submission are indicated in the EU Contribution Subsidy Contract.

#### **Preparation and content of the PR/AfR, procedures**

The PR/AfR is developed and required in order to follow regularly the implementation of project activities in a given period of time. The report shall provide an overview of the project implementation status as well as present the inefficiencies and unaccomplishments (deviations, delays) in comparison with the planned project evolution presented in the EU Contribution Subsidy Contract. On programme level the report shall serve as an information source on the progress of the Programme towards the European Commission and programme management structure.

The PR/AfR has two main parts: a descriptive and a financial report. The bases for compiling the PR/AfR are the individual BRs and DOVEs available in the system for



preparing the PR/AfR. **In the descriptive parts** the LB has to provide a comprehensive summary from project point of view in the relevant cells concerning different key aspects and also related to the project activities and information and communication activities carried out in the given period. Descriptions available in the BRs can be used as basis but should not be copy-pasted as a whole into the description provided by the LB in the PR/AfR.

**The financial part** shall contain the validated expenditures incurred by the activities implemented in the reporting period on Beneficiary level. The financial report must contain information on the expenditure paid out during the reporting period, supported by invoices or accounting documents of equivalent probative value and validated by the controllers in the frame of the first level control process. The LB shall ensure that the expenditure presented by the B-s for reimbursement is not double financed, is in compliance with the principle of sound financial management and is included in the approved budget of the project. The financial report shall present the costs incurred and revenues gained in the reported period on beneficiary level<sup>2</sup> – main budgetary lines, a summary on project level only on main budgetary lines. The validated DOVE of each and every LB/B available in the system and relevant for the given reporting period serves as basis for the financial report. The LB has to check if all relevant DOVEs are available for all LB/Bs and are covering the whole reporting period. This part shall contain also information on the transfer of the EU Contribution by the LB to the B-s regarding the preceding reporting period.

**The following documents are to be submitted with the Project Report:**

1. One issue/piece of the published publication, brochure, book, study, database etc. in hard copy and in electronic format (uploaded to the relevant PR/AfR in IMIS) – with clear reference to the original activity indicated in the Application Form;
2. One issue/piece of the promotional materials (paper-prints, leaflet, brochure, sticker, folder, notebook, pen, bag, umbrella, pen drive, etc. in hard copy – with clear reference to the original activity indicated in the Application Form;
3. Photo documentation of the works or equipment/supplies in electronic format (uploaded to the relevant PR/AfR in IMIS) – with clear reference to Sheet 12 of the Application Form (Location of works) and/or to budget line 6 and 7 (Equipment expenditure – Infrastructure and works) of the individual Bs' budgets (AF Sheets 8), if relevant;
4. Bank statement of the LB proving the transfer of EU Contribution to B-s (related to the antecedent reporting period) in scanned form, uploaded to the PR/AfR being submitted in IMIS, if relevant.

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<sup>2</sup> In case the LB/B is a HU local government the following legislation prevails: *“Parties agree that certain activities of the Beneficiary {name of municipality} will be implemented by the mayor’s office as being the executive organ of the Beneficiary in accordance with Article 41(1) and 41(2) of Act No. CLXXXIX of 2011 on Local Governments in Hungary as well as paragraph 1 of Article 6/C of Act No. CXCV of 2011 on Public Finance, so that the costs reimbursed by the mayor’s office are eligible for support”.*

Please note that JS may define other specific documents to be submitted either in electronic and/or in hard copy. In case hard copy versions of documents are requested the postal address will be communicated by the JS in due time.

**The language of reporting is English.**

### **Access rights to the Information and Monitoring System (IMIS)**

LBs will be provided with access rights to the IMIS in order to prepare the PR/AfRs in due time before the first PR/AfR is to be submitted. A so-called Recording User (RU) and a Signatory User (SU) will be able to handle PR/AfRs and project modification requests in the system from the side of the LB.

