



Bu proje Avrupa Birliđi ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.



Avrupa Birliđi Bakanlıđı
IPA II Teknik Destek Projesi

Ministry for EU Affairs
Technical Assistance for IPA II
“Project implementation and control
environment under IPA II”

01 – 02 December 2016

Gábor Rónaszéki

“IPA II: Taking EU funding to the next level”





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Today's agenda



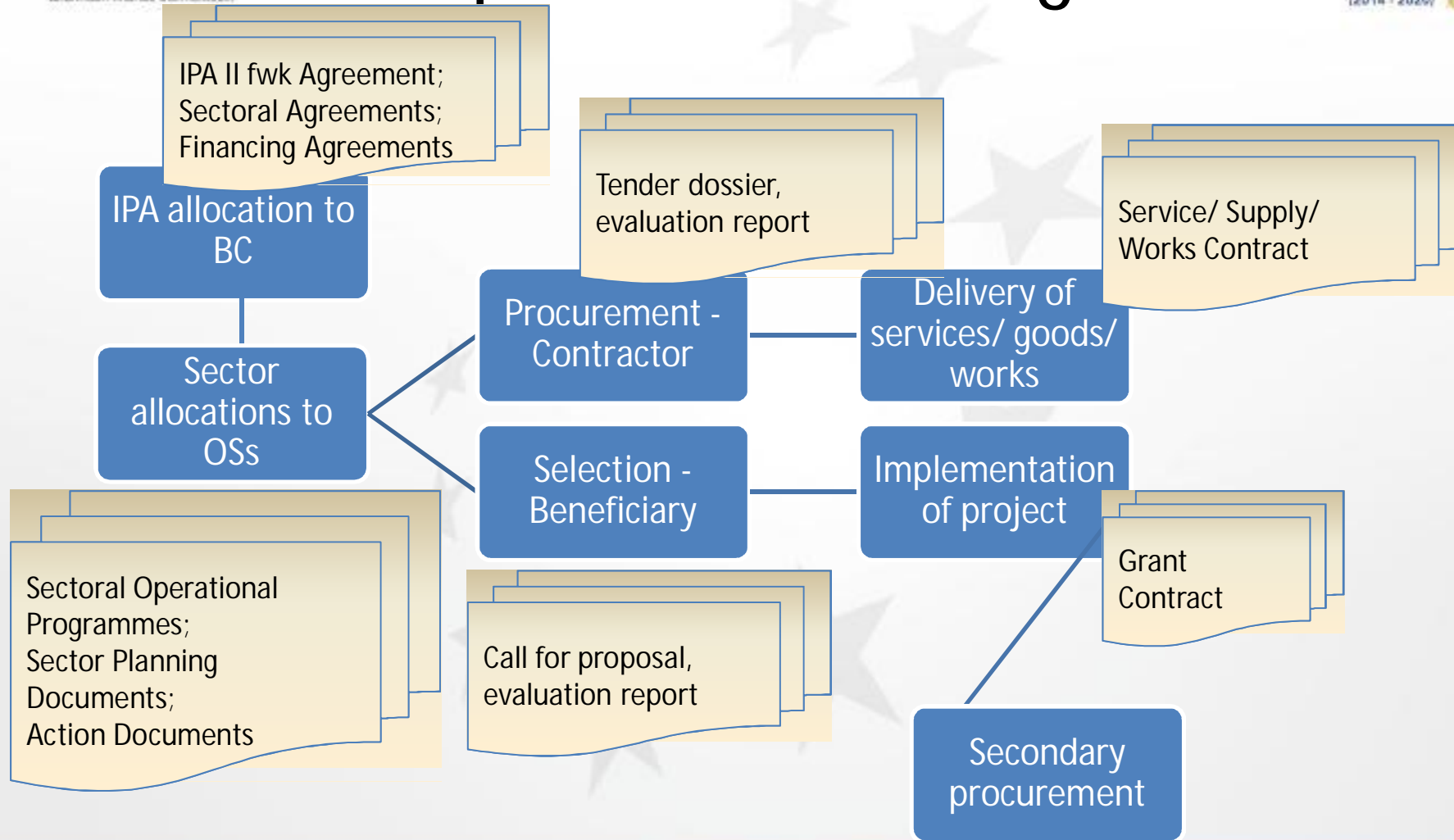
1. Basic principles and their relevance during implementation and audit
2. Types of contract – implementation aspects
 - Service: fee based vs global price (exercise)
 - Supply
 - Grant
 - Simplified cost option
 - Case study and exercise





