



**Interreg**



Co-funded by  
the European Union

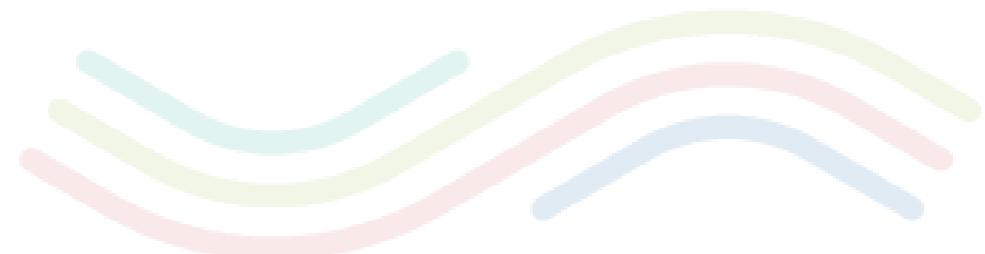
**NEXT MED**

# Interreg NEXT MED Programme

## Project Implementation Manual

**PIM**

Version 1 – 11.12.2025



REGIONE AUTONOMA  
DE SARDIGNA  
REGIONE AUTONOMA  
DELLA SARDEGNA

## TABLE OF CONTENTS

<b>Chapter 1. Key documents and Actors involved</b> .....	6
1.1.    Introduction .....	7
1.2.    Detailed info on key documents .....	7
1.3.    Detailed info on actors.....	9
<b>Chapter 2. Project Start</b> .....	11
2.1. Project start – a practical guide for Interreg NEXT MED projects ....	12
1.1 Why focus on project start? .....	12
2.2. Understand the project timeline .....	12
2.2.1. When does my project officially start and end?.....	12
2.3. Set the accounting system .....	13
2.3.1. How can we make sure that every euro is traceable?.....	13
2.4. Establish the financial tools .....	14
2.4.1 What do we need to put in place before receiving the Programme funds?.....	14
2.5. Select the Lead Partner & Partners' Controllers / Auditors .....	15
2.5.1 Who verifies our costs? .....	15
2.6. Communicate the project start .....	16
2.6.1 How do we make our project visible since the beginning to its end and after? .....	16
<b>Chapter 3. General principles</b> .....	17
<b>Chapter 4. Communication and visibility</b> .....	18
<b>Chapter 5. Financial Management</b> .....	21
5.1.    Advance Payment.....	22
5.1.1    How Much .....	22
5.1.2.    Where will the funds be transferred? .....	22
5.2.    INTERIM PAYMENTS .....	23
5.2.1.    How much?.....	23
5.2.2.    How to submit?.....	23

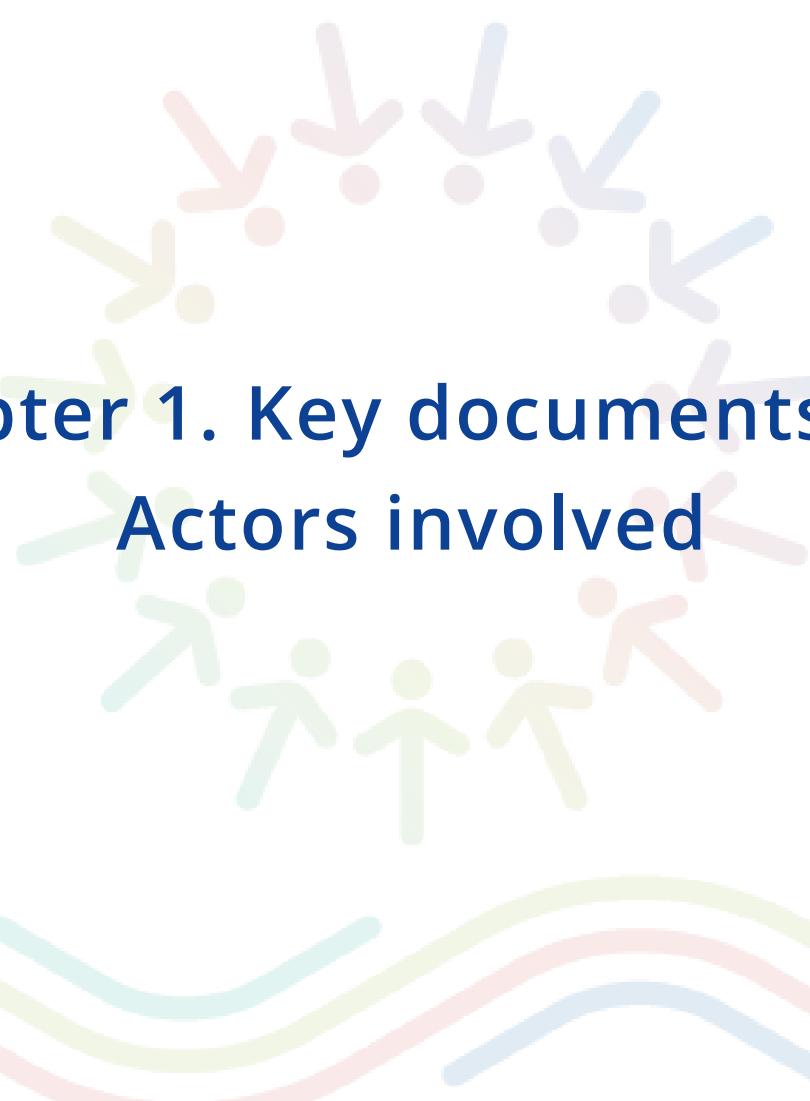
## NEXT MED

5.2.3. How will it be paid?.....	24
5.3. Use of Advance and Interim Instalments .....	24
5.4. FINAL PAYMENT.....	25
5.4.1 How much? .....	25
5.5. CO-FINANCING .....	25
5.5.1 How much? .....	25
5.5.2 What to consider for ensuring the project cash-flow? .....	26
<b>Chapter 6. Eligible Costs.....</b>	<b>27</b>
6.1. Eligible costs .....	28
6.2. Ineligible Costs .....	28
6.3. Eligible Costs: Cost Categories .....	29
6.3.1 Staff costs .....	30
6.3.1.1. Recruitment .....	31
6.3.1.2. Types.....	31
6.3.1.3 How to calculate staff costs .....	35
6.3.2 Office and Administrative Costs.....	40
6.3.3 Travel and Subsistence Costs .....	40
6.3.4 Infrastructure and Works .....	41
6.3.5 Equipment Costs.....	43
6.3.6 External Expertise and Services Costs .....	45
<b>Chapter 7. Procurement.....</b>	<b>48</b>
7.1. Main goals of procurement processes .....	49
7.2. Legal Framework .....	50
<b>Annex II of the Financing Agreement - structure and excerpt.....</b>	<b>52</b>
A. General Provisions .....	53
B. Types of Procedures.....	54
C. Preparation.....	55
D. Technical Specifications and Criteria for Assessment .....	55

<b>E.</b>	<b>Submission, Evaluation and Award decision</b>	56
<b>F.</b>	<b>Contract Performance</b>	56
<b>Type of Procedures and Thresholds</b>		57
<b>Types of Procedure by Publicity</b>		58
7.11.	Key Messages	61
<b>Chapter 8. Reporting and Controls</b>		62
8.1.	Risk-Based Management Verifications (RBMV)	63
8.1.1.	What's RBMV?	63
8.1.2.	Who is in charge?	63
8.1.3.	How is the RBMV Methodology?	64
8.1.4.	Sample Selection and Extension	66
8.2.	<b>REPORTING</b>	66
8.2.1.	Interim and Final Reports	66
8.2.1.1.	WHEN?	66
8.2.1.2.	HOW?	67
8.2.1.3.	WHAT?	67
8.3.	<b>CONTROLS</b>	72
8.3.1.	Administrative Verifications and On-the-Spot Checks	72
8.3.2.	Audit on projects	73
<b>Chapter 9. Project Amendments</b>		75
9.1.	Introduction	76
9.2.	Amendments: Core Financial Rules	76
9.3.	Budget Reallocation: Specific Constraints	76
9.4.	Minor amendments	77
9.5.	Major amendments	78
9.6.	Recap	79
9.7.	Changes in Activities, Outputs, and Results Key Limitations	80
9.8.	Changes in Partnership	80

## NEXT MED

<b>Chapter 10. Monitoring and Risk Management.....</b>	81
10.1.    Project monitoring .....	82
10.2.    Monitoring progress.....	82
10.3.    The role of the Lead Partner .....	82
10.4.    Requirements of the MA and the JS .....	83
10.5.    Support by the National authorities .....	83
10.6.    Regular monitoring .....	83
10.7.    Monitoring of indicators.....	84
10.8.    What can be checked? .....	84
10.9.    Risk management.....	86
10.9.1.    Scope risk .....	86
10.9.2.    Low performance .....	86
10.9.3.    Budgeting – cost risks.....	87
10.9.4.    Time risk .....	87
10.9.5.    Lack of resources.....	87
10.9.6.    Operational risks .....	88
10.9.7.    Lack of clarity .....	88
I.    Risk identification .....	89
II.    Likelihood and impact.....	89
III.    Solutions for each risk.....	89
IV.    Review project risk assessment.....	90
Risk management - conclusions.....	90
<b>Chapter 11. Project closure .....</b>	91



# Chapter 1. Key documents and Actors involved

## 1.1. Introduction

The Project Implementation Manual (PIM) is the main guiding document for all project beneficiaries of **Interreg NEXT MED** Programme funded projects. The document aims to provide detailed guidance in all project phases, from contracting to closure, including reporting obligations and payments. It also aims to offer useful information and clear examples for a better understanding on project implementation according to the Interreg NEXT MED Programme rules and procedures, Programme rules, Grant contract provisions, Partnership Agreement provisions and other applicable legislation, thus ensuring a smooth and effective management of projects.

For this reason, it is highly recommended to circulate this manual among partners with the scope to support a shared and effective management of projects.

The PIM added value is to clarify and detail rules and procedures listed in several Programme reference documents, operational notes and FAQs. Since the nature of these documents is to set general principles, this manual translates principles into operational terms.

Rules and recommendations laid down in this document are mandatory. Failures to provide reports or additional information requested by the Managing Authority (MA) may apply penalties referred to art.12 or may terminate the GC according to art.11. Additional information and documents on calls for proposals and project implementation are available for download from the Programme website: <https://www.interregnexmed.eu/>.

## 1.2. Detailed info on key documents

The documents listed below provide rules, procedures, and instructions on how to implement approved projects:

**Grant Contract (GC).** The GC is the agreement signed between the MA and the Lead Partner (LP) on behalf of the entire partnership and provides the legal framework according to which the project shall be implemented. The main purpose of the GC is the award of the grant by the MA for the implementation of a given project. The GC is composed of 25 articles and 4 Annexes:

- I. Description of the project;
- II. Budget for the project;
- III. Partnership Agreement;
- IV. Information note on personal data treatment according to GDPR (General data Protection Regulation).

## NEXT MED

The GC rules the respective obligations of MA and LP, while the Partnership Agreement, recalls the obligations between the LP and Project Partners (PPs). In case of contradictory provisions between the clauses of the Manual and the GC, the latter interpretation prevails.

### Key issues:

- Quality and timing for the delivery of projects outputs and results declared in the Description of the project will be taken into account during project monitoring. Therefore, respect the content of project description and consider project management according to a holistic approach: technical and financial, rather than only financial;
- The GC foresees penalties related to under-performances and errors in project implementation (art. 12). To avoid financial cuts and recovery orders, the LP should fully understand the rationale of the contract since the very beginning and not during project implementation or worse, at the final stage;
- *"Sharing is caring"*. Therefore, the LP has the duty to provide its Partners a copy of the GC including annexes and amendments and to make sure that obligations and requirements listed under the contract are understood and applied from the start of the project by all Partners.

On December 12<sup>th</sup> 2022 the European Commission (EC) approved the Programming document to support Interreg VI-B NEXT Mediterranean Sea Basin (NEXT MED) Cooperation by, Decision C(2022) 9543. The Programme document defines the strategic framework for 2021-2027.

**Indicative Monitoring and Evaluation** (M&E) Plan (Annex to Programme document). The M&E Plan provides a concise description of the Programme indicators to measure whether the actions implemented by each project achieve the expected results. The Plan is relevant for project implementation since project achievements contribute to attain Programme Indicators.

**TESIM** is a technical assistance project which provides support and guidance to the implementation and management of the seven Interreg NEXT programmes, as well as to the closure of the 15 ENI CBC programmes. It is financed by the EC and is managed by DG REGIO – Directorate General for Regional and Urban Policy, acting as Contracting Authority.

TESIM provides documents (fact-sheets) with detailed descriptions and clarifications referred to several subjects (e.g. National rules on procurement for Interreg NEXT Beneficiaries), available on the TESIM website <https://interregtesimnext.eu/>

## 1.3. Detailed info on actors

Beside the LP and partners, the actors involved in project implementation are several. Out of them, only the ones reported below are relevant to project implementation, while the others are more involved in Programme rather than in project implementation.

Actors relevant to Programme implementation.

1. **The Managing Authority (MA)** is the Autonomous Region of Sardinia (Italy), which is based in Cagliari (Italy) and is composed by the Authorizing and Operational unit, and the Accounting unit. The MA is responsible for the day-to-day operational and financial management of the Programme, ensuring that decisions of the Monitoring Committee (MC) comply with the law, regulations and provisions in force.
2. **The Joint Secretariat (JS)** is a team of international experts responsible for supporting the Managing Authority in the implementation and monitoring of funded projects. The JS is the main reference for the beneficiaries on project implementation.
3. **Two Branch Offices (BOs)** have been established to enhance proximity with local beneficiaries, supporting the Managing Authority in promoting Programme opportunities, organizing events and trainings, and monitoring funded operations. The hosting institutions for the two Branch Offices are: Aqaba Special Economic Zone Authority (ASEZA), based in Jordan for Eastern Mediterranean, and the Region of Valencia (Generalitat Valenciana), based in Spain for Western Mediterranean.
4. **National Contact Points (NCPs)** support the Managing Authority in the information to potential beneficiaries, promotion of the Programme and monitoring of funded projects. They also assist beneficiaries during project implementation in terms of facilitating relations with national partners. One National Contact Point (NCP) for each participating country is appointed by the relevant National Authority (NA).
5. **The Controllers / Auditors of the projects** are appointed by the LP and partners, according to the national rules and procedures. The Controllers / Auditors play a key role in performing the agreed-upon procedures with due care and full respect of the Code of Ethics there in indicated.

## NEXT MED

6. **The Audit Authority (AA)**, assigned to the Autonomous Region of Sardinia, conducts system and project audits for Interreg NEXT MED. It operates independently of the Managing Authority and is supported by a Group of Auditors from each participating country. The AA is authorised to carry out directly, or through its sub-contracted audit company/ies its duties on the whole Programme territory, according to the specific modalities to be decided in the audit strategy. Sample audit on projects will be managed by the AA.

Actors relevant to Programme implementation.

1. **National authorities (NAs)**: is the national institutional counterpart of the Managing Authority (MA) in each participating country;
2. **Monitoring Committee (MC)**: is composed by the NAs and is the key decision-making body of the Programme;
3. **Group of Auditors (GoA)**: The AA is assisted by a Group of Auditors, comprised of a representative of each participating country in the Programme. The main functions of this advisory body are to support the AA and its providers in their duties;
4. **National Controllers (in European Partner Countries) / Control Contact Points (CCPs, in Mediterranean Partner Countries)**: each participating country will appoint one or more National Controller/Control Contact Points (CCPs) to support the MA in the control tasks related to project expenditure verification. They endorse the Controllers selected by LP and partners and check the expenditure, if needed.
5. **Assessment Board (AB)**: Members of AB are appointed by the MC. The function of AB is the selection of the proposals.

### TIPS

- Even if not directly involved in project management, the LP and the partners shall allow the above-mentioned actors the right of access to sites and locations at which the project is implemented (GC art.16.4);
- The LP and partners should start regular relations with the national bodies of their respective countries since the beginning of project implementation. This is in the interest of the project since NCPs can provide support to project implementation and National Controllers/CCPs are directly involved in expenses control.



Interreg



Co-funded by  
the European Union

NEXT MED

## Chapter 2. Project Start



REGIONE AUTONOMA  
DE SARDIGNA  
REGIONE AUTONOMA  
DELLA SARDEGNA

## 2.1. Project start - a practical guide for Interreg NEXT MED projects

### 1.1 Why focus on project start?

Because the first months determine whether your project flows smoothly or faces delays, ineligible costs, or compliance risks. The Programme follows a **preventive risk-based approach**: plan ahead, anticipate and organize before problems arise.