**Please note that the preparation of the PR/AfR in IMIS is done by the Recording User, while the Signatory User is certifying the PR/AfR when clicking on the 'Submit' button. Relevant supporting documents connected to the given PR/AfR in general have to be uploaded to IMIS, however, in exceptional cases when a hard copy version of the supporting document is sent by post to the JS, the submitted documents have to be certified by the LB.**

### **Deadlines**

Deadlines for submitting the project level PR/AfR and the supporting documents through the IMIS are to be in line with the deadlines indicated in the EU Contribution Subsidy Contract (Article 4, point 13). In order to keep deadlines, automatic reminder e-mails will be sent out by the IMIS system. The spending forecasts indicated in Article 4 point 13 must be respected. In case of deviation from the spending forecasts the MA is entitled to decommit the project by reducing the original project budget and the corresponding EU contribution if underspending compared to the spending forecast results in n+3 decommitment.

Following the receipt of the PR/AfR in IMIS, the nominated JS members start the necessary formal and professional verification. Through the verification process the delegated JS members may request further additional information or the completion of documents, if that will be necessary for the proper understanding and approval of the submitted documents. The verification process stops in case a completion of documents or further data are needed for decision.

The verification process covers two main fields: verification of the project implementation (content, activities, indicators, communication, outputs and results etc.) and verification of the financial aspects of the project (DOVEs, AfR, payment forecast, budget tables, transfer of funds to Bs etc.). The documents will be considered ready to be forwarded to the next step of the reimbursement process only in case both aspects (content and financial) are checked and approved.

The verification of the PR/AfR as well as the supporting documents will be carried out by the JS in line with the PR/AfR verification checklist (see Annex 1)

In the verification process of the PR/AfR, special attention will be paid to the following:

- Activities detailed in the PR/AfR correspond with the approved application and the Subsidy Contract and are implemented by the assigned B-s;
- the objectives of the project described in the application are completed within the given activities in the reporting period;
- the indicators reported in the application are in accordance with the progress of the project implementation;
- the progress of the project is in line with the time plan stated in the approved application;
- the obligations for information and publicity are met,
- the obligations for horizontal policies are met,
- the expenditure stated in the report is in line with the items approved in the budget (meaning that budget lines are not overstepped),
- the financial report does not contain calculation mistakes; the reported costs are eligible, properly justified and reasonable, taking into consideration the achieved project deliveries; the costs affected by State aid stipulations are concerned; revenues are deducted);
- All relevant DOVEs of the concerned reporting period are included in the PR/AfR.

In case the PR/AfR as well as the connected DOVEs are not appropriate in content and/or in their format, the JS member shall request for completion or for further documents that shall clarify the content questions. The LB has 10 calendar days at its disposal after receiving the notice to submit the required clarifications and/or missing documents. The documents should be submitted via IMIS. If the LB does not submit the requested completion by the given deadline the IMIS system will send a warning notice, emphasizing the consequences to be expected. After the second, unsuccessful notice the PR/AfR might be rejected.

#### **2.4.2 Preparation and content of the Application for Reimbursement**

The AfR will be prepared within the IMIS system based on the DOVEs selected by the LB and will summarize the expenditures incurred by the LB / B-s following their approval in the frame of the control process by the designated first level controllers. The reimbursement shall cover costs arisen by B-s in a given period of time, incurred for the purpose of project implementation and corresponding to the approved project activities..

In case the DOVE-s are not received from each of the B-s for a given reporting period, the LB shall submit the PR/AfR on the basis of the DOVE-s that are available by the reporting deadline. The expenditure of the B-s not validated for the given reporting period, can be requested to be validated only in the next reporting period. .

#### ***Handling deductions from the PR/AfR:***

The amount of the PR/AfR shall be reduced and the DOVE has to be reissued due to the following reasons:

- a) Ineligible expenditure in the actual PR/AfR;

- b) overstepping of the budget line occurs, and they (when cumulated) exceed the approved amount of EU contribution in the SC;
- c) inappropriate delivery of planned project outputs and results in terms of quality and content;
- d) differences/deviations concerning the approved project activities;
- e) unjustified, unnecessary, over budgeted and inappropriate costs;
- f) the cross-border impact of the activities cannot be traced;
- g) minimum communication requirements of the Programme are not kept;
- h) EU horizontal policy requirements of the Programme are not kept.

In case of any correction to the amount of the PR/AfR the DOVEs are sent back to the FLC to revalidation. LB has to resubmit the PR/AfR with the revalidated DOVE. PR/AfR may be resubmitted without the particular DOVE which is sent back to revalidation, but once the DOVE is revalidated it has to be submitted with the following PR/AfR the latest. Any financial correction of requested EU Contribution related to irregularities in previous periods has to be made at this point as well.

