



3.“PROJECT START” IN FIVE STEPS



3. “PROJECT START” IN FIVE STEPS

This Manual follows a “preventive” approach rather than a curative discipline. This is the reason why, it is important at project start to identify the main steps to prepare the ground for a smooth project implementation. The five steps are listed in the paragraphs below.

3.1. Understand project timeline

Project life is planned in 5 periods:

1. Contracting
2. Implementation
3. Final reporting
4. Balance payment
5. Inspection

The implementation period starts *“the day following that on which the second of the two parties signs or at a specify date indicated in the GC”* (art.2.2) and end after the number of months indicated in the contract.

Key issues

- ✓ Why is it important to have a clear understanding of the duration of the Implementation Period? Because eligible costs (GC art.14) are ONLY those incurred in the Implementation Period, exception made for the costs related to the preparation of the final reporting.
- ✓ Duration of the contract of the Human Resources in charge of the preparation of the final report. Since the final report is presented up to 3 months from the end of the implementation period, it is of utmost importance that contract duration for staff in charge of the preparation of the report is concluded with the approval of the final report by the JTS. We would like to avoid that the presentation of the final report – and therefore the payment of the final balance and project closure – is delayed because of lack of personnel.



3.2. Set the accounting systems

Once that you have a clear understanding of project time line, the Lead beneficiary and the partners have to develop an appropriate double-entry book-keeping system (GC art.16.1) and a safe and easily accessible record keeping (GC art. 16.6). Institutional partners might experience difficulties to this respect, since they have already an internal accounting system with limited possibility for adjustments. Chapter 7.3 provides elements related to the double entry-system.

Key issue

- ✓ Based on ENPI sample Audit results, 62% of the “causes for issues” are due to lack of documents: this shows a problem in the organisation as for document storage! This is the reason why “Record and document Keeping” is a fundamental procedure to plan and design since the start of the project.

3.3. Establish the financial tools

Financial tools are bank accounts and financial guarantees. These latter may be requested by the MA.

GC (art.7.3) requires that the Lead Beneficiary (LB) opens a bank account in euro “which allows the identification of the funds paid for the implementation of the project”. To facilitate the payment verification process, it is suggested that the Beneficiary bank account is “dedicated” to the project, unless clearly justified by reasons such as long time to receive clearance from the National Budget, internal rules from the national legislation, etc. If the bank account cannot be “dedicated”, the Beneficiary must prepare a “double entries sheet” providing evidence of the income and expenses related to the project indicated with the “project identification number”. Following the principle of transparent accountability, it is recommended that the same procedures are applied as well by partners.

To receive the pre-financing instalment, the LB has to send the signed GC (art. 7.1), together with a financial guarantee (art.5 g), if required. Financial guarantees will be decided on a case-by-case basis after a risk assessment. Therefore, it is not necessary to send a payment request to receive the first pre-financing.

The financial guarantee has to be issued according to the guidance note provided by the MA. The costs for the financial guarantee are eligible and included in the project budget. Since the cost of the guarantee is related to its duration and amount guaranteed, it must be negotiated with the bank/insurance.



Key issues

- ✓ A first pre-financing instalment, corresponding to 40% of the total ENI contribution (as specified in Article 3.2 of the GC) shall be paid to the LB within 30 working days, as from the date of reception by the MA of the signed GC. The signed GC serves as payment request. The following instalments 30% and 20% of the total ENI contribution are subject to the approval of detailed interim reports. The final payment, corresponding to 10% of the total ENI contribution will be released once the final project report is approved by the MA;
- ✓ Although the first pre-financing has been increased, financial resources are expected to be anticipated during project implementation. Indeed, when you submitted your project application, you presented a financial plan. Based on the elapsed time from design of the project and its start, you may need to revise your financial plan in terms of commitments and amounts.

3.4. Select the Lead Beneficiary and the Partners' Auditors

The rationale for Auditor controls is to provide a reasonable assurance for the MA, the AA and, most importantly, to the project itself that costs co-financed by the Programme are accounted for and claimed in accordance with the legal and financial provisions of the subsidy contract.

According to GC art. 6.6, the LB and the Partners will select the Auditors following National Procedures to be publicised in the Programme web site. Once selected and before signing the contract with them, the Auditors have to be endorsed by the Control Contact Point of the concerned country.

Provided that the project must ensure the delivery of the first Expenditure Verification Report within three months after the first year of project implementation, auditors must be selected and contracted by month 12 of implementation at the latest. Please note that the validation by the respective Control Contact Point may take time, so it is recommended to start the procedure as soon as possible.

ToRs for the auditors are available as annexes in chapter 4.

Key issues

- ✓ The GC is very rigorous on the role played by the Auditors in project implementation: this is the reason why it states clear penalties. The MA and AA have the right to require their replacement in case of substantial errors (GC



art.6.6 c). The possibility to early terminate the contract with the auditor must be foreseen in the service contract;

- ✓ Previous implementation phase has demonstrated that a careful audit report save time and speed up the payment process. Therefore, it is important to select an Audit firm not only competent but also aware of the complexity of the Programme.

3.5. Communicate project start

Once the previous steps have been accomplished, and within three months after the signature of the contract by the last signing party, the LB has to communicate to the MA and put in copy its partners about the start of the project with a “Communication on project starting (GC art. 6.3)” The communication has to contain the following information:

- Identification of the locations where administrative documents of the LB and Partners will be stored and names of the persons responsible for its management;
- Date, venue and agenda of the kick-off meeting to be carried out as well within the three months after the starting date of implementation indicated in the GC;
- Date, venue and format of the press-conference for project start, if any;
- Date for the submission of the Communication Strategy.