## 2.2. Understand the project timeline

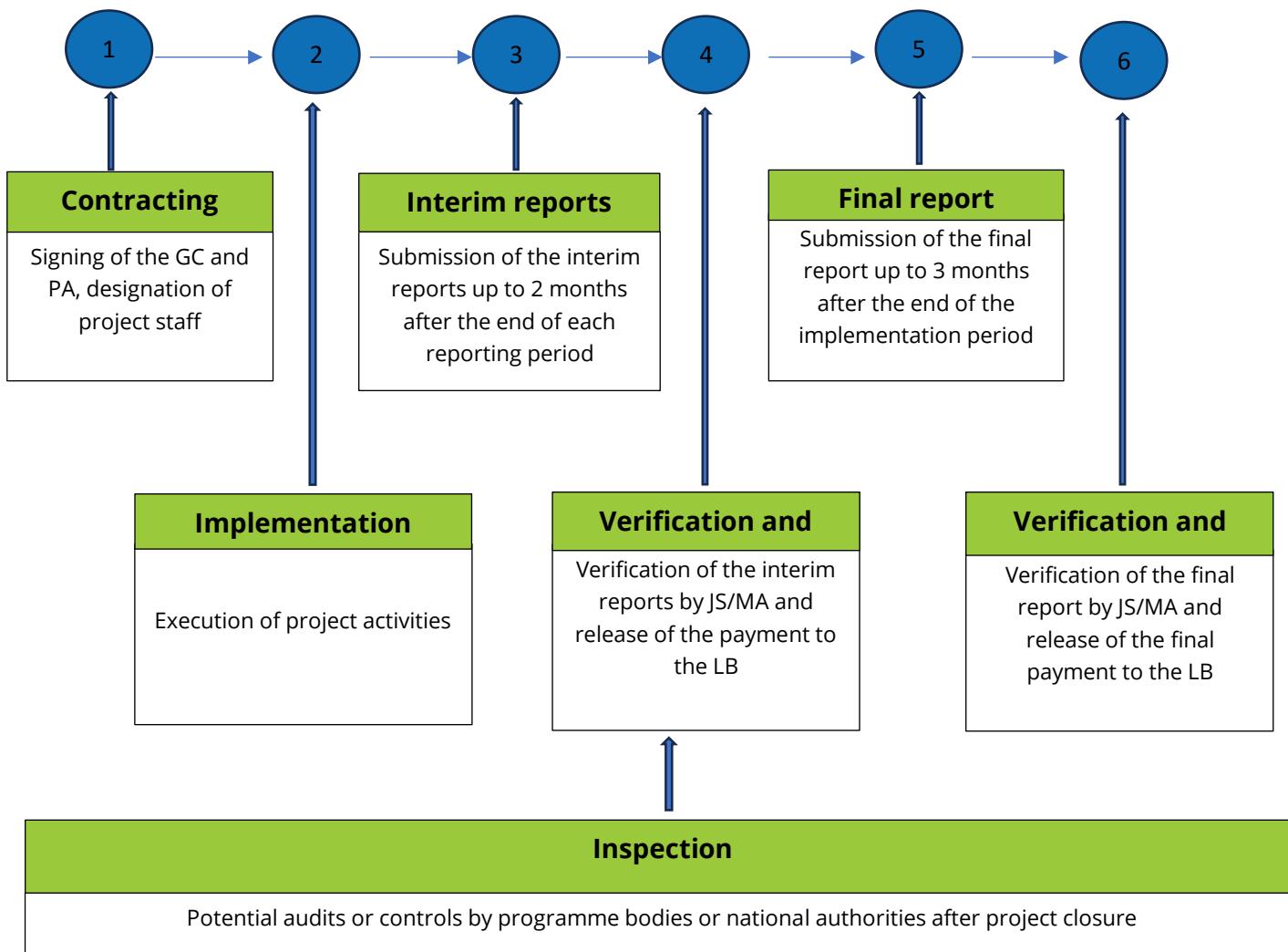
### 2.2.1. When does my project officially start and end?

The implementation period usually starts the day after the second signature, except for projects having negotiated a different date, and ends after the number of months indicated in the Grant contract (Art. 2 - *Implementation period of the project*).

**Remember!**

- Eligible costs are only those incurred during the implementation period (except closure costs)
- It is highly recommended that the key HR staff (project, financial and communication managers) remain in charge until the final report is formally approved by MA
- Delays in final report preparation = delays in final payment

## Project Life Cycle



## 2.3. Set the accounting system

### 2.3.1. How can we make sure that every euro is traceable?

- Each partner must maintain an appropriate accounting and book-keeping system according to the national legislation (GC art. 16.1).
- Records must be **complete, secure, accessible** (GC art. 16.6) "for a 5-year period from 31 December of the year in which the last payment by the MA to the Project is made, and in any case until any on-going audit, verification, appeal, litigation or pursuit of claim has been disposed".
- Missing or incomplete documentation is the primary cause of non-compliance, resulting in budget reductions or cuts.

**Remember Your Checklist:**

- Clear Identification of all project transactions
- Secure digital and Physical document storage
- Easy retrieval for audits/inspections

## 2.4. Establish the financial tools

### 2.4.1 What do we need to put in place before receiving the Programme funds?

- The Lead Partner (LP) **must open a bank account in Euro** for project funds. It is highly recommended, though not mandatory, for MPC partners to have a EURO bank account whenever possible, **to minimise potential losses due to exchange rate fluctuations, as these costs are not eligible.**
- The LP's bank account **must be dedicated to the project in order to ensure the traceability of project funds and expenditure, which can be traced back to a single and the same bank account.**
- In case of public entities acting as Lead Partner, if - due to limitations set by the concerned national legislation - they cannot open new accounts, they can use a pre-existing non dedicated bank account in Euro, provided that it guarantees to keep track of all the incoming funds and all the payments related to the funds transferred by the MA and of the amount of interests accrued.
- If not possible, private LPs and partners must explore alternative solutions to ensure that project payments can still be clearly identified, traced, and verified and communicated to the Managing Authority.

An advance payment is released by the Managing Authority within **30 working days** after the signature of the Grant Contract and provided that the LP has submitted a valid Financial Identification Form.

**NB:** As part of the financial follow-up procedures, LP/PPs must submit to MA the following documents related to the **advance payment**:

1. **Proof of transfer** of the advance payment from the Lead Partner (LP) to the Project Partners (PPs). As stated in **art. 5.1 of the Grant Contract (GC)**, the LP must submit the proofs of transfer to the MA within 10 days from the date of the transfer. The proof of transfer can be the bank receipt of the fund transfer.
2. **Proof of reception** of the advance payment by each PP. In such cases, a bank statement is preferable, but any other document certifying the receipt of the funds will be accepted.

**Remember**

Update your financial plan to reflect **cash flow needs**

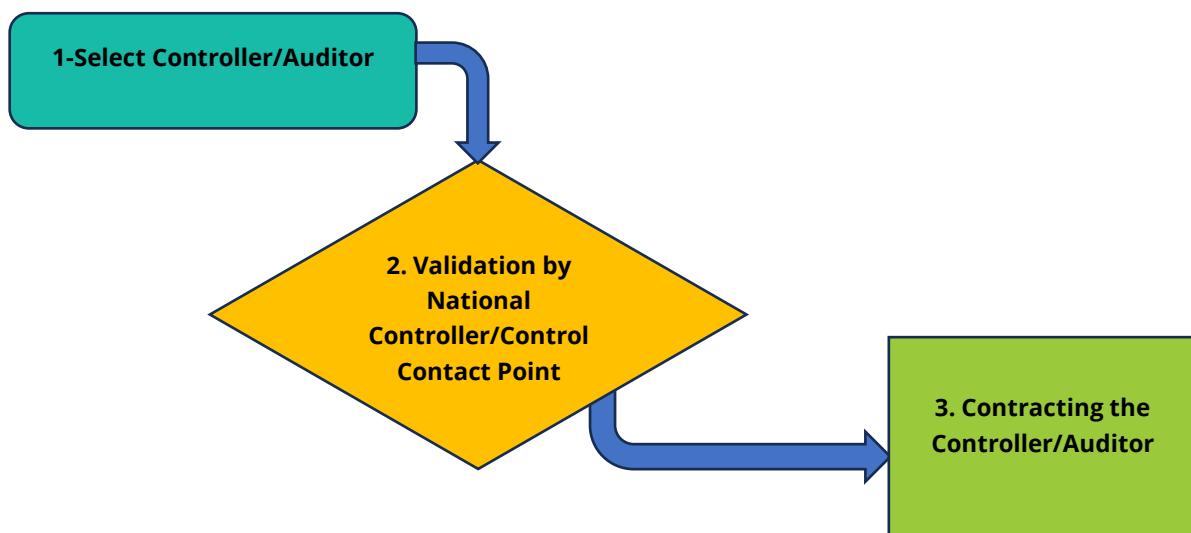
## 2.5. Select the Lead Partner & Partners' Controllers/Auditors

### 2.5.1 Who verifies our costs?

- Each partner appoints a **Controller/Auditor**. You must contact your National Controller (for EU partners and Türkiye) or your Control Contact Point (CCP, for the rest of the MPCs partners). You can find its information on Interreg NEXT MED website under contacts as well as on the DMCS (Description of Management Control, System) Annex 1 for your Country, available on the Programme website.
- There are **two exceptions** to this procedure: **in Türkiye the Controllers/Auditors are selected by the National Authority, while in Greece there is centralised system.**
- Appointment must be **validated by the National Controller (EU&TR) / Control Contact Point (MPCs)**.
- The first Expenditure Verification Report must be ready within **2 months after the first 6 months** of implementation.

**Remember**

- Include an **early termination clause** in the Controller/Auditor contract (in case replacement is required).
- A well-prepared control report significantly reduces delays in the verification and payment process.



## 2.6. Communicate the project start

### 2.6.1 How do we make our project visible since the beginning to its end and after?

Within **3 months of receiving communication guidelines**, complete the following:

- Submit (if required) a **Communication Plan** to your Programme Officer.
- Publish project description on **partners' websites/social media**.
- Tag @InterregNEXTMED in posts and notify the Programme Officer.
- Display your **visibility poster (A3 or digital)** at all partners' premises.
- Produce a **short introductory video** with project goals and impact.





Interreg

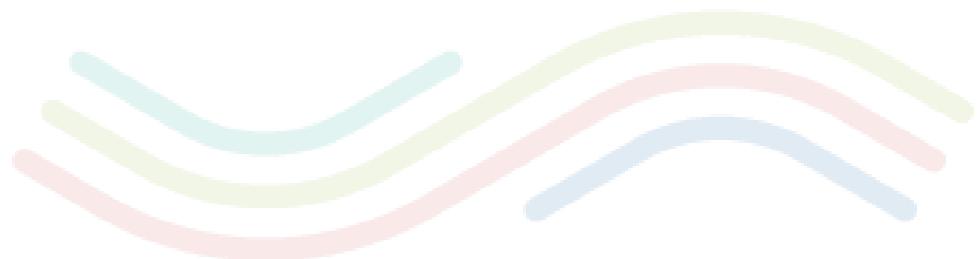


Co-funded by  
the European Union

NEXT MED

## Chapter 3. General principles

*To be published soon*



REGIONE AUTONOMA  
DE SARDIGNA  
REGIONE AUTONOMA  
DELLA SARDEGNA



## Chapter 4. Communication and visibility

## NEXT MED

Communication is a strategic driver of project success, not a secondary activity. Under Interreg NEXT MED, effective communication:

- Supports the achievement of project objectives;
- Ensures transparency in the use of EU funds;
- Demonstrates the value of cooperation in addressing shared Mediterranean challenges;
- Builds trust and a shared sense of purpose across culturally diverse territories;
- Highlights tangible benefits delivered to people and places.

By telling compelling stories of change and cooperation, projects help strengthen the Programme's visibility and impact throughout the Mediterranean.

Communication activities accompany the entire project lifecycle - from the launch phase to the dissemination of results. All funded projects are expected to engage in a mix of:

- Online communication (project website, social media);
- Media relations;
- Public events and stakeholder engagement;
- Production of digital, print, and audiovisual materials.

Each partnership has defined a dedicated Communication Work Package, under the coordination and supervision of the Lead Partner, with specific actions, timelines, and allocated resources. This work package must guide all communication efforts and ensure alignment across partners.

The Programme bodies (Managing Authority, Joint Secretariat, Branch Offices) provide continuous support and capacity-building to help beneficiaries communicate clearly, consistently, and professionally.

Besides use of the project logo on all communication materials (digital and print) and acknowledgment of EU/Programme support in every document or material aimed at participants or the public, the obligations and key requirements to be applied at project level are contained in the following documents:

- [Guidelines for Communication and Visibility](#): this document provides guidance for project partners on how to meet the communication and visibility requirements of the Interreg NEXT MED Programme, supporting effective outreach and compliance.
- [Brand Design Manual](#): this document outlines the branding and visibility obligations that must be respected by the projects funded under the Interreg NEXT MED Programme, with a particular focus on the use of the project logo.

All partners - regardless of the extent of their communication role - must understand and apply the Programme's guidelines. Coordinated communication within the partnership is essential to achieve consistency, accuracy and impact. Sharing the guidelines with all partners promotes a unified, professional, and effective communication approach throughout the project.

Other documents and manuals to guide project communication activities will be published on the Programme website in the [dedicated section](#).

Adherence to visibility rules is mandatory. Non-compliance may lead to ineligible communication costs and financial corrections of up to 2% of the support awarded, as established by Article 36(6) of Regulation (EU) 2021/1059.

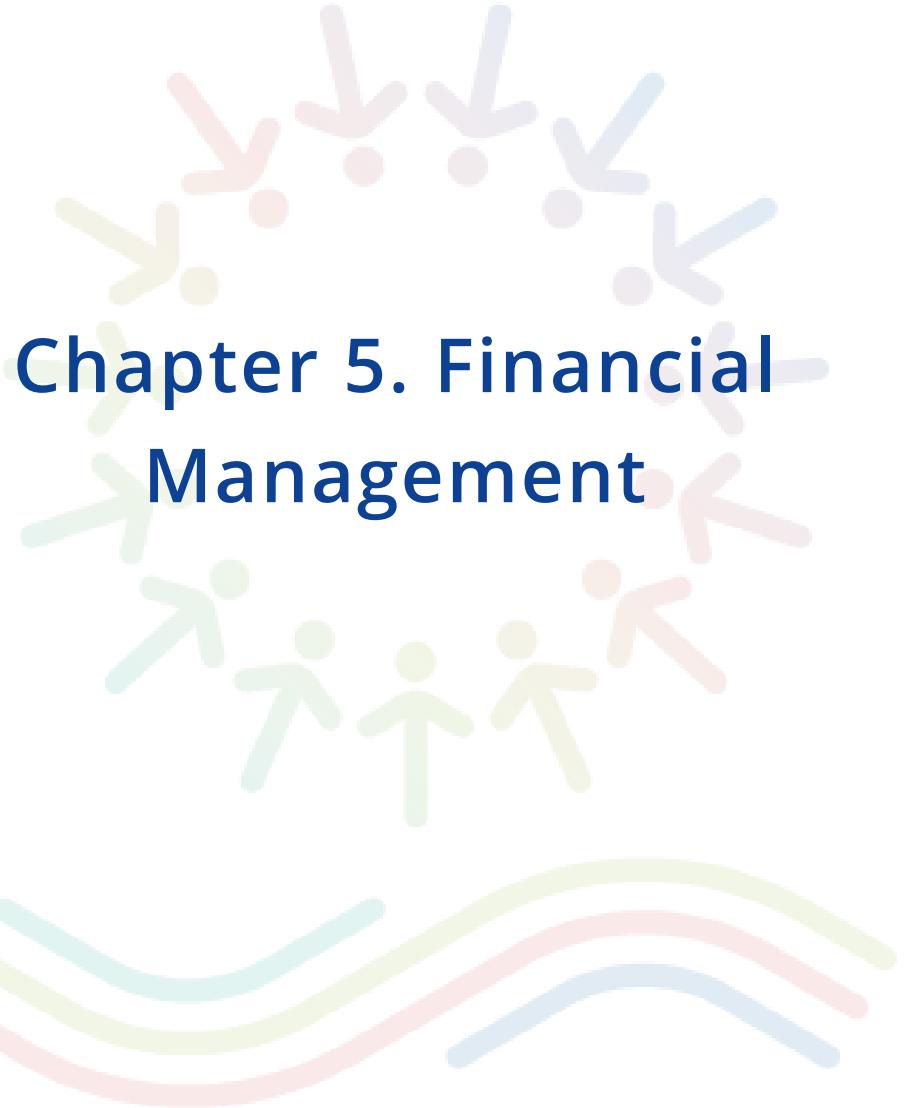


Interreg



Co-funded by  
the European Union

NEXT MED



## Chapter 5. Financial Management



REGIONE AUTONOMA  
DE SARDIGNA  
REGIONE AUTONOMA  
DELLA SARDEGNA

Projects will be financed through several instalments, according to art. 7 of the Grant Contract, as indicated below.

## 5.1. Advance Payment

### 5.1.1 How Much

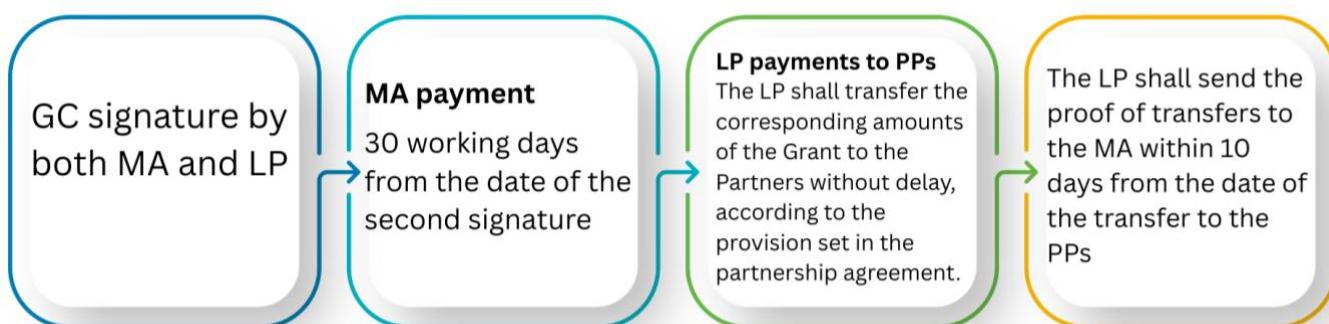
An advance payment shall be granted from Interreg funds, representing at least 20% and up to 30% of the value of the contract of the Interreg Next MED maximum contribution to the project (up to 89%) - subject to availability of Interreg funds (and the registration of the State Aid, as the case may be). The percentage of the advance payment will depend on the risk assessment carried out by the MA.

The signed Grant Contract serves as payment request. The MA shall pay the advance payment within 30 working days, as from the date of the second signature of the Grant Contract and provided that the LP has submitted a valid Financial Identification Form. The MA may suspend this deadline in case clarifications, modifications or other additional information are needed. The information/clarifications/additional documents must be provided by the LP in maximum 10 working days from the request.

### 5.1.2. Where will the funds be transferred?

The advance payment is transferred from the bank account of the Programme to the LP's account (as identified in the Financial Identification Form accepted and registered by the MA).

The LP shall transfer the corresponding amounts of the grant to the Partners without delay, as from the date of receipt of the advance payment, proportionally to each Partner's contribution to the Project, without making any deduction, retention, or further specific charge. The LP shall submit the proof of transfer to the MA within 10 days from the date of the transfer, together with proof of reception of funds by Partners.



## 5.2. INTERIM PAYMENTS

### 5.2.1. How much?

Further payments shall correspond to the Programme contribution on the total amount of eligible expenditure reported, net of the 20% recovery of the advance payment.