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Programme implementation logic



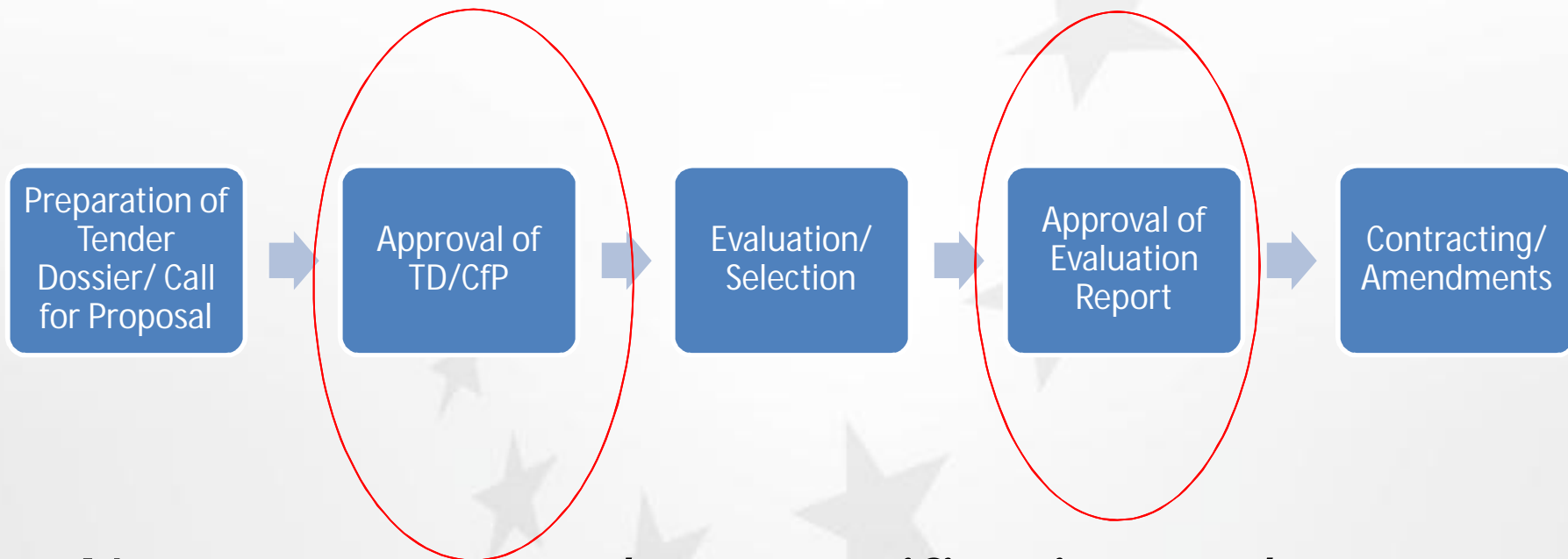


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Management modes – role of EUD



Indirect management with ex-ante controls (DIS)



No ex-ante control over verification and payment



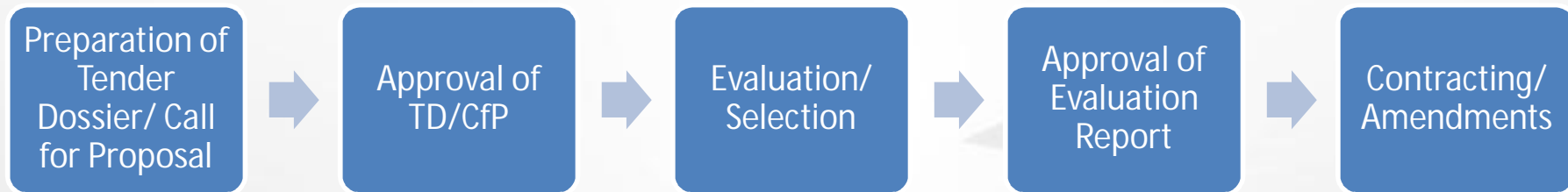


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Management modes – role of EUD