### **2.4.3 Procedure of reimbursement of EU Contribution**

Once the PR/AfR is approved by the JS, the LB will be informed about it by an automatic notification e-mail sent by the IMIS system, and the reimbursement process will start.

The MA, after having verified that all contractual clauses and other requirements of the audit trail have been respected, will make arrangements in co-operation with the Certifying Authority for the availability of the EU Contribution and they will transfer the requested payment to the LB's bank account (sub-account), exclusively opened for the project.

It should be noted that the controls performed by the MA may result in additional requests for clarification to the LB, even if the report was technically approved by the JS.

After receiving the EU Contribution the LB is obliged to transfer in time and in full the share of the EU Contribution that corresponds to each of the B-s according to the approved PR/AfR, within the timeframe agreed in the signed Partnership Agreement. Transfer of the EU contribution of the antecedent period to the Beneficiaries has to be reported in the next PR/AfR.

In case there are specific national rules concerning the use of the national currency, the LB has to comply with them. Assistance to the LB-s such transfers of EU contribution are specified in the national level Beneficiary Guidelines. (Applicable only in case of Croatian LB-s).

#### **2.4.4 Final PR/AfR**

The final PR/AfR has to be submitted by the LB as defined above (submission of PR/AfRs – see chapter 2.3.2), paying special attention to the following supporting documents:

Please bear in mind that all project activities have to be completed and reported by the end of the project. The final project outcomes have to be presented and supported with evidence along with the Final PR/AfR the latest.

In case of investment type of projects the following additional specific documents have to be submitted:

1. Photo documentation of the works and equipment;
2. Report of the technological delivery session (műszaki átadás-átvételi nyilatkozat / zapisnik o primopredaji radova);
3. Statement of the responsible architectural supervisor (felelős műszaki vezető nyilatkozata / izjava nadležnog građevinskog nadzora);
4. Valid permission of use (használatba vételi engedély / uporabna dozvola); any other permits prescribed by regulations; or the
5. Temporary permission of use (ideiglenes használatbavételi engedély / privremena uporabna dozvola) can be accepted from the Beneficiary, or it can submit the copy of the document (provided by the relevant authority) proving that the organisation has handed in its request for the initialisation of the permission procedure (if relevant).

Please note that JS may define other specific documents to be submitted either in electronic form and/or in hard copy. In case hard copy version of documents are requested the postal address will be communicated by the JS in due time.

**The language of reporting is English.**

**Please note that the Final PR/AfR, as well as all other relevant supporting documents have to be certified by the LB signatory user(s) in IMIS 2014-2020.**

If the LB does not submit the requested completion by the given deadline, the IMIS system will send warning notices as described above in Chapter 2.3.2. After the third unsuccessful notice the PR/AfR might be rejected, and the LB will be informed about the possible/applied sanctions (e.g. suspension of last payment, repayment of subsidy, withdrawal from Subsidy Contract). If the Final PR/AfR contains ineligible expenditures, the amount of these shall be deducted at this stage.

The project closure procedure, as the final step of the project implementation period, means the procedure related to the payment of the EU Contribution based on the final PR/AfR. While project closing, the JS verifies the Final PR/AfR submitted by the LB and checks whether all activities are fulfilled according to the approved Application Form, and whether all requirements arising from the EU Contribution Subsidy Contract are fulfilled. (E.g. the project has been fully implemented by carrying out the planned activities, the planned outputs and results; the project is developed in due time, etc.)

Following the approval of the Final PR/AfR the JS initiates the financial closing of the project in the IMIS in order to calculate the exact amount of EU Contribution to be paid to the project.

Financial closing cannot be initiated in case other processes such as irregularity and recovery procedures related to the project are not closed.

While the project is considered closed, the project data in the IMIS are available for further audits during the programme period and after at least 3 years from the closure date of the Programme. During this period, irregularity procedures and repayments can be initiated as a result of the audit related to the project at any time.