The following figure shows, by way of example, the method of calculation of the 1<sup>st</sup> interim payment. The same formula is applied for all further payments.

$$IP = NMC - 20\% \text{ of AP}$$

Where:

IP = Interim Payment

AP = Advance Payment, as defined in art. 7 of GC

NMC = NEXT MED Contribution (89%) on 1<sup>st</sup> report total eligible expenditure

<b>A</b>	<b>Budget</b>	<b>€ 2.000.000,00</b>	
<b>B</b>	NEXT MED contribution (89%)	€ 1.780.000,00	89% of A
<b>C</b>	Advance payment	€ 534,000.00	30% of B
<b>D</b>	Total eligible expenditure 1 <sup>st</sup> report	€ 250,000.00	
<b>E</b>	NEXT MED contribution (89%) on 1 <sup>st</sup> report	€ 222,500.00	89% of D
<b>F</b>	20% recovery of the advance payment	€ 106,800.00	20% of C
<b>G</b>	<b>2<sup>nd</sup> instalment</b>	<b>€ 115,700.00</b>	<b>E-F</b>

NB: Interreg NEXT MED contribution is calculated on the total expenditure certified by the MA.

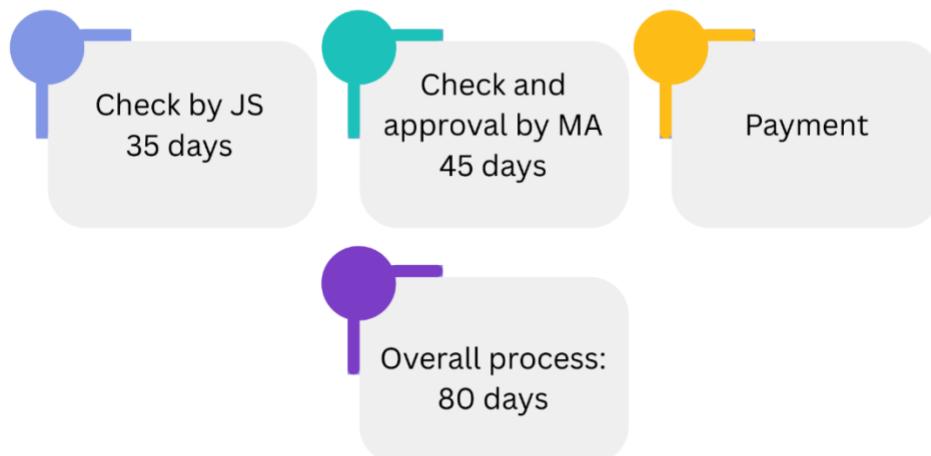
### 5.2.2. How to submit?

The LP is entitled to request further payments from the MA following the reporting procedures defined in ch. 8 "Reporting and controls". The payment request shall be drafted using the model provided by the MA and shall be accompanied by:

- the Interim report in line with Article 6 of the GC;
- individual expenditure verification reports (one for the LP and one for each partner), produced by the Controllers/Auditors according to Art. 6 of the GC.

The overall process will be implemented within 80 days, according to art. 74 par. 1 (b) of Reg. (EU) 2021/1060: the deadline may be interrupted if information submitted by the beneficiary does not allow the MA to establish whether the amount is due.

Payments of the interim instalments and of the final balance shall be made by the MA (subject to the approval of the accompanying interim and final reports) within 45 days of receipt of the check of the report by the JS.



### 5.2.3. How will it be paid?

The MA shall make payments, under the condition of availability of EU funds, to the bank account communicated by the LP, which allows the identification of the funds paid for the implementation of the Project. The MA shall make payments only in EURO.

## 5.3. Use of Advance and Interim Instalments

The LP shall pay to the Partners the appropriate amounts without delay and in full accordance with the provisions of the Partnership Agreement, without making any deduction, withdrawal, retention, or further specific charge that would reduce those amounts for the Partners. The LP shall submit the proof of transfer to MA by uploading them in JeMS. The PPs shall submit the proof of reception of funds to MA by uploading them in JeMS as well.

All funds transferred by the MA can be used only for the purpose of the project implementation. Any transfers not connected to the implementation of the grant can be considered as an irregularity. The LP and all project Partners need to keep transparent accounting to prove that the use of the funding is correct (as indicated in art 74, par. 1, (a), point (i) of Reg. (EU) 2021/1060).

The LP and all Partners can use the funds provided in accordance with their activities in the project.

### TAKE NOTE!

However, in order to avoid any issues concerning the payment transfers to the project Partners, **it is recommended that the conditions of financial transfers set in the Partnership Agreement are duly observed.**

## 5.4. FINAL PAYMENT

### 5.4.1 How much?

According to Article 8 of the Grant Contract, if the eligible costs of the Project at its end are less than the estimated eligible costs as referred to in Article 3.1, the grant shall be limited to the amount obtained by applying the percentage laid down in Article 3.2 to the eligible costs of the Project approved by the MA.

<b>A</b>	<b>Budget</b>	<b>€ 2.000.000,00</b>	
<b>B</b>	NEXT MED contribution (89%)	€ 1.780.000,00	89% of A
<b>C</b>	Advance payment (still to be recovered)	€ 300.000,00	
<b>D</b>	Total eligible expenditure final report	€ 350.000,00	
<b>E</b>	NEXT MED contribution (89%) on final report	€ 311.500,00	89% of D
<b>F</b>	Final balance (positive)	€ 11.500,00	E-C

#### TAKE NOTE!

The LP and the Partners should be aware that in some cases (e.g.: the project is not finalized during the implementation period, non-achievement of the indicators) they shall ensure funds from their own resources outside the project budget to finalize the project within a timeframe established between the Parties.

## 5.5. CO-FINANCING

### 5.5.1 How much?

Each project partner shall provide at least 11% of co-financing, per project, as defined in the Grant Contract

The 11% co-financing is part of the total project income (Beneficiary's own resources or financial contributions by national governments, third parties or sources other than the European Union).

All costs included in the financial reports receive both Interreg funds and co-financing. There cannot be a separation of costs in regard to the source of funding.

In case at the end of project implementation the eligible costs of the project are less than the initially estimated eligible costs, the co-financing shall be limited to the amount obtained by applying the percentage of 11% to the eligible costs of the project certified by the MA.

<b>A</b>	<b>Project budget</b>	<b>€ 500,000.00</b>	
<b>B</b>	NEXT MED contribution (89%)	€ 445,000.00	89% of A
<b>C</b>	Co-financing (11%)	€ 55,000.00	11% of A
<b>D</b>	Total eligible costs certified	€ 400,000.00	
<b>E</b>	NEXT MED contribution (89%)	€ 356,000.00	89% of D
<b>F</b>	Co-financing (11%)	€ 44,000.00	11% of D

**TAKE NOTE!**

The LP and the Partners should be aware that they shall cover:

- all non-eligible expenditures;
- contribution to the eligible expenditure (co-financing);
- the cashflow necessary to run the project between the payments from the programme;
- all expenses needed for ensuring the financial sustainability of project outputs.

### 5.5.2 What to consider for ensuring the project cash-flow?

#### 1. Accurate Cash Flow Forecasting:

Develop precise forecasts to anticipate potential cash shortages and plan accordingly.

#### 2. Understand Grant Payment Cycles:

Be aware of the specific disbursement schedules from the MA to align your project's expenditures with incoming funds.

#### 3. Manage Eligible Costs:

Adhere strictly to the guidelines on eligible costs to avoid issues with reimbursement.

**Tips**

A solid project financial management is very important to ensure projects are not underspending compared to their spending targets and consequently are not at risk of having their project budget reduced by the MA.

It is therefore important that projects:

- ensure a realistic spending plan (usually the spending increases over the semesters);
- start project implementation (including public procurement, as applicable) very quickly after project approval;
- always include in the reports the amount of co-financing together with the Programme contribution;
- monitor the financial spending continuously during implementation, and ensure regular, timely and full reporting.



Interreg



Co-funded by  
the European Union

NEXT MED

## Chapter 6. Eligible Costs



REGIONE AUTONOMA  
DE SARDIGNA  
REGIONE AUTONOMA  
DELLA SARDEGNA

## 6.1. Eligible costs

They are actual costs incurred and paid by the LP and its partners, which are compliant with the Programme rules and meet all the following criteria:

- a) they are **related to the implementation** of the Project, according to the latest approved version of the Application Form;
- b) they are **necessary for the implementation** of the Project, and would not have been incurred if the Project was not implemented;
- c) they are **indicated in the estimated overall budget** for the Project;
- d) they are **reasonable, justified and comply with the requirements of sound financial management**, in particular regarding *economy and efficiency*;
- e) they are **incurred and paid directly by the partners** of the Project;
- f) they are **supported by expenditure and payment documents** (e.g., contracts, invoices, proofs of payment documents etc.).
- g) they are **incurred during the implementation period** of the Project (see art.2 of the GC);
- h) they are **recorded in the accounts** of the Project partner **through a separate accounting system, or an appropriate accounting code set up specifically** for the Project;
- i) they **respect the eligibility rules of the EU, the Programme, and the national rules** of the country in which the LP/partner is located;
- j) they **respect the applicable rules on procurement**;
- k) they are **related to costs that are not financed by other European funds**, as this would constitute double financing;
- l) they **respect the rules of branding and communication** established by the European regulations;
- m) they are **not in contradiction with any specific eligibility criteria** applicable to the respective cost category.

Please, be aware that expenditure which does not comply with the applicable eligibility rules cannot be claimed, even if it is included in the approved budget. In any case, **the cut-off date for the eligibility of expenditure is 31 December 2029**.

## 6.2. Ineligible Costs

The following costs relating to the implementation of the Project shall not be considered eligible:

- a) interest on debt;

## NEXT MED

- b) purchase of land for an amount exceeding 10% of the total eligible expenditure for the concerned Project, for derelict sites and for those formerly in industrial use which comprise buildings, that limit shall be increased to 15%;
- c) fines, financial penalties and expenditure on legal disputes and litigation;
- d) costs of gifts;
- e) costs related to fluctuation of foreign exchange rate;
- f) contributions in kind<sup>1</sup>;
- g) depreciation costs;
- h) subcontracting between partners and/or associated partners of the same Project for services, expertise, equipment and works carried out within the Project;
- i) costs for project website and logo and communication material that are not in line with the rules;
- j) staff costs of no partner organisations;
- k) any expenditure not compliant with the national legislation(s) and/or with the financial agreements signed by the EC with the participating countries;
- l) costs during a period of suspension (*force majeure*, as in art.10.3 of G.C.);
- m) costs for services, supplies and work not delivered;
- n) expenditure already funded in total with other public funds;
- o) housing (residential building, domestic architecture);
- p) excise duties, customs duties and any other indirect taxes. VAT is eligible for all projects with a total cost below €5 million.

### 6.3. Eligible Costs: Cost Categories

The project budget must be structured according to the cost categories (CC) shown below, as per Regulation (EU) 2021/1059:

1. Staff costs;
2. Office and administrative costs;
3. Travel and accommodation costs;
4. Infrastructures and works;
5. Equipment costs;
6. External expertise and services costs.

In order to justify the eligibility of the direct costs reported, the LP/PPs are required to provide specific supporting documents to the Controller/Auditor and all bodies involved

---

<sup>1</sup> Contributions in the form of the provision of works, goods, services, land and buildings for which no cash payment, supported by invoices or documents of equivalent probative value, has been made, including unpaid voluntary work. Personnel costs for staff working in one of the partner institutions on the basis of an employment contract and receiving a regular salary do not count as a contribution in kind, but as a cash contribution, as the staff costs are indeed paid by the partner institution.

in the management verifications and controls (MA, JS, National Controllers/Control Contact Points, Audit Authority, European Commission).

For each cost category, the documents necessary for performing the controls and the MA and JS verifications are separately listed in the following paragraphs. All supporting documents shall be uploaded on Jems (rif. Ch. 8) to support the eligibility of the expenditure reported.

The CC "*Office and administrative costs*" and "*Travel and accommodation costs*" are both calculated at a flat rate of 15% of the reported eligible direct staff costs of the project accepted by the MA.

### 6.3.1 Staff costs

Staff costs expenditure consists of the gross employment costs of staff employed by the project LP or partners for implementing the project (already employed staff or contracted specifically for the project. Staff not contracted specifically for the project should be formally assigned).

Eligible costs in this category are limited to the following:

- **salary payments** related to the activities which the organisation would not carry out without the project, provided for in an employment document, either in the form of an employment or work contract or an appointment decision, or by law, and relating to responsibilities specified in the job description of the staff member concerned; payments to natural persons working under a contract other than an employment or work contract may be assimilated to salary payments and such a contract shall be considered to be an employment document;
- **any other costs** directly linked to salary payments incurred and paid by the employer, such as employment taxes and social security including pensions, provided for in an employment document or by law, in accordance with the national legislation, and not recoverable by the employer.

Please note that the budget dedicated to Cost Category 1 "*Staff Costs*" **cannot be higher than 40% of the project total budget.**

The following costs are not eligible:

- unpaid voluntary work;
- costs for personnel provided by a temporary work agency (to be reported under "*External Services*" cost category);

## NEXT MED

- costs for consultancy services (to be reported under "External Services" cost category);
- service contracts including staff costs with in-house bodies (to be reported under "External Services" cost category).

### 6.3.1.1. Recruitment

LP and PPs can select **ad hoc staff** to be involved in the project implementation through specific procedures according to the relevant legislation / internal rules of the same LP/PPs ensuring publicity, transparency and impartiality in the selection of candidates.

Selected candidates must have a working (labour) contract with the LP/PPs, usually based on specific national or organizational rules regarding remuneration, timetable, holidays, and roles within the LP/PP working organization. In this case, expenditures related to the employment contract are considered under Staff Cost Category.

**Natural persons holding a VAT number** may be considered "staff" and therefore budgeted in the Staff Cost Category, regardless of their tax status, provided that:

- they carry out - on the basis of contract similar to a working contract - on an ongoing basis activity in support of the implementation of the project (as in the case, for example, of a PM or CM external to the organisation and specifically hired for the project);
- they **provide their activities** as indicated in the letter of appointment/contract in a manner similar to that of an employee (in compliance with national legislation);
- the **results of the work** carried out belong to the LP/PP;
- the **remuneration** is not substantially different, in principle, from the cost of the LP/PP's employees who carry out similar project activities.

### 6.3.1.2. Types

The staff costs are the ones related to the actual time worked for the implementation of the project by the permanent or temporary (ad hoc recruited) employees of the LP and PPs organisations. They include:

a. **costs of employees** in line with an employment contract; contracts assimilated to the employment contract by the respective national laws can be part of this category (e.g.:

according to the Italian legislation, the contract called "co.co.co." coordinated and continuous collaboration");

- b. costs of natural persons working under a direct contract other than an employment contract** (self-employed natural persons working for the project under a contract which is not governed by labour law);
- c. costs for personnel seconded by a third party** against payment.
- d. costs of owners or of other natural person with a specific role but without an existing employment contract** in the of LB/PP organization
- e. costs for scholarships, PhD scholarships, research grants, etc.**

#### **a. Costs of employees in line with an employment contract**

Expenditure on costs of staff members employed by the partner organisation, who are formally engaged to work on the project, can be:

1. full-time;
2. part-time with a fixed percentage of time dedicated to the project per month;
3. part-time with a flexible number of hours worked on the project per month;
4. contracted on an hourly basis.

In case the staff member is working part-time for the project and part-time for other tasks in the partner organisation, the actual salary rate must be used, when calculating his/her costs in the project budget. Different hourly rates under the same employment contract cannot be used.

These costs shall be related to the costs of activities, which the LB and PPs would not carry out if the project were not undertaken. They correspond to actual gross salaries costs including social security charges and other components deriving from the national legislation of the country.

Additional remuneration (such as performance bonus, incentives, etc.) cannot be included under the eligible staff costs. Overtime can be charged to the project only if the total job time of the concerned staff is devoted to the project (full time staff).

Salaries and other costs must not exceed those normally borne by the LP and/or the PPs.

#### **b. Costs of natural persons working under a direct contract other than an employment contract**

Costs are eligible if:

- the person works under conditions similar to those of an employee (in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed);
- the result of the work carried out belongs to the beneficiary;
- the costs are not significantly different from those for personnel performing similar;
- tasks under an employment contract with the beneficiary.

Persons working under a service contract are considered as service suppliers and reported under "external services".

### How to distinguish between employees and service suppliers

<b>Employees and other assimilated categories (costs to be included under CC: Staff)</b>	<b>Service suppliers (costs to be included under CC: External expertise and services costs)</b>
Natural person having a working (labour) contract with the LP/PP, usually based on specific national or organizational rules regarding remuneration, timetable, holidays, and roles to be carried out within the LP/PP working organization.	Have a service contract specifying the conditions for the delivery of the service (timing, modalities) and the fees to be paid for the activities carried out.
The staff recruited ad hoc is selected by the LB/PPs through specific procedures according to the relevant legislation / internal rules, ensuring publicity, transparency, and impartiality in the selection of candidates.	The service contract is awarded according to the relevant procurement rules.
Receive monthly salary payments or any other equivalent remuneration form, that are not significantly different from those for permanent staff performing similar tasks under an employment contract with the LP/PPs.	Receive fees after the submission of invoices, in accordance with the payment conditions in their contract.
Their social charges are usually paid by the employer, with exceptions regulated by the national legislation and the contracts in force.	Their social charges are paid by themselves.
The result of the work carried out belongs to the LP / partners.	The external consultant is a professional hired to deliver a specific service/output working independently and retaining

<p>As an example, the financial manager working under the coordination of the project manager and producing reports and guidelines that are owned by the LP/partner organization is considered a staff member.</p>	<p>responsibility of the service/output produced (i.e. a marketing expert hired specifically to conduct a study and write a report is an external consultant).</p>
<p>Usually work in the premises of the employer and use its facilities (telephone, computers, etc.).</p>	<p>Usually work in their own premises, or on-site where the services are delivered; use their own resources (computers, etc.) which are included in the fee rate and cannot be included as incidental costs in the contract.</p>

### **c. Costs for personnel seconded by a third party against payment**

This category includes secondment between public organization according to relevant national rules and the secondment of employees of organisations controlled by or affiliated to the LP/PP organisations (e.g., associated cooperative).

Conditions for eligibility include:

- A previous agreement between parties shall be signed;
- Costs for persons seconded by a third party must be reported as actual costs;
- The LP/PP reimburse the costs to the third party.

### **d. Costs of owners or of other natural persons with a specific role in the LP/PP organization but without an existing employment contract**

Costs related to natural persons, having specific representative and direction roles or associated in the LP/PP's organization (president, CEOs, members on the board of directors, associates, etc.) are eligible provided that there is a specific assignment within the project. In this case the following conditions must be respected:

- the appointment is approved by the Board of Directors or equivalent body and in compliance with internal statutory rules, avoiding any possible conflict of interest, as defined *inter alia* by the Programme rules (i.e., abstention of the members interested by the same decision);
- the appointment has to be consistent with the possession of qualifications and professional experience (resulting from the curriculum);

## NEXT MED

- the same document shall specify duration of the assignment, tasks, effort required (preferably in terms of days/hours);
- envisaged remuneration has to be set in the appointment decision, appropriate, reasonable and consistent with the budget and actual rates for equivalent activities;
- the written appointment decision shall be taken prior to the assignment of tasks within the project;
- in order to avoid any conflict of interest, contracts and timesheets cannot be signed by the person contracted acting both as legal representative and employee.