Indirect management without ex-ante controls (EDIS)



Ex-post control over tendering and contracting





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Basic principles and their relevance during implementation and audit





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ELIGIBILITY



The rule on nationality and origin

Nationality

- Each basic act contains the eligibility provisions applicable to each instrument
- Participation is open on equal terms to all natural persons who are nationals of and legal persons established in:
 - A Member State of the European Union
 - A Member State of the European Economic Area
 - beneficiary of the Instrument for Pre-Accession Assistance II,
 - overseas countries and territories covered by Council Decision 2001/822/EC, as amended
- Annex A2a to Practical Guide contains the list of countries which correspond to rules on nationality and origin
- **Ineligible:** candidate/tenderer is not established in an eligible country or the nationality of the candidate/tenderer is ineligible
- **Experts:** experts engaged by eligible tenderers may be of any nationality





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ELIGIBILITY



Origin

What falls under the rule of origin

- The goods (equipment, furniture, etc) delivered under a supply contract
- The goods purchased under grant contract or service contract
- Materials, goods to form part of the permanent works.
- Threshold of 100.000 EUR

Determination of origin

- Ø Council Regulation (EEC) No 2913/92 - "the EU Customs Code" and its implementing provisions, Commission Regulation (EEC) No. 2454/93
- Concepts of "wholly obtained" and "last, substantial transformation,, - the goods cannot originate in a country in which no production process has taken place.

Origin of goods

- All goods (supplies and materials) purchased under a contract financed under an EU instrument, must originate from the EU or from an eligible country
- Official Certificates of Origin issued by the competent authorities





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ELIGIBILITY



Exceptions to the rule on nationality and origin

- Exceptions to the rule on nationality and origin may be made
- Derogation: decided on a case-by-case basis by the Commission
- Sound justification is required
- Prior approval by the EC required (before the procedure is launched)
- Any derogation must be mentioned in the procurement notice
- Derogation: would not concern one country but would be open to any nationality/origin.





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Visibility



obligatory

- Contractors for services, supplies, works
- Grant beneficiaries
- Entities managing funds on behalf of the European Commission (delegated cooperation)

must take the necessary measures to ensure the visibility of the EU financing or co-financing

Communication and Visibility Manual for EU External Actions:

http://ec.europa.eu/europeaid/work/visibility/index_en.htm





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GROUNDNS FOR EXCLUSION



Candidates, tenderers or applicants will be excluded from participation in procurement procedures if:

- a) they are **bankrupt or being wound up**, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- b) they have been **convicted of an offence concerning their professional conduct** by a judgment which has the force of *res judicata*; (i.e. against which no appeal is possible);
- c) they have been **guilty of grave professional misconduct** proven by any means which the Contracting Authority can justify;
- d) they have **not fulfilled obligations relating to the payment of social security contributions or the payment of taxes** in accordance with the legal provisions of the country in which they are established or with those of the country of the Contracting Authority or those of the country where the contract is to be performed;
- e) they have been the subject of a judgment which has the force of *res judicata* for **fraud, corruption, involvement in a criminal organisation or any other illegal activity** detrimental to the EU's financial interests;
- f) they are **currently subject to an administrative penalty** referred to in Article 96(1) of the Financial Regulation (BUDGET)/ Article 99 of the Financial Regulation (10th EDF).