**Please bear in mind that in line with Article 4 point 16 of the Subsidy Contract and the following chapter below (2.3.6), the JS might request Project Follow-up reporting, therefore it is strongly advised to properly record and file all connected supporting documentation of project maintenance in the follow-up period.**

## ***2.5 Maintaining of project results after project closure (Project Follow-up Report)***

Despite that the project was closed, all the activities were implemented, the Final PR/AfR was accepted and the final payment was paid, the Beneficiaries still have obligations of towards the Programme. There are still some tasks to be completed by the LB and the B-s, such as keeping the project documentation in a safe place for the possible audits, and preparing and submitting the requested Project Follow-up Reports. Additional financial controls are still possible during the entire programme period and three years after the Programme closure, and the B-s shall be able to provide documentation proving expenditure incurred and payments received during the project's implementation.

In case any change occurs regarding the legal status of the LB/Bs (cessation, legal succession, merging etc.) the JS has to be notified in due time. See also relevant information in chapter 2.1.1 above.

Provisions regarding ownership issues as laid down in Article 15 of the Subsidy Contract have to be kept during the maintenance period as well. In general, outputs and results of the project and budget items as Equipment expenditure and Infrastructure and works are considered to be subject to the obligation for sustainment. .

The LB upon request by the JS shall submit Project Follow-up Reports, proving the sustenance of the project outputs and/or results each year until 31 March, covering the period of the preceding calendar year. The follow-up period starts on the following day of the project end date.

The whole follow-up period lasts for five years from the final payment to the Lead Beneficiary or within the period of time set out in State aid rules, where applicable. The JS considers the importance of the given output/result, the aim of the project, the depreciation of the equipment/investment and other circumstances when deciding about Follow-up Reports.

Upon request the Project Follow-up Reports shall be submitted by the LBs through IMIS 2014-2020. In the Follow-up Report the LB provides content-related and financial

information about the sustainability of project results, the utilization of the outputs, the benefits that the target groups experienced, the continuation of the co-operation between the Beneficiaries, about revenues and the performed communication activities and the impact generated.

Follow-up Reports are handled similar to project reports: a reminder e-mail is sent before the reporting deadline, the report is checked and in case it is not appropriate in its format or content the JS asks for completion. The LB has 10 calendar days after receiving the notice to submit the clarifications and/or missing documents. If based on the report it may be supposed that project outputs are not sustained (or requests for clarification or completion/re submission are of no avail) the JS initiates an irregularity procedure to be carried out.

## **2.6 Monitoring visits**

Monitoring visits can be carried out by the JS in the following phases:

- during the contracting phase,
- during the implementation phase,
- in the maintenance (follow-up) period.

In case of investment projects a preliminary monitoring visit can be organised to check the level of readiness before concluding the Subsidy Contract.

The JS performs monitoring visits in order to help the partnership to carry out smooth project implementation, to check the progress of the project from a professional point of view, and to assure that project outputs and result are maintained after the project closure. The monitoring visit takes place **at least once during the implementation period**, or multiple times, if necessary. The visit may also be connected to a project event where the B-s are participating. The goal of the visit is for the JS to check the professional accomplishment and the reality of the project, and it also provides possibility for the partners for project consultation. The monitoring visit is not considered an audit but it contains checking criteria related to the implementation of the project. Therefore the JS can propose specific actions for the partnership (e.g. project modifications, consultation with programme bodies, enhancing project quality etc.) or in case the project implementation is significantly different from the objectives indicated in the Subsidy Contract, or if an irregularity is suspected, then suspending payments or withdrawal from the Subsidy Contract can be initiated by the JS.

### **The aim of the monitoring visit:**

- On-the-spot monitoring of the project progress, personal consultation of problems occurred as well as identifying reasons of significant delay (if any);
- To clarify and gain more information about occurred professional/technological challenges and changes in the project (e.g. to gain sufficient information for a modification of the EU Contribution Subsidy Contract);

- To clarify information included in the submitted documentation for contracting, PR/AfR, Final PR/AfR and Project Follow-up Report in case there are conflicting or not properly elaborated data;
- To visit the main or important event(s) of the project;
- The enquiry of obligations borne by the B-s connected to the implementation of the project (e.g. accomplishing project results, publicity, safekeeping of documents etc.)

If the JS initiates a monitoring visit the LB is notified about the proposed date **at least 5 calendar days before the monitoring visit.**

### **3 ANNEXES**

Annex 1: PR/AfR verification checklist