All the above conditions apply provided that specific national rules are respected.

### e. Costs for scholarships, PhD scholarships, research grants, etc.

Scholarships, PhD Scholarships, Research grants, can be considered as staff costs limited to those specific activities clearly linked to the project activities implementation.

The students working as project staff should have the necessary qualifications for the performance of the assigned tasks. The fulfilment of such requirements shall be priorly verified and certified in official documents.

The contract/letter of assignment shall specify the duration of the assignment, the tasks, the remuneration (daily/hourly rate) and the effort required (preferably in terms of days/hours).

Costs related to the general academic tasks carried out by the Scholars/PhD Students within the research grants implementation will be considered as non-eligible.

#### 6.3.1.3 How to calculate staff costs

Staff costs shall be calculated **taking into consideration the kind of effort to the project as indicated below:**

1. full-time;
2. part-time with a fixed percentage of time dedicated to the project per month;
3. part-time with a flexible number of hours worked on the project per month;
4. contracted on an hourly basis.

In case of **full-time staff totally dedicated to the project**, the reported amount shall be calculated on the basis of actual monthly gross salary (or wage) plus the mandatory social charges, insurance and any other statutory costs included in the remuneration (and deriving from national rules).

In case of **part-time with a fixed percentage of time dedicated to the project per month** the reported amount shall be calculated on the basis of actual monthly gross salary (or wage) plus the mandatory social charges, insurance and any other statutory costs included in the remuneration (and deriving from national rules). There is no obligation to establish a separate working time registration system, but the employer shall issue a document for employees setting out the fixed percentage (IR 1060/2021 art 55, point 5). Moreover, an activity report or a timesheet shall be provided.

In case of **part-time with a flexible number of hours worked on the project per month** and staff **contracted on an hourly basis**, staff costs shall be calculated on the basis of the actual yearly/monthly gross salary (or wage) plus the mandatory social charges, insurance and any other statutory costs included in the remuneration (and deriving from national rules), **excluding any variable cost**. The hourly rate shall be multiplied by the number of hours actually worked on the operation based on a time registration system<sup>2</sup>.

As a first step, get a copy of the working contract of the employee and any other relevant rules concerning his/her work (working hours per day, timetable, etc.).

Calculate the gross salary and the costs per unit rate (daily, or hourly costs). The Annual Gross Salary must be calculated at least once a year and every time that there is a change in the costs (increases in salary, etc.).

A template to help in the calculation of gross salary has been created and it is annexed to this section (see template 2-GSS): it is the tool to calculate the staff costs to be reported in Jems for each staff person. It has to be built up taking in consideration the gross salary actually received for each single month (also the ones in which the person did not work for the project) of the year of the reported costs, and calculated on an annual basis, in order to have a fix hour/cost for all the concerned year.

Only for staff working partly in the project, use a monthly timesheet (see template 3-TS) to be filled in by each person, reporting the hours actually worked per day, and signed by the relevant responsible person in the organization (normally the employee's manager or the employer).

Indicate in the financial report/ list of expenditures the actual time devoted to the project – expressed in the same time unit (days or hours) – respecting the foreseen ratio used in the application and consequent budget as it is approved, if part time.

---

<sup>2</sup> IR 1059/2021 art 39, point 5

## NEXT MED

For the purposes of determining direct staff costs<sup>3</sup>, an hourly rate may be calculated in one of the following ways:

- (a) by dividing the latest documented **annual gross employment costs** by 1720 hours for persons working full time, or by a corresponding pro-rata of 1720 hours, for persons working part-time;
- (b) by dividing the latest documented **monthly gross employment costs** by the average monthly working time of the person concerned in accordance with applicable national rules referred to in the employment or work contract or an appointment decision (both referred to as the employment document).

When applying the hourly rate calculated, the total number of hours declared per person for a given year or month shall not exceed the number of hours used for the calculation of that hourly rate.

Where annual gross employment costs are not available, they may be derived from the available documented gross employment costs or from the employment document, duly adjusted for a 12-month period.

The following figure shows, by way of example, the method of calculation on an **annual basis** in which the hourly cost of reportable personnel is obtained by relating the gross annual salary, including the part of the social security charges and withholding taxes payable by the worker, to the number of annual hours that can be worked:

$$C = \frac{\text{GAS} + \text{DR} + \text{SOC}}{WH = 1720} * PH$$

where:

C	eligible hourly cost
<b>GAS</b>	gross annual salary, including the social security charges and withholding taxes to be paid by the worker
<b>DR</b>	deferred remuneration (accrued severance pay, 13th and 14th)
<b>SOC</b>	social and tax charges payable by the Beneficiary not included in the payroll (i.e. not borne by the employee)
<b>WH</b>	1720 annual hours (IR 1060/2021, art 55, point 2)
<b>PH</b>	hours of commitment actually dedicated to the project

<sup>3</sup> IR 1060/2021, art 55, points 2/3/4

**Full-time and part-time staff with a fixed percentage of time dedicated to the project per month, do not need to fill in the timesheet.**

Part-time, other working contract on an hourly basis and part-time staff with a flexible number of hours worked on the project per month, **need to fill in the timesheet**, as highlighted above, indicating the number of hours spent working with the organisation. The costs declared by the LP/PP as personnel expenses must be supported by documentation suitable for reconstructing the method used to define the amount reported, as per the list of supporting documents below.

### **Taxes and social charges**

Taxes and social charges (social security including pensions) can be reported provided that they are:

- fixed in an employment document or by law;
- in accordance with the legislation referred to in the employment document and with standard practices in the country and/or institution where the individual staff member is working;
- not recoverable by the employer;
- incurred and paid by the employer and/or the employee during the reporting period or accrued during the reporting period and paid before the conclusion of the auditor verifications, provided that the latter declares that the proof of payment of the taxes and social charges is available.

Taxes and social charges incurred after the end of the implementation period of the project can be reported provided that they are paid by the employer before the conclusion of the auditor verifications. In case they cannot be paid before the conclusion of the auditor verifications, the estimated date of payment has to be specified in the final report, and the MA will request proof of the actual payment before transferring the final balance.

### **Supporting documents for the expenditure verification**

The following documents need to be provided:

- **List of the Staff** (see template 1-List of staff) assigned to the project for each LP/PP indicating, at least, the following:
  - a) name of the organization;
  - b) name and surname of the person contracted or assigned to the project;

## NEXT MED

- c) main tasks of the person contracted or assigned to the project;
- d) starting date of the contract;
- e) estimated ending date of the contract;
- f) indication of the staff member's involvement in any other NEXT MED or other EU funded project, as the case may be.

- **Copy of the contracts** of the project staff, e.g., an employment contract or any other equivalent legal agreement that identifies the employment relationship with the LP/partners organisation. In case the person is hired for the project the contract should include the role of the staff person within the project, the monthly working time, the starting and end date, and the real monthly salary costs (gross salary and employer's social charges) have to be clearly specified.
- For the internal staff assigned to the project, **copy of the appointment act**, including the role within the project, the duration of the assignment and the amount (percentage or number of time units) of the working time devoted to the project (if working partly for the project). The eligibility period of the related expense starts from the date indicated in the accompanying documents such as appointment act.
- Any relevant document, other than the contract, identifying the yearly/monthly working time and number of holidays per employee such as Terms of References, national laws or internal regulations concerning the LP/PP organization's personnel policy.
- Any relevant document, other than the contract, identifying the real monthly/daily/hourly costs (gross salary and employer's social charges) for the employee, or other accounting documents where the employment costs are clearly detectable.
- **Timesheet** (see template 3-TS): required only for the staff members employed by the LP/Partner organisations working partly on the project or on a flexible percentage. The timesheet must cover 100% of the employee's working time (including the working time related to the project and to other activities). For staff 100% devoted to the project, the same template can be used in case the partners need to fill it as a tool for internal control, or in order to report overtime. Entire numbers should be indicated, not decimals. Each timesheet has to be stamped and signed by the concerned person and by the Project Manager/Manager in charge. Monthly timesheet, certified by the Project Manager/Manager in charge, showing at least: project code, name of the employee, qualification, hours worked on the project, detailed description of the activities carried out, month of reference, signature of the employee, project CUP (only for Italian

organisations), acronyms of other NEXT MED projects to which the employee is assigned, if the case.

- **Pay slips:** copies of pay slips of each month concerned have to be provided, in order to check the reliability of the gross salary sheet and the amounts reported.
- **Proofs of payment:** any kind of official document issued by the bank or accounting office of the organization, proving that the organization bank has settled the payment of all the relevant costs (net salary to the employee, social charges payment to the State, etc.) and indicating amount, reason and date, accompanied by a bank statement and/or receipt certifying the actual and final financial disbursement and the date of receipt.

In the event the social security charges or any other contract-related costs are paid cumulatively by the organization – and therefore an individual proof of payment is unavailable – the cumulative proof of payment must be accompanied by a document of the organization accounting office, allowing for the reconciliation of the payments with each employee

- **Other documentation** useful to justify the expense (e.g. activity reports, studies or other products of the staff involved).

### 6.3.2 Office and Administrative Costs

Office and administrative costs are calculated at **a flat rate of 15% of the reported eligible direct staff costs of the project certified by the MA** and include all the following elements: office rent, insurance and taxes related to the buildings where the staff is located and to the equipment of the office (such as fire or theft insurance), utilities (such as electricity, heating, water); office supplies, accounting, archives, maintenance, cleaning and repairs, security, IT systems, communication (such as telephone, fax, internet, postal services, business cards), bank charges for opening and administering the account or accounts where a project implementation requires a separate account to be opened; and charges for transnational financial transactions.

Costs of the items listed above, including staff costs for general accounting and security, cannot be reported under any other cost category.

In this circumstance, the costs do not have to be documented.

### 6.3.3 Travel and Subsistence Costs

The costs under this category refer to travel and accommodation expenses of the staff of the LP/PPs and/or other persons involved (such as stakeholders, target groups, and associated partners), for missions essential to the effective implementation of the project.

Travel and accommodation costs are calculated at **a flat rate of 15% of the reported eligible direct staff costs of the project certified by the MA**. LP/PPs do not have to provide any document or prove that the expenses have been incurred and paid, and no documents confirming that the flat rate corresponds to the reality of the costs will be requested.

In this circumstance, **each beneficiary must demonstrate its participation in at least one project mission**. This information can be verified by a travel order, a report, or similar evidence for at least one trip.

Travel and accommodation costs of external experts and service providers fall under External expertise and services cost category listed under par. 6 .6 below and must be included in the service contract.

#### **6.3.4 Infrastructure and Works**

The costs in this category relate to the investment in infrastructure and works, necessary to achieve the objectives of the project. The eligible expenses under this heading shall be limited to:

- a) building permits;
- b) building material;
- c) labour;
- d) specialised interventions (such as soil remediation, mine-clearing).

All costs related to meeting standards and obligations related to the nature of the investment (e.g. feasibility studies, environmental impact assessments, and assessment of expected impacts of climate change), must be included in the cost category 6- External expertise and service costs, unless they are already integrated in an infrastructure procurement contract.

Partners must guarantee they have or will obtain the necessary building permits in order to avoid any issue preventing the correct and timely implementation of infrastructures and works.

After the closure of the project, certain requirements regarding ownership and durability of investments must be fulfilled, and specific rules apply for partners declaring costs related to investments in infrastructure.

In case of a project including an infrastructure component, the LP shall provide the MA/JS with all required information related to ensuring the sustainability of the project, in

accordance with art. 17.8 of the Contract. In this respect, the LP shall submit yearly sustainability reports, for 5 years following the project closure.

Thus, the Programme's contribution shall be repaid if, within five years from the final payment to the project, funded infrastructures or productive investments are subject to any of the following:

- a) a cessation or transfer of a productive activity outside the eligible regions in which it received support;
- b) a change in ownership of an item of infrastructure which gives to a firm or a public body an undue advantage;
- c) a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.

### Supporting documents for the expenditure verification

The following documents need to be provided to the Controller/Auditor:

- **procurement procedure documents**, i.e. public announcement, received tenders, copies of the declarations of absence of conflict of interest of the members of the commissions (as the case may be) and the controls on the declarations carried out by the LP/partner, evaluation procedure followed to award the tender, assessment minutes, contract with the tenderer, e.g.;
- **building permits**, handover of the site and floor plan of the investment terminals containing topographic positions dated, signed (with the name mentioned in the clear) and stamped by all persons mentioned in program tracking and quality control work; exceptionally and in duly justified cases, the MA may accept a later submission of the permits and design documents not more than 6 months from the start date of the contract;
- **works report** (or State of Works Advancement): official document issued by the works contractor, specifying the actual works carried out and the related costs, and containing a clear reference to the project (e.g. project reference number);
- **supply and installation report**: official document issued by the contractor, specifying the supplies purchased and the activities carried out and the related costs, and containing a clear reference to the project (e.g. project reference number);

- **any official document issued by the contracting authority** (LP or PP organisation) addressed to the company performing the works/supply and installation certifying the regularity of the works/activities performed;
- **civil works invoices/receipts**: they must contain a clear reference to the Programme and the project (e.g.: project reference number acronym) and to the “works report” in order to avoid double funding;
- **supply and installation invoices/receipts**: they must contain a clear reference to the Programme and the project (e.g. project reference number acronym) and to the “activities report” in order to avoid double funding;
- **copy of VAT REGISTER** or any other document with the recordings of the invoices reported;
- **proof of payment**: any kind of official document issued by the accounting department of the organization, proving that the bank of the LP/partner organization has settled the payment of the relevant bill, indicating amount, reason and date accompanied by a bank statement certifying the actual and final financial disbursement and the date of receipt
- picture(s)**: to demonstrate that the built up/renovated infrastructure/supply purchased is respecting the visibility rules (See chapter 4.10 Branding premises, infrastructures and equipment);
- picture(s), videos and geo localisation of the works, installations, and completed infrastructure to document all the phases of the process.

### 6.3.5 Equipment Costs

Costs in this category relate to equipment purchased (new or second-hand), rented or leased by the project partners, and necessary for the delivery of project activities. No purchase of equipment is allowed in the last year of project implementation, except with prior authorization by the MA.

Eligible expenditure under this cost category shall be limited to:

- a) office equipment;
- b) IT hardware and software;
- c) furniture and fittings;
- d) laboratory equipment;
- e) machines and instruments;

## NEXT MED

- f) tools or devices;
- g) vehicles;
- h) other specific equipment needed for the project.

When the equipment and supplies are not purchased through a tender procedure, it is important to keep proof of the market rates at the time of the purchase.

The Controller/Auditor has to perform **on-the-spot checks** on reported piece of equipment and has to include the results in the control checklist of the Expenditure verification Report.

### Transfer of assets

According to GC art. 22.5, ownership of equipment, vehicles and supplies paid by the Project must be transferred to partners in the countries where the activities were carried out or to the final recipients of the Project, at the latest when submitting the final report. Copies of the proofs of transfers of equipment and vehicles, whose purchase cost was more than 5,000 € per item, must be attached to the final report. Proofs must be kept for control purposes according to contractual obligations as referred in art. 16.6 of the G.C.

### Supporting documents for the expenditure verification

The following documents need to be provided to the LP/PP auditor to justify equipment costs:

- **procurement procedure documents:** e.g. public announcement, received tenders, copies of the declarations of absence of conflict of interest of the members of the commissions (as the case may be) and the controls on the declarations carried out by the LP/partner, evaluation procedure followed to award the tender, assessment minutes, contract with the tenderer, etc.;
- **equipment invoice:** it must contain a clear reference to the Programme and the project (e.g. project reference number and acronym) in order to avoid double funding;
- **excerpt from “Inventory of durable goods” / proof of delivery:** to demonstrate that the purchased equipment has been integrated in the organization property records;
- **proof of payment:** any kind of official document issued by bank or the accounting department of the LP/partner organization, proving that the bank of the

## NEXT MED

organization has settled the payment of the relevant bill, indicating amount, reason, and date;

- **copy of VAT REGISTER** or any other document with the recordings of the invoices reported;
- **equipment picture(s)**: to demonstrate that the purchased equipment respects the visibility rules. (See chapter 4.10 Branding premises, infrastructures and equipment).

### 6.3.6 External Expertise and Services Costs

If the LP/PPs are unable to accomplish a specific activity of the project, this activity may be outsourced to subcontractors. However, **under no circumstances, the activities assigned to subcontractors will include the bulk of the project core tasks, including the full outsourcing of management and communication. Moreover, LP, PP and associate partners cannot act as subcontractors.**

These are costs paid on the basis of contracts or written agreements, against invoices or requests for reimbursement to external service providers who are subcontracted to carry out certain tasks/activities linked to delivery of the project (e.g.: external expenditures verification, studies, information and dissemination activities, short-term equipment rental for events organisation, evaluations, translation, etc.) and financial services costs such as financial guarantees.

The requirements needed in order to carry out the tasks/activities subcontracted, must be clearly stated into the contracts/written agreements, together with the implementation rules and relative fees (this must be appropriate, reasonable, compliant with pre-set criteria and aligned with the current market rates).

Services are purchased following specific procurement procedures according to the thresholds indicated in chapter 7 – Procurement. No restriction may be applied to the nationality of the contractors.

The **in-house providing** can be applied by a public organisation acting as LP or partner, provided that the following conditions are fulfilled:

- the in-house provider has to be controlled by the LP or PP exercising on it a control analogous to the one exercised over its own departments ("structural subordination");
- it carries out the essential part of its statutory activities for the controlling body ("economical dependency");

- it is totally owned by the LP or PPs and its capital is not intended to be opened to private parties in the course of the performance since, should the private partner have a minority share, the analogous control would not actually exist.

When the conditions for an in-house provider are met, costs of the contracted company must always be charged on a real-costs basis, thus without any profit margin, be in compliance with all the aforementioned eligibility rules for expenses and should be charged and reported under the budget line subcontracted services.

LPs and PPs are not allowed to subcontract part of their project activities among them or to associated partners neither through contracting internal or external staff (including members of the management board, shareholders, associates etc.) nor subcontracting services, supplies and infrastructures among each.