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OTHER ESSENTIALS



Conflict of interest

- **Conflict of interest - Contracting Authority**
 - the impartial and objective exercise of the functions of the Contracting Authority,
 - or the respect to the principles of competition, non-discrimination or equality of treatment of candidates/tenderers/applicants/contractors
 - with regards to the award procedure or contract, is compromised
 - for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with the beneficiary of EU funded programmes.
- **Professional misconduct – Tenderer**
 - obtain information leading to an unfair advantage
 - subsequent or related procedures or attempts to influence the decision making process
 - illegal agreements
- **Involvement in tender preparation, e.g. drafting tender specifications and distortion of competition – Tenderer/Applicant**
- **Professional conflict of interest – Tenderer/Applicant; e.g. audit, evaluation**





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PUBLIC PROCUREMENT



Public procurement obligations

- Competitive tendering: obligatory when public funds are spent
- Transparency of the procurement procedure
- Equal treatment of all applicants/ tenderers

Objectives

- To obtain desired quality of supplies, services and/or works;
- To obtain best prices
- To obtain the most economically advantageous offer (best value for money)





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Rejection



- One of the exclusion situations;
- Misrepresented information required by the contracting authority or failure to supply information;
- Previous involvement in the preparation of procurement documents distorting competition and cannot be remedied
 - à Declaration of honour; documentary evidence





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The COCOF guidelines



- Guidelines for determining financial corrections for non-compliance with the rules on public procurement
- Correction rates of 5 – 100%
- Correction \neq sanction
- Some examples:
 - Artificial splitting of works/services/supplies contracts (100%)
 - Cases not justifying the use of the negotiated procedure (25%)
 - Lack of transparency and/or equal treatment during evaluation (25%)
 - Modification of tender during evaluation (25%)
 - Conflict of interest (100%)



Adobe Acrobat
Document





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TYPES OF CONTRACTS



- **SERVICES**
 - Content: study; technical assistance
 - Form: Fee based; Global price; Combined (Hybrid)
 - Tendering: Open; Restricted; Negotiated; Single; Framework
- **SUPPLIES**
- **WORKS**
- **MIXED**
- **GRANTS**





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Service contracts - content



- Service contracts shall comprise study and technical assistance contracts
 - Study contract (for the identification and preparation of projects, feasibility, economic and market studies, technical studies and audits)
 - Technical assistance contract (service provider is called on to play an advisory role, to manage or supervise a project, or to provide the experts)





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Fee-based contracts



- Fee-based contracts
 - output is unpredictable or the workload to achieve the specified output is impossible to quantify in advance,
 - affected by many factors which are beyond control,
 - pay the services on the basis of time actually worked.
- Fee-based contracts often only specify the means: the contractor is responsible for implementing the tasks entrusted to it in the ToR and ensuring the quality of the services provided.
- The contractor should, however, contribute to improve the performance, service consultant also has a duty of care – obligation of warning the CA.
- May also include activities paid under the basis of lump sums (= step towards global price approach).





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Global price contracts



- Specified outputs are defined,
- Paid on the basis of the delivery of the specified outputs, e.g. lump-sum contract - partial payments have to be determined according to the partial implementation of the outputs
 - Budget lines per output as an option
 - Negotiation with contractor.
- The technical and operational means by which the contractor achieves the specified output are not relevant for the method of measurement.





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Examples



- Advising on daily operations
- Revision of Manuals
- Assistance in DIS/EDIS accreditation
- Development of MIS
- IT system maintenance
- Organisation of events (conference, SMC,...)
- Delivery of trainings
- Organisation of Study visits
- Development of e-learning system (IT system and material)
- Preparation of study/analysis
- Project supervision
- Programme evaluation (ex-ante, interim, ex-post)
- Auditing
- Quality assurance of tender dossiers





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Excerise: please sort the activities into GP or FB categories where you think they fit the most suitably



Global Price

Fee based





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Exercise



Global Price

- Revision of Manuals
- Assistance in DIS/EDIS accreditation
- Development of MIS
- IT system maintenance
- Organisation of events
- Delivery of trainings
- Organisation of Study visits
- Development of e-learning system (IT system and material)
- Preparation of study/analysis
- Project supervision
- Programme evaluation
- Auditing
- Quality assurance of tender dossiers

Fee based

- Advising on daily operations





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Fee-based contracts



- Do you see any problems with fee-based contracts?