### Supporting documents for the expenditure verification

The following documents must be provided to the LP/PP Controller/Auditor to justify external services costs:

- **procurement procedure documents**, i.e., public announcement, received tenders, copies of the declarations of absence of conflict of interest of the members of the commissions (as the case may be) and the controls on the declarations carried out by the LP/partner, evaluation procedure followed to award the tender, assessment minutes, contract with the tenderer;
- **service contract**: it must contain a clear reference to the Programme and the project (e.g.: reference number and acronym) in order to avoid double funding;
- **activity report with deliverables**: issued by the service provider, it shall demonstrate that the foreseen activities have been carried out following the contractual requirements, it encloses any foreseen deliverable (or in case of event, pictures, list of attendance, etc.);
- any official document issued by the contracting body (LP/PP organisation) attesting the regular execution of services and approving the submitted "Activity Report" and deliverables;
- **invoice on provided services**: It must contain a clear reference to the Programme and the project (e.g.: project reference number and acronym) and to the submitted Activity Report, in order to avoid double funding;

## NEXT MED

• **proof of payment:** Any kind of official document issued by the bank or accounting department of the organization, proving that the bank of the organization has settled the payment of the relevant invoice, indicating amount, reason and date;

**copy of VAT REGISTER** or any other document with the recordings of the invoices reported.

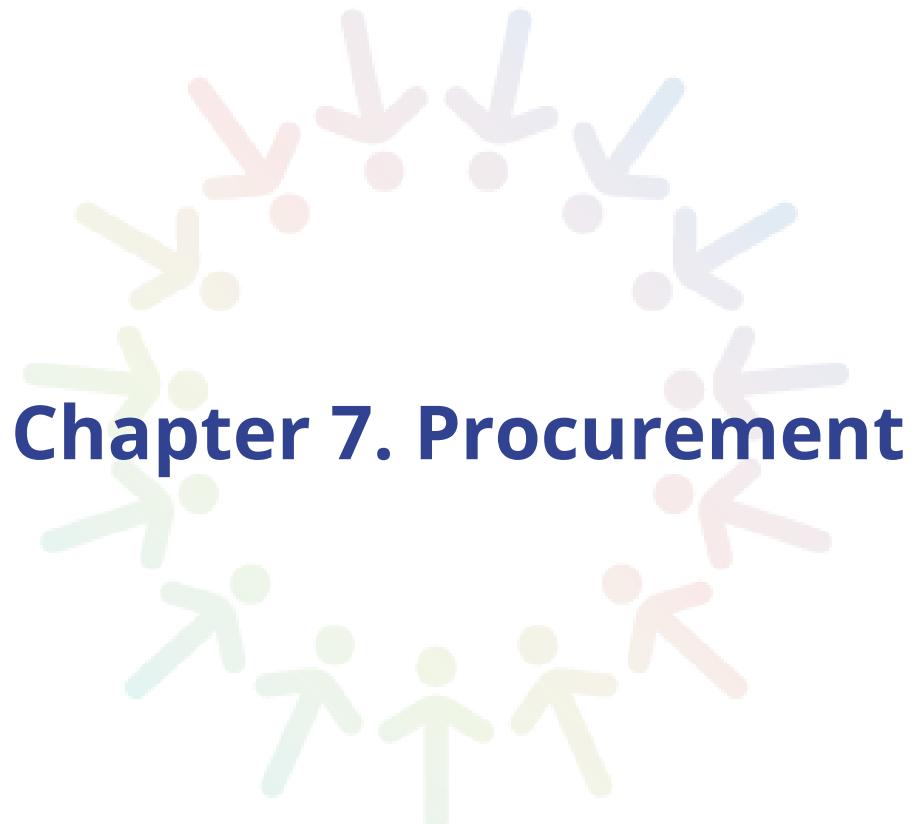


Interreg

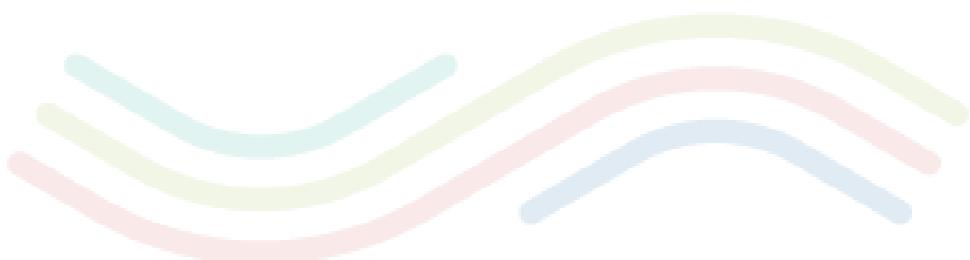


Co-funded by  
the European Union

NEXT MED

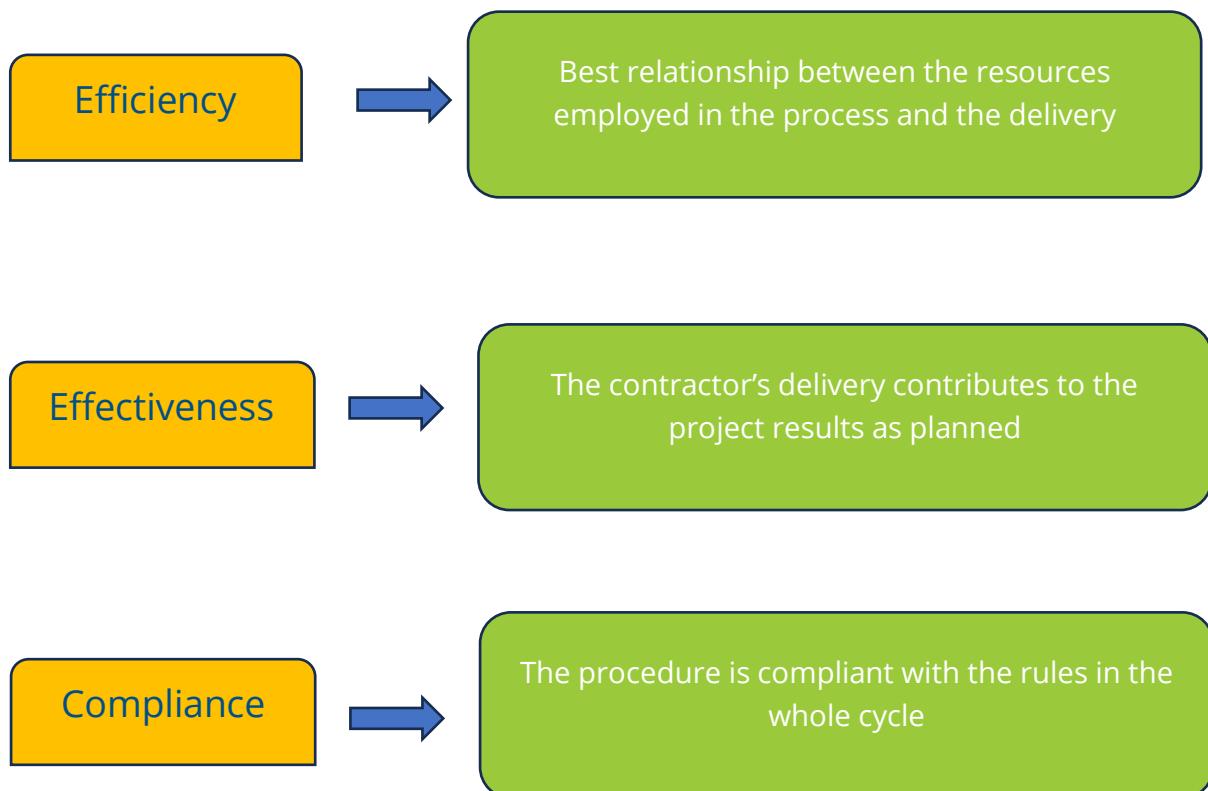


## Chapter 7. Procurement



REGIONE AUTONOMA  
DE SARDIGNA  
REGIONE AUTONOMA  
DELLA SARDEGNA

## 7.1. Main goals of procurement processes



## 7.2. Legal Framework

### Art 58 REGULATION (EU) 2021/1059 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

Where the implementation of an operation requires procurement of service, supply or works contracts by a beneficiary, the following rules shall apply:

- ***In case of public entities located in EU Member States***

Contracting authorities or contracting entities located in the Member States, shall apply national laws, regulations and administrative provisions adopted in connection with Union legislation ([link to national legislations](#))

- ***For all other cases***

In all other cases the public or private Partners shall apply the provisions set out in Articles 58.2 of the Regulation no 2021/1059.<sup>4</sup>

#### **Sources**

##### **Grant contract**

It is signed between the Managing Authority and the Lead Partner for the implementation of an awarded project

##### **Financing Agreement**

It is signed by the European Commission, the Managing Authority and a Partner Country to embed the applicable EU rules into the national legislation applied to the project.

**Annex II of the Financing Agreements:** it applies to all Interreg programmes, it applies to all beneficiaries from Partner Countries and some beneficiaries in Member States (private organisations).

**TESIM provides documents on procurement called factsheets on procurement for each Partner Country. ([link to Tsim factsheet](#))**

---

<sup>4</sup> Private entities located in EU Member States and both public and private entities located in MPCs shall apply provisions set in the Annex II of the Financing Agreement



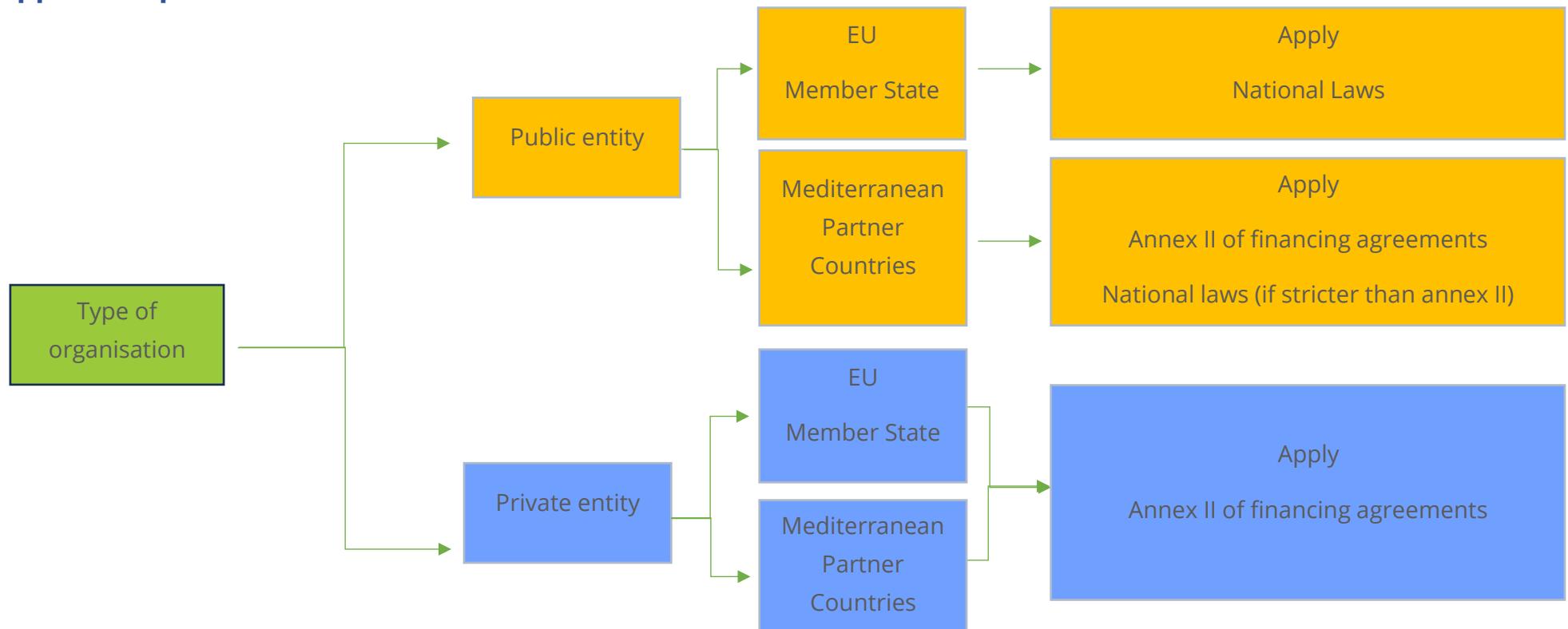
Interreg



Co-funded by  
the European Union

NEXT MED

## Applicable procurement Rules





**Interreg**



Co-funded by  
the European Union

**NEXT MED**

## **Annex II of the Financing Agreement - structure and excerpt**

A. General provisions

B. Types of procedures

C. Preparation

D. Technical specifications and criteria for assessment

E. Submission, evaluation and award decision

F. Contract performance



REGIONE AUTONOMA  
DE SARDIGNA  
REGIONE AUTONOMA  
DELLA SARDEGNA

## A. General Provisions

### Principles applicable to contracts and scope

All contracts financed by a grant contract shall respect the principles of **transparency, proportionality, equal treatment** and **non-discrimination**.

<b>Transparency</b>	<p>The beneficiaries shall work as openly as possible in the implementation of the budget, so that stakeholders and citizens are able to know where, and for what purpose, funds are spent by the Union. This principle should be achieved by the <b>publication</b>, preferably using electronic communication tools, <b>of relevant information concerning final contractors</b>, while taking into account such contractors' legitimate interests of confidentiality and security and, as far as natural persons are concerned, their right to privacy and the protection of their personal data.</p> <p>The procurement procedures imply to draw up <b>clear</b> eligibility (for formal submission), exclusion, selection and award criteria.</p>
<b>Proportionality</b>	The procedure and the measures taken to ensure the compliance with all principles shall respect the proportionality between the importance of the amount to be awarded and the need to control the best use of funds.
<b>Equal treatment</b>	All participants in a procurement procedure will have equal rights and obligations.
<b>Non-discrimination</b>	Removal of any discriminatory practice or technical specifications liable to hamper wide participation on equal terms by all natural or legal persons.
<b>Fair competition</b>	Publication of certain information after the contract has been awarded would hinder application of the law, would be contrary to the public interest, would harm the legitimate business interests of public or private undertakings and, therefore, might distort fair competition between them. The contracting authority needs to ensure adequate ex-ante publicity, that is adequate publication in reasonable time of the prior information notices, contract notices and award notices, as well as sufficient information in the invitations to tenders on the award and contract criteria and requirements.

**ATTENTION!!!**

All contracts shall be put out to **competition on the broadest possible basis**, except when use of negotiated procedure. *The estimated value of a contract shall not be determined with a view to circumventing the applicable rules, nor shall a contract be split for that purpose.* The grant beneficiary shall divide a contract into lots, whenever appropriate, with due regard to broad competition.

## Publicity measures

1. For procedures with a value equal to or greater than **EUR 300.000 for service and supply contracts** or than **EUR 5.000.000 for works contracts**, the grant beneficiary shall publish in the Official Journal of the European Union:
  - a. a contract notice to launch a procedure, except in the case of negotiated procedure;
  - b. a contract award notice on the results of the procedure.
2. Procedures with a value below the above-mentioned thresholds **shall be advertised by appropriate means**.

In addition to the advertising provided for in paragraph 1, procurement procedures may be advertised in any other way, in particular in electronic form. Any such advertising shall refer to the notice published in the Official Journal of the European Union, if the notice has been published, and shall not precede the publication of that notice, which alone is authentic. Such advertising shall not introduce any discrimination between candidates or tenderers nor contain details other than those contained in the contract notice, if the notice has been published.

## B. Types of Procedures

Procurement procedures for awarding concession contracts or public contracts, including framework contracts shall take one of the following forms:

- a) open procedure;
- b) restricted procedure;
- c) negotiated procedure, including without prior publication;
- d) competitive procedure with negotiation;
- e) procedures involving a call for expression of interest.

For more details see table below "**TYPE OF PROCEDURES AND THRESHOLDS**" and further explanations.



## C. Preparation

Preparation of a procurement procedure

1. Before launching a procurement procedure, **the grant beneficiary may conduct a preliminary market consultation with a view to preparing the procedure.**
2. In the procurement documents, the grant beneficiary shall identify the subject matter of the procurement by providing a description of its needs and the characteristics required of the works, supplies or services to be bought, and shall specify the applicable exclusion, selection and award criteria. **The grant beneficiary authority shall also indicate which elements define the minimum requirements to be met by all tenderers.** Minimum requirements shall include compliance with applicable environmental, social and labour law obligations established by Union law, national law, collective agreements or the applicable international social and environmental conventions.

## D. Technical Specifications and Criteria for Assessment

**Technical specifications** shall allow equal access of economic operators to the procurement procedures and not have the effect of creating unjustified obstacles to the opening up of procurement to competition.

### Award of contracts

1. Contracts shall be awarded on the basis of award criteria provided that the contracting authority has verified the following:
  - a) the tender complies with the minimum requirements specified in the procurement documents;
  - b) the candidate or tenderer is not excluded under point 4.3 of this Annex;
  - c) the candidate or tenderer meets the selection criteria specified in the procurement documents and is not subject to conflicts of interest which may negatively affect the performance of the contract.
2. The grant beneficiary shall apply the selection criteria to evaluate the capacity of the candidate or tenderer. Selection criteria shall only relate to the legal and regulatory capacity to pursue the professional activity, the economic and financial capacity, and the technical and professional capacity.
3. The grant beneficiary shall apply the award criteria to evaluate the tender.
4. The grant beneficiary shall base the award of contracts **on the most economically advantageous tender**, which shall consist in **one of three award methods**:
  - *lowest price*,

- *lowest cost* or
- *best price-quality ratio*.

For the lowest cost method, the grant beneficiary shall use a cost-effectiveness approach including life-cycle costing. For the best price-quality ratio, the contracting authority shall take into account the price or cost and other quality criteria linked to the subject matter of the contract.

## **E. Submission, Evaluation and Award decision**

The chapter provides below main steps of procurement procedure. Please be sure to have understood the whole process before launch it.

- Time limits for procedures
- Contacts during the procurement procedure
- Submission, electronic communication and evaluation
- Abnormally low tenders
- Results of the evaluation and award decision
- Information to candidates or tenderers
- Cancellation of the procurement procedure
- Standstill period before signature of the contract

## **F. Contract Performance**

The chapter provides hereby some features for managing the procurement contract.