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Fee-based contracts



- Problems:
 - difficult to control the quality of the outputs/deliverables
 - not appropriate feedback/warning mechanism: expert days consumed when problems are realized, difficult to make corrective steps (see activities over several months)
 - fee based budget include various other items (office costs, support staff etc.) - generating mandays in order to cover costs
- Consequences:
 - firms cannot propose permanent personnel who are too expensive for the budget
 - even for employment of non permanent staff the best are becoming increasingly unaffordable
 - CV ,polishing' and ,body shop' firms instead of real consulting





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Fee-based contracts



- Solutions:
 - all project/programme budgets should be built realistic, allowing to hire best consultants, permanent (trained) staff
 - promote a strategic change in the Commission approach to the industry through the gradual introduction and expansion of Global Pricing.





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Global price contracts



- Key assumptions and risks:
 - Continuing confusion between outputs, outcomes and results
 - The definition of output/deliverables and milestones in the ToR should be very exact and clear; including measurement of quality, consequences of delays and non-performances (in the contract)
 - The main control over the performance is the approval of outputs/reaching milestones and the depending payment(s)





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Global price contracts



- Key assumptions and risks:
 - The communication, cooperation with Consultant are less frequently, therefore it is very important to take care of information from any parties (e.g. beneficiaries) relating any problem of implementation/performance, probably asking for regular (e.g. 6-months) reports about the implementation, which can be additions over the reports of deliverables/outputs
 - If any doubt occur, corrective actions should be taken immediately (e.g. asking official information from involved parties, organising ad-hoc meeting(s) with relevant key players, stakeholders)





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Global price contracts



- Main advantages:
 - More cost-effective: would help decrease the considerable costs which are currently incurred by the multiple financial controls
 - More efficient management and procedures: in line with the policy of simplification of the financial management and invoicing procedures, enabling the consulting industry to focus on the best completion of the projects rather than on procedures, which do not contribute to the quality of the result
 - Introducing intellectual added-value: fee-based system excludes any possible variation to the Terms of Reference does not leave any room for creativity and alternative solutions for best reaching the objectives of a project





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Global price contracts



- Main advantages:
 - An opportunity for more use of in-house experts: Within the fee-based system the TOR describe in detail the required experts and their individual time input, in relation to fixed fee rates. As a result, firms cannot increase the involvement of their permanent personnel (often too expensive for the proposed budget) in the projects.
 - An improved relationship: enable to focus on their collaboration, to the benefit of the outcome of the projects, as it would do away with delays in payment procedures caused by time consuming discussions about a missing boarding pass or quarrels about any details...





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Challenging PrAG



- Combined contract (3.1.1):
 - Training (fee based) + training material (lump sum)
 - Diagnostic, analysis, defining specific actions (FB) + realisation of actions (GP)
- FB: the workload to achieve the specified output is impossible to quantify in advance
- ‚Output is difficult to quantify‘ vs ToR ‚Results‘, ‚Specific work‘, ‚Indicators‘





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Fee based justification



- ,Outsourcing' of operations: preparation of programming documents, TDs, monitoring, verification, IT maintenance, ... - all together
- i.e. when you really need full time presence of the experts
- Complex, multi-component, long term projects – even though, consider combined contract





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Which one should we use?



Global price contracts

Pros

- Simplifies the management of the contract (for both Contracting Authority and Consultant) as it is not necessary to record or check input or exact costs (no expenditure verification).
- No cost addenda if the estimated inputs change, e.g. increase of man/days has no impact in the contracted price and hence the increased costs are borne by the Consultant.

Fee-based contracts

Pros

- Contracting Authority maintains control of exact input and costs incurred. Possible modifications can be more easily assessed since there is a budget breakdown.





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Which one should we use?



Global price contracts

Cons

- Less control of exact input or exact costs (fees and incidental expenditure such as missions). Difficult to make amendments to the contract (e.g. additional services). If deliverables are not sufficiently detailed in the ToR, possible misunderstandings and difference in expectations between contracting parties.

Fee-based contracts

Cons

- Where deliverables are involved, may be less effective as Consultant tends to be more focused on the input of resources (requests for using extra days) than the quality of the deliverable. More administrative burden (addendum) and possibly more costs to be borne by the Commission, when the inputs need to be changed even when the outputs are not modified (changes for travels or working days/number of persons).





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Extending the use of global price service contracts



- Section 3.1 in PRAG has been redrafted to explain the choice between a feebased contract and a global price contract
- Will not be limited to studies
- Must have clearly defined output
- May exceptionally have incidentals
- The decision for using either a fee-based or a Global price contract is currently not based on any regulation!
- Separate ToR, budget, evaluation grid in PRAG.