- Performance and modifications of the contract
- Performance guarantees and retention money guarantees



**Interreg**



Co-funded by  
the European Union

**NEXT MED**

### Type of Procedures and Thresholds

Procedure	Services	Supplies	Works
1) Open or restricted (OJEU)		$\geq 300\,000 \text{ EUR}$	$\geq 5\,000\,000 \text{ EUR}$
2) Local open	N/A	$\geq 100\,000 \text{ EUR} < 300\,000 \text{ EUR}$	$\geq 300\,000 \text{ EUR} < 5\,000\,000 \text{ EUR}$
3) Simplified procedure	$> 20\,000 \text{ EUR} < 300\,000 \text{ EUR}$	$> 20\,000 \text{ EUR} < 100\,000 \text{ EUR}$	$> 20\,000 \text{ EUR} < 300\,000 \text{ EUR}$
4) Single tender		$> 2\,500 \text{ EUR} \leq 20\,000 \text{ EUR}$	
5) Payment against invoice		$\leq 2\,500 \text{ EUR}$	



Interreg



Co-funded by  
the European Union

NEXT MED

## Types of Procedure by Publicity

Open procedure

Restricted procedure

Local open procedure

Simplified procedure

Single tender

Payment against invoice



**Interreg**



Co-funded by  
the European Union

## **NEXT MED**

### **1) Open tender procedures**

Procedure in which any natural or legal person or group may submit a tender in response to a procurement notice.

The procedure follows a one step process where an open invitation for submission of tenders is published. The prior information notice and/or the contract notice are to be published in all appropriate media, including the OJEU.

### **2) Restricted tender procedure**

Procedure in which, after publication of a procurement notice, all economic operators may ask to take part but only candidates satisfying the selection criteria and invited simultaneously and in writing by the contracting authority may submit a tender (two steps process).

In the first step, the contracting authority issues a public invitation for submission of expression of interest, to be published in all appropriate media, including the OJEU. In the second step, the initial offers are reviewed and a short-list of tenderers is formed. Only the short-listed tenders are invited to submit a full offer. The number of candidates invited shall be sufficient to ensure genuine competition.

### **3) Local open procedure**

Procedure in which the contract notice shall be published at least in the official gazette of the recipient State or in any equivalent publication for local invitations to tender.

### **4) Simplified procedure**

Procedure in which the contracting authority shall draw up a list of at least three tenderers of its choice, without publication of a notice. Tenderers for the simplified procedure may be chosen from a list of vendors advertised by a call for expression of interest.

If, following consultation of the tenderers, the contracting authority receives only one tender that is administratively and technically valid, the contract may be awarded provided that the award criteria are met.

## 5) Single tender

It is highly recommended that the contracting authority invites at least two candidates to submit an offer, in order to make a financially and technically sound and transparent decision.

## 6) Payments against invoice

Payments against invoice without a prior tender may be accepted for low-value orders.

## 7.11. Key Messages

Effective and compliant procurement is necessary for project success

Forget the past, invest in knowledge of the new rules

Use compliant templates (check your own ones with the rules)

Procurement needs time

Prevent fraud and corruption

Ensure completeness of the audit trail

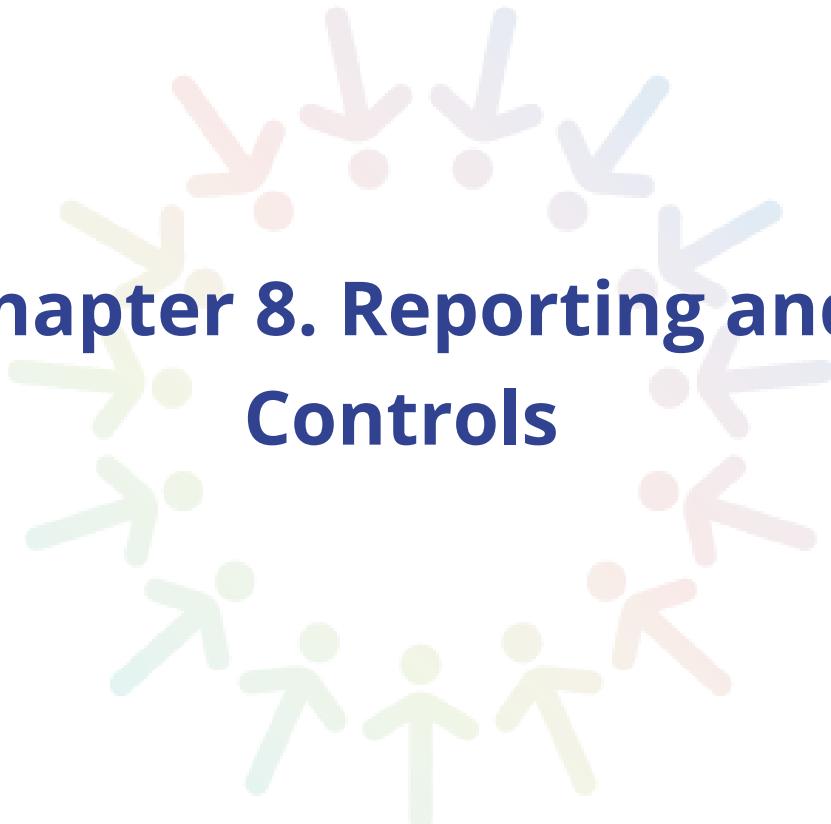


Interreg

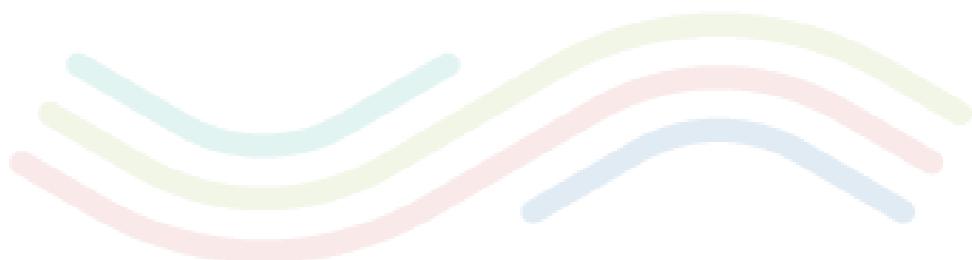


Co-funded by  
the European Union

NEXT MED



## Chapter 8. Reporting and Controls



REGIONE AUTONOMA  
DE SARDIGNA  
REGIONE AUTONOMA  
DELLA SARDEGNA

## 8.1. Risk-Based Management Verifications (RBMV)

### 8.1.1. What's RBMV?

The approach for the management verifications set up in the Programme can be well considered as a typical example of *“improvement”* and it brings in a series of twist elements, both in terms of **simplification** of the administrative burden for the programme bodies and the beneficiaries, as well as **the approach to the responsibilities** for the verification-related tasks.

Management verifications shall be **risk-based and proportionate** to the risks identified ex ante and in writing.

**The purpose of the risk-based management verifications is that the MA obtains a reasonable assurance by not verifying 100% of expenditure submitted by projects.** The verification work should sufficiently cover risks and the verifications can be extended to obtain reasonable assurance.

Risk-based means that the Controller/Auditor should focus their verifications on areas where, following a risk assessment, the risk of material misstatement is high. In areas where the risk of material misstatement is low, control work should be reduced.

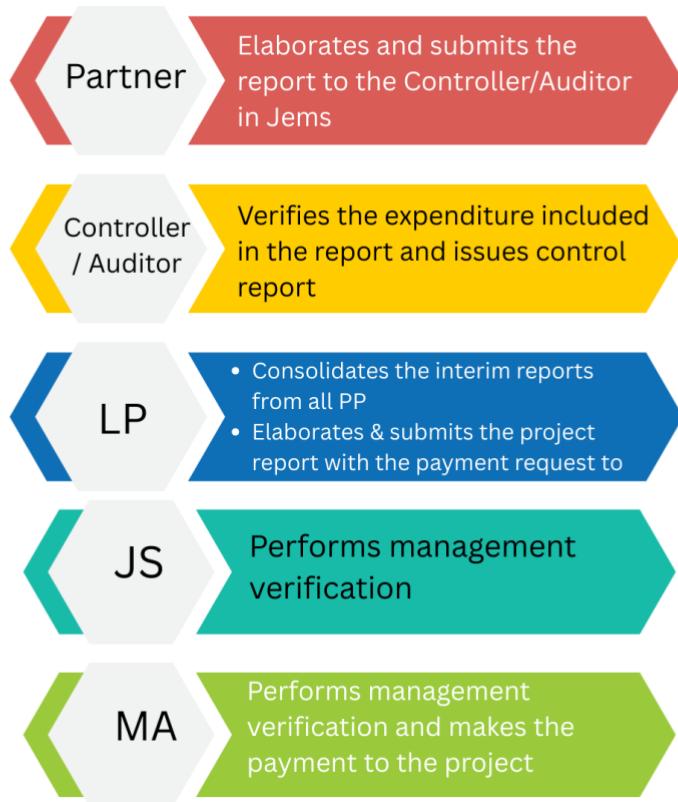
This means that not all expenses have to be subject to management verifications. While a 100% payment verification of the expenditures remains theoretically possible, this can only be carried out in cases when the level of risk to the budget of the Union is so severe that it would impose such an approach.

Management verifications shall include **administrative verifications** in respect of payment claims made by beneficiaries and **on-the-spot verifications** of operations.

### 8.1.2. Who is in charge?

In accordance with Article 46(3) of the Interreg Regulation (EU) 2021/1059, **Türkiye and the EU Member States** participating in Interreg NEXT MED Programme have taken over the responsibility for management verifications referred to in article 74(1)(a) of the Common Provisions Regulation (EU) 2021/1060.

In the **Mediterranean Partners Countries**, in accordance with Financing Agreements, the Managing Authority shall carry out managements verifications to verify that the operations comply with article 74 (1)(a) of Common Provisions Regulation (EU) 2021/1060.



### 8.1.3. How is the RBMV Methodology?

To ensure equal treatment of the project partners and adequate quality standards of the control work and a harmonized approach across the participating countries to the Programme, the MA decided to develop Programme minimum requirements for the risk-based management verifications.

The methodology is based on the analysis of historical data retrieved from the Management Information System (MIS) related to the projects implemented during 2014-2020 programming period under ENI CBC MED, generated for two levels of controls, Managing Authority and Audit Authority.

Such analysis aimed to identify risk factors that had previously caused irregularities and errors in the Programme.

The results show:

## NEXT MED

- **"High Risk" Cost Categories:** *Human Resources* and *External Services* have shown the highest error rates in historical analysis.
- **"Low Risk" Cost Categories:** *Equipment* and *Infrastructure* have demonstrated lower error rates.

*Travel* and *Administrative costs* are covered by simplified cost options in the 2021-2027 programming period, so no results were included in analysis

Each participating country has a different error rate, requiring a tailored approach to verification.

This methodology constitutes the **minimum requirements** that the Controller/Auditor must use in all Participating Countries. Requirements can be increased by each Country according to national needs, without ever reaching 100% control of expenditures.

Group	Countries with errors
<b>Group A</b>	Countries with error rates below 5%
<b>Group B</b>	Countries with error rates between 5% and 10%
<b>Group C</b>	Countries with error rates above 10%

Algeria and Türkiye, as new participants, start with the average error rate (8.14%) of other countries

After the analysis, all the participating countries were included in the following groups:

Group	Countries	Comments
<b>Group A</b>	Italy, Spain, Palestine	10% sampling for all categories (both items and expenses)
<b>Group B</b>	Cyprus, Lebanon, Greece, France, Algeria, Türkiye, Jordan, Malta	20% sampling for all categories (both items and expenses)
<b>Group C</b>	Tunisia, Egypt, Israel, Portugal	25% sampling for all categories (both items and expenses)

The analysis will be performed every year using the same principles, and at the end it will be possible to see a change for a country from one group to another. **If the error detected lowers, the sampling will be reduced according to the group of belonging. On the opposite, in case of an increase of the error rate, the sampling will be enlarged and potentially the Countries will move to another group.**

### 8.1.4. Sample Selection and Extension

#### *Initial Sample Selection*

The Information System (Jems) will draw samples based on expenditure items included in the partner's list.

The Controller/Auditor can extend the sample based on professional judgment (e.g., suspicion of fraud).

#### *Error Detection Protocol*

If errors are detected during checks, the Controller/Auditor should extend the sample using professional judgement.

Extension may cover similar expenditures, the entire cost category, or 100% of expenses.

Any sample extension requires explanation in the control report.

## 8.2. REPORTING

### 8.2.1. Interim and Final Reports

Reporting shall be made in line with Article 6 of the Grant Contract.

#### 8.2.1.1. WHEN?

- **Interim reports:** Every 6 months of the project implementation period, within 2 months after the end of the reporting period.

Remember! The maximum deadline for submitting in Jems the consolidated interim project report by the Lead partner is 2 months.

- **Final report:** no later than 3 months after the end of the implementation period.

Remember! The maximum deadline for submitting in Jems the consolidated final project report by the Lead partner is 3 months.

- The reporting period is of 6 months and **the number of reporting periods are automatically calculated by Jems** considering the total project duration and shown in the "Reporting schedule" section in Jems;

**Attention!** If the Lead Partner fails to provide any report or fails to provide any additional information requested by the MA within the set deadlines without an acceptable and written explanation of the reasons, the MA may apply penalties or may terminate the Contract (see Grant Contract for further details)

#### 8.2.1.2. HOW?

1. **Each partner** prepares and submits a **Partner Report** to the Controller/Auditor for verification of expenditure included in the report; it is recommended to elaborate and submit the report within 15/20 calendar days after the 6 months reporting period ended. The Partner is responsible to ensure that the Controller is notified on the day of report submission that the partner report is available in Jems for verification.
2. As soon as the Controller/Auditor finalises the verification, the Partner Report becomes available in Jems. The Controller/Auditor are recommended to perform the verifications and issues the certificate within 20/30 calendar days.

A message regarding the finalisation of control will automatically show up in Notification section of the partner user and the system allows partners to choose the option to be automatically notified (by email) as soon as the Controller/Auditor finalises the verification.

3. **LP** consolidates the information, prepares a consolidated **Narrative Project Report** (but does not need to prepare a consolidated financial report) and submits via Jems the 6 months project report to the JS.

**TAKE NOTE!**

Considering the importance of duly respecting the reporting deadlines, it is recommended that the Lead Partner submits the Project report to the JS within the deadline, even if not all project partners submitted their partner reports. Any control report and control certificate not received in time by the Lead Partner may be included in the next Project report.

#### 8.2.1.3. WHAT?

1. **Narrative part** shall describe the implementation of the project according to the activities envisaged, difficulties encountered and measures taken to overcome problems, any change introduced, as well as the level of achievement of its outputs (including the

## NEXT MED

specification of the results that the outputs are related to) as measured by corresponding indicators. The structure will strictly follow the reporting template provided by the Programme on Jems.

2. **Indicator achieved values** are automatically aggregated in Jems, based on the progress reported in each project report.

**Note!** Details about the minimum information in relation to outputs' reporting are provided in the Fiche on Indicators – part B – How to report the indicators.

3. **Financial part** – includes supporting documents and relates partner certificate(s).

### Very important:

- **If an expenditure is not included in any report, cannot be claimed at the end of the project. Only expenditures uploaded onto Jems can be considered as eligible during the project lifetime.**

Each PP, including the LP, is responsible separately for having its expenditure verified by the responsible Controller/Auditor in its partner country.

- Remember that, even if no expenditure has been made at project level during the reporting period, the report still has to be submitted.

- **Make sure expenditures included in a report are the ones actually incurred in the reporting period and paid, the latest, before the submission of an interim report or of the final report;** for example, the staff costs incurred in the last month of a reporting period are usually paid in the following month.

- Make sure that the reported costs (in EURO) do not exceed the total amount of the sub-budget line; in order to facilitate the monitoring of budget execution, it is very important to make a clear correspondence between the declared costs of the report and the sub-budget lines in the application in force.

Also, make sure to check that the costs (in EURO) declared / certified in all the reports (previous and current) prepared / submitted to date do not exceed the total amount of the sub-budget line in the approved application.

- In case of Staff costs category, the costs should be reported per person, per month.

## NEXT MED

- Clear reference to the project (e.g. project ID in Jems) has to be seen in relevant documents (e.g.: invoices, contract, reports, agendas, lists of participants, materials published, documents elaborated for events, etc.);
- Regarding procurement documents and information to be uploaded in Jems, please check the Procurement and eligible costs chapters;
- Should a partner Certificate not be available at the time of submitting a project report, it can always be included in the following project report;
- In the final report, the control report covers all expenditures not already reported or expenditure reported but not yet certified (so called “parked” expenditure - e.g.: cost items returned to partner for various reasons by either the Controller/Auditor or JS/MA verification).

4. Each project report submitted to the JS shall be accompanied by **a payment request** (according to article 7 of the grant contract). No deductions for co-financing or recovery of advance payments shall be applied by the Beneficiaries. The payment request shall indicate only the total amounts certified by the Controller/Auditor, as the Managing Authority will implement any necessary deductions and recoveries. The payment request will be uploaded in Project report – Report annexes.

In addition to the periodical focus of the project report, the **final report** shall provide a comprehensive overview of the project final achievements, the overall challenges, how the change brought by the programme affect the relevant target groups, the measures ensuring durability of the results, etc. The final report should be focusing mainly on the qualitative aspects of the implemented project.

Following the analysis of the project report, the MA/JS may request the LP to provide clarifications and to amend the report within a given deadline.

**Reporting, according to Programme rules and deadlines as well as compliance with expenditure commitment, are contractual obligations that concern all project partners. Partners lagging their expenditure commitment risk losing funds.**

The figure below illustrates how reporting at partner and project level is organized.