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Increasing the use of global price contracts



- Comparative advantages:
 - May include where relevant a price breakdown based on outputs/deliverables against which partial payments can be made
 - Possible to have incidental expenditures also under a global price contract
 - SoEA will as a general rule, not be required in a global price contract (experts will be subject to approval CA before they implement the services)
 - Could include a "certification" process by which the experts proposed by the successful tenderer will be interviewed
 - Methodologies must include a workplan indicating the envisaged resources to be mobilised (better comparison of offers, a basis for negotiation in case of amendment to the contract)
 - Generate less micromanagement and verification of time sheets and incidental expenditures





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Summary table



Global price contracts

Specified outputs are defined

Paid on the basis of the delivery

Not possible to formally (or informally) add any additional breakdown

Fee-based contracts

Output is unpredictable or the workload to achieve the specified output is impossible to quantify in advance

Affected by many factors which are beyond control

Pays the services on the basis of time

May also include activities paid under the basis of lump sums





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Summary table



Global price contracts

Technical and operational means by which the contractor achieves the specified output are not relevant

Examples:
studies,
evaluations, audits,
organisation of
events such as
conferences,
trainings

Fee-based contracts

Often only specify the means

Contractor should, however, contribute to improve the performance, service consultant also has a duty of care

Examples:
project supervision,
project management,
monitoring, on-the-spot checks,
evaluations, Technical assistance, Facilitation