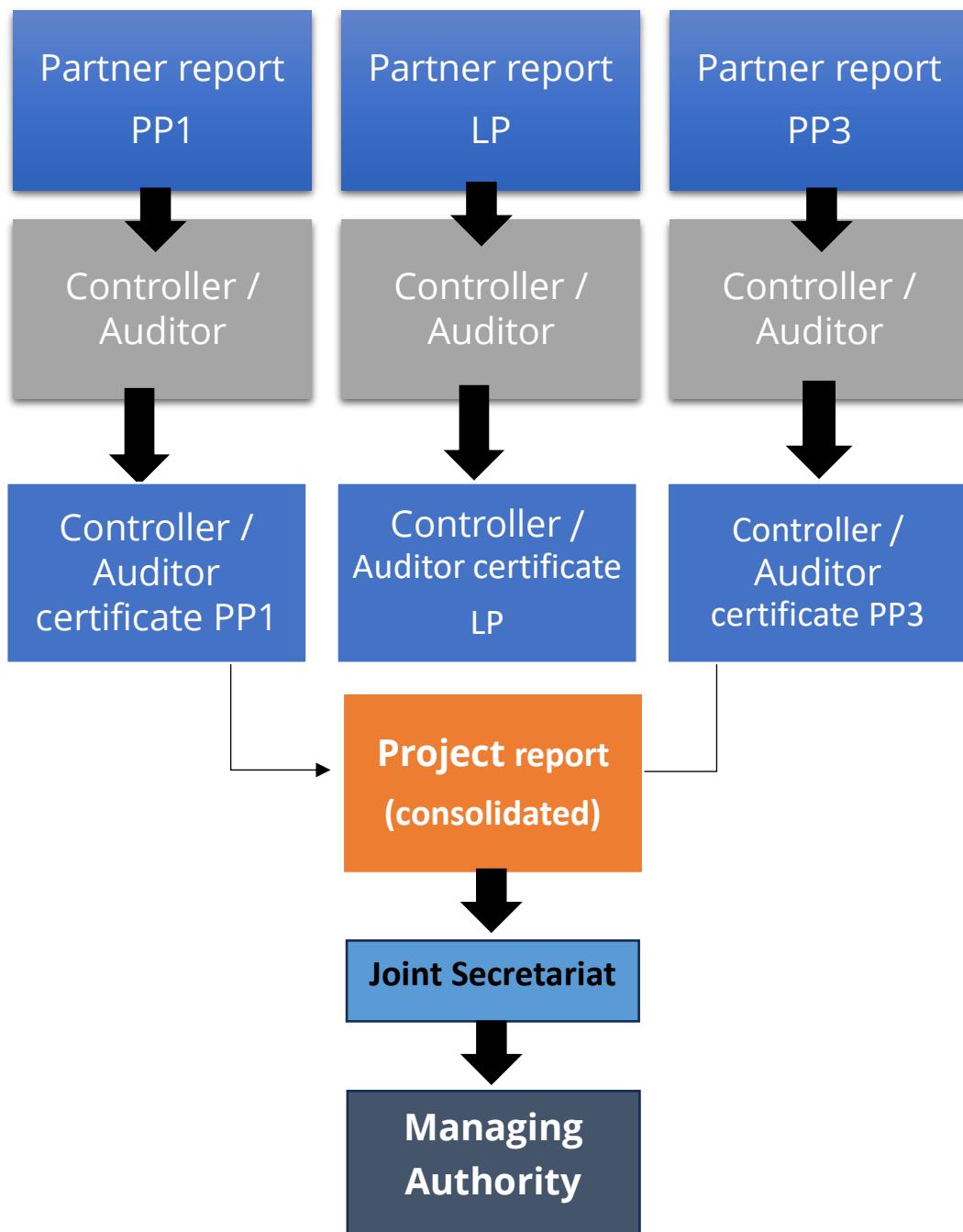


Interreg



Co-funded by  
the European Union

NEXT MED



REGIONE AUTONOMA  
DE SARDIGNA  
REGIONE AUTONOMA  
DELLA SARDEGNA

**TAKE NOTE!**

The expenditures declared in a financial report must be correlated with the last approved budget in the application form (in force at the moment of the submission of the report to the Controller/Auditor). Please see the recommendations above regarding budget execution!

While a verification of a report is ongoing, Partners may request budgetary modifications to the sub-budget lines where expenditure have been declared only if the modifications do not have an impact on the expenditure declared (e.g. a request to supplement an amount of a sub-budget line, with the purpose of ensuring funds for an expenditure that exceeded the funds included in the respective sub budget line is not acceptable). In any case, please note that the MA approval of the report takes into account the expenditure certified by the Controller/Auditor.

For a good budget performance, a proper reporting and to limit the risk of facing a budget reduction during project lifetime, the following aspects are to be kept in mind by each project partner:

- **Start drafting the partner report as soon as the reporting period has elapsed** taking due consideration of the period needed for the LP to consolidate and submit the report within the maximum deadline, as previously indicated;
- Submit the report in Jems, as soon as possible;
- **Financial documents** in support of the expenditure requested shall be uploaded in Jems in the original language;
- Ensure that the maximum size of the documents and the archive file do not exceed 50 MB for upload in Jems;
- When organizing the files for uploading as evidences (Attachments), make sure that:
  - the budget line is clearly identified - CC\_Name of person/provider\_number\_month\_year (e.g. ST\_Rossi\_30\_11\_25 or ES\_Bianchi\_1524\_11\_25)
  - the files are named in English in accordance with the relevant content of documents (e.g.: agenda of the seminar/event/conference held at/on ...) (or in French if the project is in French language);
  - a detailed list indicating the name of each file included in the ZIP file (50 MB) and the number of pages of the respective document is included in the ZIP file.
- The expenditure is reported in the original currency of the invoice/bill. Conversion into Euro is done automatically by Jems using the monthly accounting exchange rate of the European Commission for the month during which the expenditure was submitted for control.

- Costs included in the reports ARE REPORTED AS TOTAL COSTS (**both Interreg funds + Co-financing**). **Do not make your own deductions, and do not report only the Interreg funds or the own contribution!**

Based on the activities planned and outcomes reported along with the deliverables submitted, the JS officers draw comments and score each work package (ranging from 1 – serious deficiencies – to 4 – very good). The average score is then reported in Jems as synthetic information on the project performance.

As far as the color code and the scores are concerned, the following observations apply:

<b>GREEN --- Very Good. Average score 4</b>
The project is/was in line with its planned activities and is/was fully moving towards the achievement of all its expected results, or even further beyond. It might also be considered for its good practice(s) being implemented either in terms of results achieved or use of resources. Its overall impact to date and potential sustainability are very relevant. Only minor deficiencies / problems are detected.
<b>YELLOW --- Good. Average score 3</b>
Overall, the project is/was performing well. Even if no best practice(s) are detected, all activities are jointly implemented, and the expected results seem very likely to be achieved. Notwithstanding minor problems/delays or planned corrective measures (minor or even major changes) the project is/was clearly focused on its outcomes and smoothly implemented.
<b>ORANGE --- Problems. Average score 2</b>
Although all main expected results are/were achieved, some of them may not be satisfactory or should be reconsidered. Sensitive issues have been/were reported and have called for/may need corrective actions/measures. On-the-spot visits and/or bilateral meetings should be/were planned requiring corrective measures and adjustments.
<b>RED --- Serious deficiencies. Average score 1</b>
The project is facing/faced such serious difficulties that the risk of not reaching any of the expected results is/was very high. The contribution from Programme bodies such as the JS, the BOs and the National Contact Point(s) is needed to tackle specific issues and address the identified deficiencies within the shortest possible delays.

## 8.3. CONTROLS

### 8.3.1. Administrative Verifications and On-the-Spot Checks

The MA, with the support of the JS, will perform:

## NEXT MED

- **administrative verifications** on the Interim and Final reports (including the Controller/Auditor reports) for each payment request by LP;
- **on-the-spot project verifications** carried out on a sample basis.

The checks on the reports are carried out in order to verify that services, supplies or works have been performed, delivered and/or installed and whether expenditure declared by the LP and PPs has been paid, and that the expenditure complies with the applicable law and the Programme rules.

The on-the-spot checks are performed on the basis of a risk analysis considering risk factors such as:

- type of project (thematic, youth, governance);
- Interreg NEXT MED Contribution;
- size and geographical representation of the partnership;
- categories of beneficiaries and partners (public/private profit/non-profit);
- number of projects implemented by the LP;
- state of play;
- specific costs categories having a high fraud or corruption risk level, such as staff and/or services;
- findings of the project external Controller/Auditor;
- results of the annual audits on projects carried out by the AA;
- any critical points or problems arising in the project implementation.

### 8.3.2. Audit on projects

The AA, with the support of the members of the Group of Auditors, performs an annual audit on projects. The European Commission, the European Anti-Fraud Office, the European Court of Auditors and any authorized institution may perform additional checks.

As far as the annual audits on projects are concerned, they are performed during the Programme lifetime on a sample basis. When the AA selects a project for an audit, the LP as well as one or more PPs may be audited. The audit may be carried out on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the activities.

Moreover, Auditors analyse a number of processes related to the implementation of the project, including:

- the compliance with the obligations set in the GC and Partnership Agreement;

## NEXT MED

- the confirmation of the expenditure verification performed by the project Controller/Auditor.

Audits may be carried out on the premises of the LP / partners and/or in any other place where the project is being implemented. In case of detected non-compliances/infringements, "audit findings" are raised, which may result in financial corrections for the project. The amounts considered ineligible by the AA and leading to irregularities may not be re-used by the project.

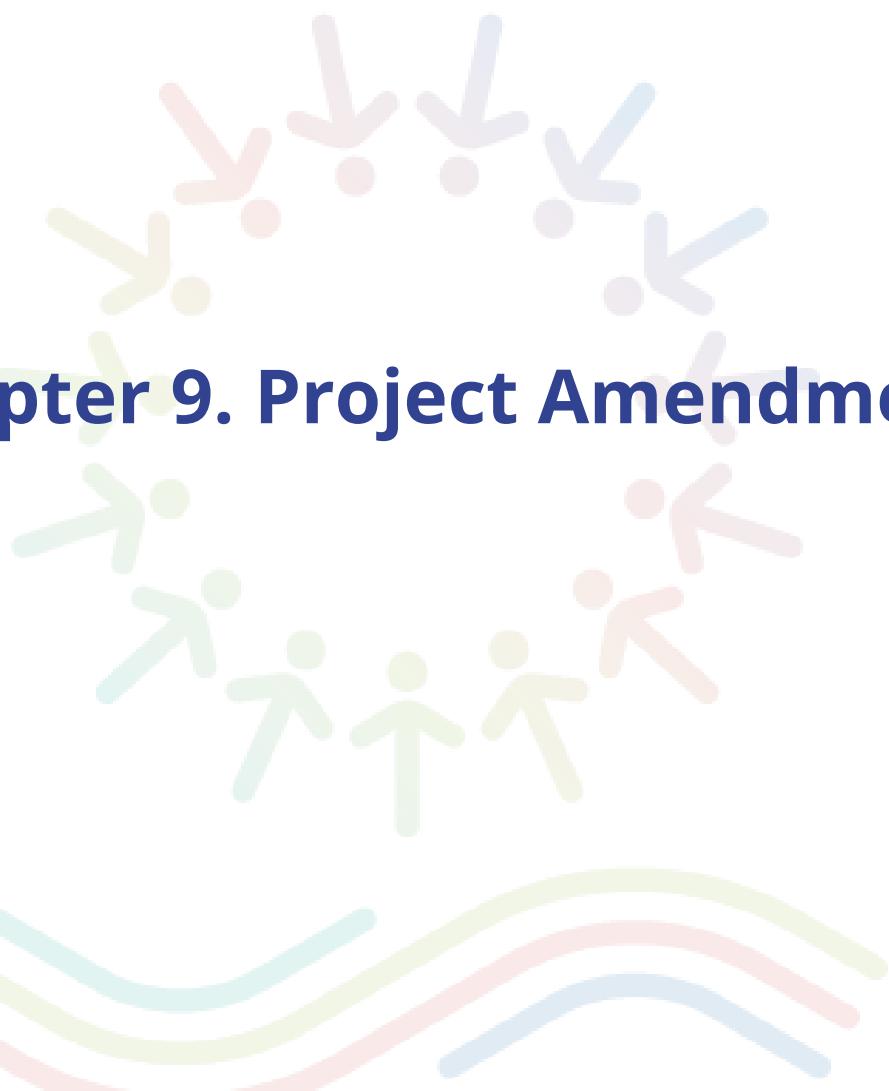


Interreg



Co-funded by  
the European Union

NEXT MED



## Chapter 9. Project Amendments



REGIONE AUTONOMA  
DE SARDIGNA  
REGIONE AUTONOMA  
DELLA SARDEGNA

## 9.1. Introduction

During the execution period, projects may need to amend (modify) elements such as duration, partnership, budget, activities, outputs, and results, as described under Art. 9 of the GC on project amendments.

The Lead Partner is responsible for the amendment procedure of the GC.

It is not possible to initiate a modification request if a previous modification is not finalized (approved or rejected by JS/MA). It is always the last approved project description - Annex I to the GC - and project budget - Annex II to the GC - the ones subject to modification, not previous versions!

## 9.2. Amendments: Core Financial Rules

### **50% Minimum to MPCs**

The Programme golden rule dictates that a minimum of 50% of the project budget must be allocated to Mediterranean Partner Countries.

### **35% Maximum per Partner**

A maximum of 35% of the total budget can be allocated to a single partner to ensure balanced participation.

### **40% Maximum for Staff Costs**

A maximum of 40% of the total budget can be allocated to the Staff cost category.

## 9.3. Budget Reallocation: Specific Constraints

**Several rigidities and constraints apply to budget modifications.**

### **Fixed Flat Rates**

Travel & Subsistence and Administrative costs are fixed at 15% of Staff costs. Their percentage cannot be amended, only their total amount may vary as a result of staff cost changes.

### **Equipment**

Modifications to the Equipment costs should remain the exception or as a result of savings in procurement, as Equipment is to be purchased at the beginning of the project, to allow for a proper implementation of the project activities. No Equipment purchase is

allowed in the last year of project implementation, unless the official prior authorization of the MA.

### **Infrastructure & Works**

It is recommended to limit such amendments, as these costs are generally linked to pilot activities, that should not be put at risk.

### **No Past Reallocations**

Costs from previous reporting periods are fixed and cannot be changed. Reallocation from the past to the future is not possible.

## **9.4. Minor amendments**

As stated in the GC, **an amendment is considered as Minor:**

If the changes of Budget, Partnership and Activities do not affect the basic purpose of the Project and the financial impact is limited to a transfer between the Budget Lines within the same cost category (including removal or introduction of a Budget Line), or a transfer between cost categories and/or among partners, involving a variation of 20% or less of the amount originally entered (or as modified by addendum).

**The Lead Partner may amend the budget, the description of the project, or the partners' data, and inform the MA accordingly in writing, and at the latest in the following report, provided that admission and award criteria are respected.**

**A maximum of one minor amendment per year is allowed** under the Interreg NEXT MED grant contracts, except in case of special circumstances duly substantiated by the Lead Partner and accepted by the MA.

In line with the GC, under no circumstances the fixed percentages of the Travel and subsistence costs and the Administrative costs may be modified by an amendment.

Additionally, in line with the GC, change of name, address, bank account, legal form or legal representative of the Lead Partner and/or partners, are not considered as minor amendments, but only as adjustments/integration of project information.

## 9.5. Major amendments

In line with the GC, a change to the duration of the project implementation period, and any other substantial modifications to the budget (beyond the 20% flexibility rule), partnership and activities, outputs, results and indicators (not affecting the basic purpose of the Project), are considered as **Major amendments** which shall be subject to the approval of the MA upon submission of a duly justified request by the Lead partner. **Only one major amendment is allowed during the implementation period of the project, unless duly justified circumstances emerge (e.g.: the withdrawal of a partner).**

Please note that the project EU contribution share (89%) and co-financing percentage (11%) cannot change and, in line with the GC, under no circumstances, the criteria for the grant award shall be modified by a major amendment.

The limitations from the specific Call of proposals (concerning budget and partnership and any other rule) remain applicable throughout the project lifetime.

### Good practice – inform the JS

Partners shall consider the following steps before submitting the amendment:

1. It is advisable to discuss first with the assigned JS project experts regarding the intention to make any change to the project.
2. Send a written request to the JS on office email/JEMS mailbox, specifying the change with all the justifications needed and supporting documents (in order to be able to trace the whole procedure).
3. Proceed with the modification requested only after the JS approval. The JS may request the LP to provide clarifications for both minor and major amendments.

The Lead Partner collects approval of the change from the partnership (either minutes of a meeting or e-mail approval by all partners) and completes the Request for changes procedure. In line with the GC, in order to allow the major modifications to enter into force, an Addendum to the GC will be signed with the Lead Partner.

**Hence, please note that the changes (new activities, outputs, results and new budget allocations) enter into force only after the Request for changes and the new Description of the project / Budget are officially approved from the Programme side and the Addendum to the GC is signed by both parties.**

**Take note!**

**Major changes cannot introduce any aspect that has already been rejected during the negotiation phase.**

## 9.6. Recap

<b>Who might initiate the major change?</b>	<p><b>Lead Partner (or Partner through the Lead Partner)</b> submits, by e-mail, a duly justified request to the MA through the JS. Prior to this, the LP will obtain approval of the proposed change by app partners.</p> <p><b>There should be proof that the whole partnership was informed by the request and approved the proposed changes (minutes of a meeting, e-mail exchanges)</b></p>
<b>When does the major change need to occur?</b>	For any modification of the project application form and/or the Grant contract, including its annexes.
	<p>The Request for amendment shall be submitted at least <b>30 days before the date on which the amendment should enter into force</b>, unless there are special circumstances duly substantiated and accepted by the MA. The requests for the extension of the project implementation period shall be accompanied by all the supporting evidence and submitted at <b>least 60 days before the closing date</b>. In line with the GC, the above-mentioned limitations and deadlines may be amended only in case of <i>force majeure</i> or in case of exceptional circumstances duly substantiated and accepted by MA upon approval of the MC – Monitoring Committee.</p> <p>Therefore, please duly take also into consideration the time necessary for the LP to compile the requests for modification received from the Project Partners and for the MA and JS to analyse the request, ask for clarifications (if necessary) and approve the documents.</p> <p>These timings need to be even longer towards the end of the programming period.</p>
<b>Documents to be prepared</b>	<p>Request for modification detailing and justifying each proposed modification (cost-activity-deliverable), <b>with emphasis on maintaining the eligibility of costs and the added value of the amendment, the overall positive impact on the project.</b></p> <p><b>Any relevant document</b> in support of the justification on the requested modification needs to be added.</p>

	Please note that for issues related to partnership, pilot activities, investments etc., the National Authorities must be involved, to ensure a faster and smooth procedure of change.
<b>Entry into force</b>	<b>Major amendments enter into force after the signature of the Addendum to the GC by both LP and MA.</b>

## 9.7. Changes in Activities, Outputs, and Results Key Limitations

The proposed change should aim at improving the project performance and/or to achieve the expected results.

Decreases of planned and already reported output and result indicators are not possible.

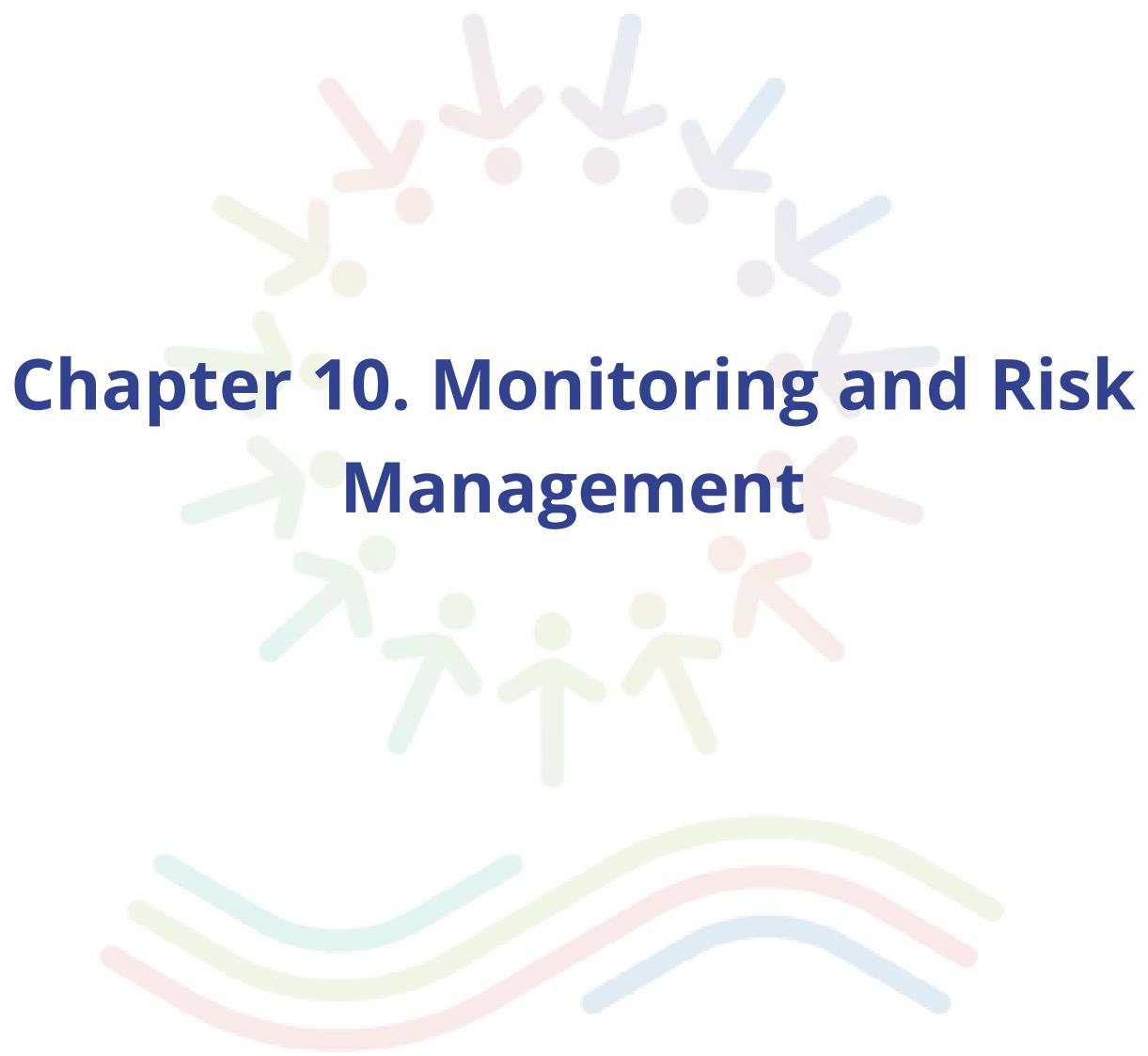
All major amendment requests need to comply with State Aid requirements.

## 9.8. Changes in Partnership

**Required Documentation** The request submitted by the LP must be duly documented.

**The following documents are required for a new partner:**

- Letter of withdrawal of the old partner.
- Partner declaration for the new partner.
- Document proving identity and role of the legal representative.
- Documents proving legal status and geographical eligibility (e.g., statute).
- State-Aid self-assessment grid (if applicable).
- Financial Capacity Form and Balance sheets (if applicable).
- Administrative costs and Travel/subsistence costs calculation.
- Documents on Environmental screening (if applicable).
- Information on the new partner's previous experience in EU projects and relevant topics must also be included for assessment.



## Chapter 10. Monitoring and Risk Management

## 10.1. Project monitoring

Project monitoring starts at the date of GC signature and finishes at the end of the execution period, with the exception of infrastructure component. The Programme authorities or auditors are entitled to verify the sustainability of the project after the payment of the final balance, including by requesting relevant reports or other documents.

Immediately after the contract signature, the Programme will appoint JS officers for each project and shall inform the respective Lead Partner accordingly. The JS appointed officers shall be the direct contact persons providing support to the LP and Partners.

## 10.2. Monitoring progress

An efficient and effective monitoring activity is aimed at supporting the overall decision-taking process necessary for a correct project management; it strongly depends on receiving and/or collecting **timely, reliable and relevant information/data** and supporting documents **about the progress** in the implementation of activities, outputs and outcomes achieved by the project.

## 10.3. The role of the Lead Partner

Project monitoring is a continuous process to be performed on a regular basis and in a systematic way by the Lead Partner with the support of all the project partners.

This may be achieved by:

- Setting up a shared, internet-based, information tool including the control of **deadlines, activities, deliverables and indicators**, using available project management software;
- Requiring the project staff (project, financial and communication manager) for each Partner to submit a regular, short monitoring report to the Lead Partner providing information about the progress being made in implementing the project. LP will currently monitor the progress of the project expenditures to identify the moment when partners should be ready to report their expenditures.

Reporting shall be made in line with Article 5 – *“Roles and responsibilities”* of the Grant contract. These reports are an important source of information and must be used by the Lead Partner for the elaboration of the consolidated narrative reports.

## NEXT MED

The official tool for project monitoring in Interreg NEXT MED is the Jems online platform. Jems is used for collecting, analysing and reporting information about activities, outputs and outcomes.

### TAKE NOTE!

The Programme follows a **preventive risk-based approach**: plan ahead, anticipate, and organize before problems arise.

## 10.4. Requirements of the MA and the JS

The MA and JS have requirements about reporting progress (or delays) in the project implementation.

Reporting progress may be achieved by:

- **Regular monitoring** - checking upon progress in the implementation based on the information provided by the Lead Partner in each report (information collected from Jems);
- Organising **site visits** to LP/Partners headquarters or to the investment(s);
- Participate to the **projects events and/or meetings**;
- Result Oriented Monitoring (ROM).

Please note that additional information and documents might be requested by MA/JS based on the contract provisions.

## 10.5. Support by the National authorities

Should there be questions related to national rules or legislation, the Lead Partner and project partners may contact the National Authorities.

## 10.6. Regular monitoring

During project implementation, each partner should monitor its expenditures in order to be ready to prepare its own sixth-month report.

The LP has to coordinate and support the whole partnership in order to meet the deadline and submit the Project Report to the MA.

Detailed information regarding the types of reports, their frequency, content and how they should be submitted, are presented in the GC and detailed in Chap. 8 *"Reporting and controls"* of this PIM.

The LP shall answer any request for clarification and provide additional information on the reports if required by the JS/MA, within the deadline stipulated by the request. In order to grant a smooth implementation of the project, the deadlines should not be postponed.

## 10.7. Monitoring of indicators

Indicators are essential because they enable the Programme to aggregate and organise the results of multiple projects, providing an overview of the program's implementation. Indicators need to be monitored in every report and should be supported by a review of the activities performed.

### INDICATORS MATTER ON PROJECT LEVEL

A project should strive to select the right indicators in the application phase (those that are relevant) and report on them to **showcase its achievements**. The indicators will be aggregated for all the projects and reported to the EC.

### INDICATORS MATTER ON PROGRAMME LEVEL

Indicators are the basis for showcasing the achievements of Interreg programmes. They allow data collection across all programmes, revealing important trends and successes or difficulties. The Interreg NEXT MED programme reports indicators to the EC.

Please, be aware that, according to EU regulations, **sound financial management**, in particular the principle of effectiveness, means also the achievement of the indicators.

Attention: Failure to meet the indicators might have negative financial consequences for the projects. In case of doubt, do not hesitate to consult the Performance Framework methodology paper and consult the JS experts.

## 10.8. What can be checked?

Among the results that can be checked, we can find:

## NEXT MED

- **The physical existence of material results** of the project implementation (for example, equipment, goods, promotional and visibility materials, etc.).
- Existence of **visibility elements** on the deliverables, equipment and spaces used in the project.
- **The quality and quantity of the essential** deliverables from the project available up to that moment.
- Resources and Project management results.
- Progress in the implementation of activities and outputs achievement – Work Plan and timeline/milestones, if insufficient information was provided in the progress report preceding the visit.
- **Evidence of target groups involvement** in the project activities/feedback.
- Compliance with the communication and visibility rules.
- Risks and Problems/remedial actions required – need for amendments to the contract (extension, budget changes etc.).
- Elements to ensure the **horizontal principles** have been respected.
- Elements to ensure **sustainability** of the project results and **capitalization** of the results, the latter, if the case.
- The degree in which the **recommendations**, officially received by MA during the consultation of risk double funding & duplication of the projects have been **considered** by the project.
- **Evidence that corrections made after the approval of the project have not been re-introduced again.**
- The degree or result of applying the recommendations or solutions previously proposed (through a plan of measures or during other monitoring visits) by JS/MA to improve or solve problems or risks encountered by the beneficiaries in the implementation of the projects.

At the same time, during monitoring visits, the JS and the MA can provide support for project implementation upon request, easing the respect to provisions of the GC and of the Programme.

The LPs shall implement the recommendations made after the visit, shall inform the partners on the visit and its outcome and shall report the information related to them in the next progress report or within the deadline indicated by the JS/MA or in the measures plan (if the visit report did not include the conclusions, recommendations and compliance deadlines given by JS / MA).

The monitoring visits will take place at the premises of the Lead Partner, partners and in any of the project location, preferably during project activities (e.g.: training activities, fairs, exhibitions, project management or monitoring events).

## 10.9. Risk management

Risk analysis plays a crucial role in effective project planning and implementation. By clearly understanding the potential risks involved, you can take steps to prevent them or prepare in advance. Here is a list of seven of most common project risks and some mitigation measures.

The most common risks include:

1. misunderstanding concerning the scope of the project;
2. low performance;
3. budgeting or cost risks;
4. time-related risks;
5. lack of resources;
6. operational risks;
7. lack of clarity.

### 10.9.1. Scope risk

Scope risk arises when a project's original objectives are not clearly defined or shared by all partners. To prevent this, it is essential to align with stakeholders early in the project implementation by sharing a well-structured project roadmap and sticking to those shared boundaries. Without clear communication, stakeholders may attempt to introduce changes mid-project, disrupting progress.

The scope risks might result, at the project assessment, as insufficient relevance for the Programme, poor transnational added value and/or vague objectives and results.

**How to mitigate scope risk?** Internally to the partnership, it is needed to establish well-defined project parameters that help solidify the project scope. Reaching a shared understanding with stakeholders and clearly communicating that scope minimizes the chances of unexpected changes. Additionally, holding regular project meetings and progress reviews helps ensure the project remains aligned with its initial goals.

### 10.9.2. Low performance

Performance risk arises when a project fails to meet expected outcomes and targeted values. While establishing the exact cause of underperformance is not always possible, the project partnership can identify potential risks—such as tight deadlines or poor partnership internal communication—that may contribute to it and take steps to reduce their impact.

**How to mitigate low performance risk?** Proactively identifying performance-related risks during the planning and kick-off phase can help the project partnership stay ahead of issues. Leveraging project management tools allows for real-time process tracking, detailed project planning, and improved communication among project partnership members, all of which support stronger project performance.

#### 10.9.3. Budgeting – cost risks

Cost risk arises when a project exceeds its initial budget in certain activities. This often results from unrealistic estimates or insufficient detail during the planning phase. While it may seem your project will stay under budget, outlining every project component and its associated costs helps you better anticipate financial needs.

**How to mitigate cost risk?** The project partnership needs to start by accurately estimating costs for each project activity and adhering closely to the budget. Using a project plan template can help align your project partnership on deliverables, scope, and timelines. Once the project is underway, the partnership needs schedule regular budget reviews to monitor spending and adjust as needed, to stay on track.

#### 10.9.4. Time risk

Time risk, also known as schedule risk, refers to the possibility that project tasks will take longer than initially planned. Delays can have a cascade effect, impacting your budget, delivery timeline, and overall project performance. This is a common challenge for project partners, especially when overseeing multiple activities and relying on others to complete the work. Underestimating tasks durations during the planning or kick-off phase is rather common.

**How to mitigate time risk?** A good strategy is to overestimate tasks duration during planning and include time buffers to account for potential delays. This built-in flexibility allows for better schedule management. Creating a detailed project schedule using tools like a Timeline or Gantt chart can also improve visibility into tasks, dependencies, and potential delays—helping you adapt more effectively. Additionally, having a strong understanding of your project’s lifecycle (and internally inter-connected activities) can improve your ability to accurately estimate task durations.

#### 10.9.5. Lack of resources

Resource risk arises when there are not enough resources—such as time, skills, budget, or tools—to complete a project. As a LP, it is your responsibility to secure these resources and keep your partnership informed about their availability. The same goes for the project partners. Resource allocation should be planned early, typically one to two months before the project starts.

**How to reduce resource risk?** The most effective way to manage resource risk is by developing a resource allocation plan. This plan ensures that partnership resources are used efficiently, maximizing their impact and supporting overall project goals. By identifying your resource needs upfront, the partnership reduces the likelihood of later shortages.

#### 10.9.6. Operational risks

Operational risk refers to changes within the project partnership or processes, such as unexpected shifts in partnership roles, management changes, or new procedures that require your partnership to adapt. These changes can cause disruptions, necessitate workflow adjustments, and potentially affect project timelines.

**How to minimize operational risks?** While it is impossible to predict or prevent every operational challenge, being aware of upcoming team changes or process updates allows you to ease the transition. The partnership needs to be prepared in advance by holding regular meetings, utilizing scheduling tools, and offering additional training to allow for smooth adjustments to operational risks.

#### 10.9.7. Lack of clarity

Lack of clarity can stem from miscommunication among partners or other stakeholders, unclear project scopes, or unclear deadlines. This often leads to issues like slowed-down work, budget overruns, missed deadlines, shifting project requirements, changes in direction, or unsatisfactory results.

The lack of clarity might result, in the project assessment, as unclear needs and insufficient quantification of target groups and final beneficiaries, as well as unrealistic quantification of indicators.

**How to address lack of clarity?** During project planning and kick-off, the partnership needs to regularly review and confirm all requirements to ensure everyone is aligned. All partners need to be on the same page. Additionally, making project information easily accessible through a centralized tool helps keep everyone informed and up to date throughout the project. This is why it is paramount that all partners regularly use the Jems online system.



## I. Risk identification

The initial step in the risk analysis process is to identify potential risks that might impact your project. While we previously listed the seven most common risk events, other risks could also arise, such as procurement failure, unforeseen life events, unforeseen other events (including weather, geography, and others), data transfer problems, changing priorities, legal challenges, market fluctuations, and project delays.

## II. Likelihood and impact

Likelihood and impact need to be determined. The list of risks needs to be organized by evaluating those most likely to happen. Ranking risks based on their likelihood helps identifying priorities. In addition to likelihood, it is crucial to assess the potential impact of each risk. The partnership should focus on risks that could have a major impact on the project.

## III. Solutions for each risk

Performing a risk assessment increases your project's chances of success by allowing you to identify and prevent potential risks throughout the project lifetime.

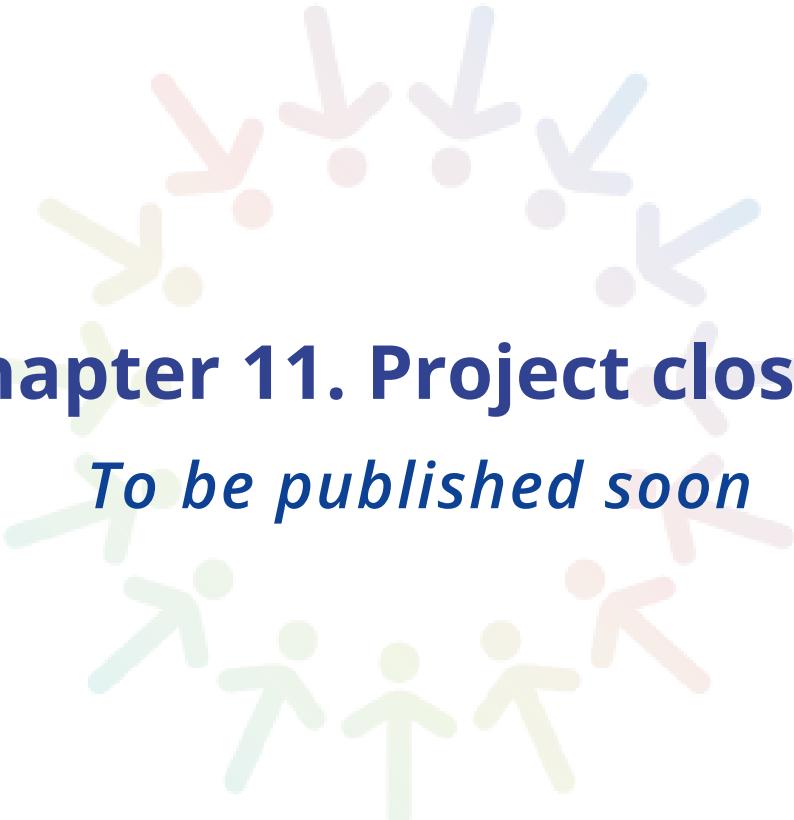
#### IV. Review project risk assessment

It is essential to review the risk assessment regularly since conditions can evolve. Both the likelihood of risks and their potential impact on the project may change over time. Additionally, new risks might emerge, while some previously identified risks could become less relevant.

#### Risk management- conclusions

The right tools simplify the risk assessment process by enabling the partnership to analyse and prioritise risks effectively. Project management tools also support the partnership in building solid planning skills. Understanding the workflow and the stages of project management helps preventing risks before they arise.

The main tools for successful risk management are: a risk register, a detailed SWOT analysis and project partnership exchanges and brainstorming. Mitigating risks requires planning. **The best solution is to plan ahead.**



## Chapter 11. Project closure

*To be published soon*