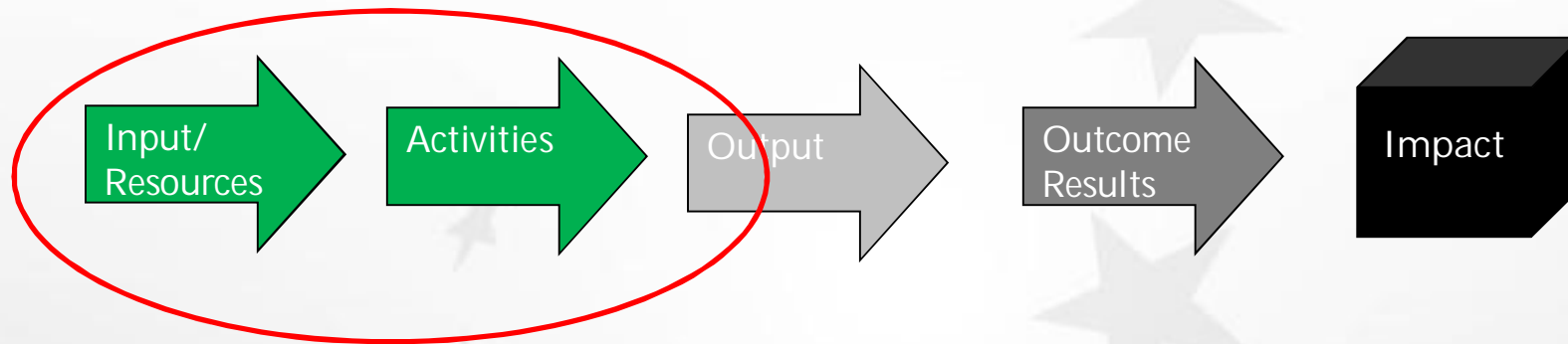


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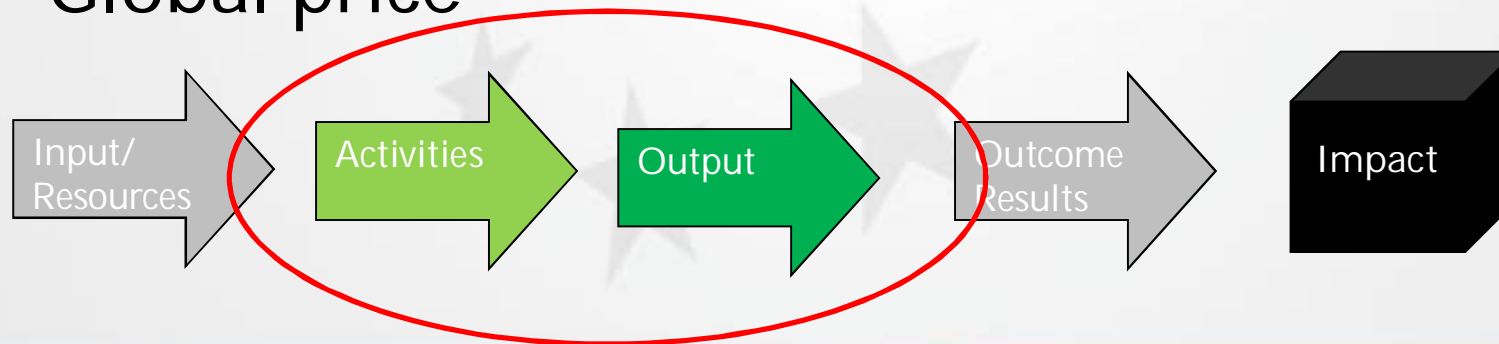
Focus/control areas



- Fee based



- Global price





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Differences in contract documents



- ToR
- Draft contract articles
- Special conditions articles
- General conditions articles
- Workplan





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Terms of Reference



- Definition (PRAG 2.6) „*The purpose of Terms of Reference ... is to give instructions and guidance to contractors to submit a tender which responds to all technical and administrative requirements, and later to serve as the contractor's mandate during project implementation.*”





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Terms of Reference



- Thorough preparation of the TOR is extremely important for the ultimate success of the project!
- It is important to ensure that
 - the project has been properly conceived,
 - the work is carried out on schedule and
 - resources will not be wasted.
- Greater effort during project preparation will save time and money at later stages of the project cycle.





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Terms of Reference



- Must afford equal access for candidates and tenderers.
- Must not have the effect of creating unjustified obstacles to competitive tendering.
- Must be clear and non-discriminatory, and proportionate to the objective and/or the budget for the project.





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Terms of Reference



- Drafted by the Contracting Authority.
- Standard practice is to consult and obtain the approval of the beneficiary and, where appropriate of other parties involved.
- May require the assistance of one or more external technical specialist(s).





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Terms of Reference



- In general should reflect the principles of project cycle management (PCM) ensuring that all issues are covered systematically and that key factors related to clarity of objectives and sustainability are thoroughly examined.
- Annex B8 contains skeleton Terms of Reference which show the minimum details to be provided within each of these section headings.
- Separate model for fee-based and global-price contracts (B8/e, f).





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Terms of Reference



- Global price part targets towards a specific output, such as a given product, they are result-oriented. **The TOR of GP contracts should very precisely define outputs/deliverables/milestones, including the exact definition, timing and quality requirements (what, when and how).** However the TOR should be flexible enough to enable the clarification in the inception phase with the Consultant.





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Identical ToR articles



1. BACKGROUND INFORMATION
2. OBJECTIVE, PURPOSE & EXPECTED RESULTS
 - 2.1. Overall objective
 - 2.2. Purpose
 - 2.3. Results to be achieved by the Contractor
3. ASSUMPTIONS & RISKS
4. SCOPE OF THE WORK
 - 4.1. General
 - 4.3. Project management
- 5.2 Start date and period of implementation of tasks
- 7.2 Submission & approval of reports
8. MONITORING AND EVALUATION
 - 8.1. Definition of indicators
 - 8.2. Special requirements





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6.1 Staff



FB

- At least 1 KE required (max. 4)
- CV and SoEA should be submitted
- Minimum input of KEs is recommended
- Minimum % of time spent in BC is recommended
- Working days: payment is based solely on wds
- Annual leave: CA can decide when to take it, but no mentioning is needed

GP

- Options: CV&SoEA of KEs may be or may be not required – no specific evaluation criteria.
- CA will approve KEs before start of implementation.





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6.1 Staff (comon points)



- CVs for NKEs should not be submitted – CA will approve during implementation.
- Contractor to demonstrate having access to NKEs of required profile
- 6.1.1 KE profile structure (qualification and skills, general/specific experience)





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6.1.2 Non key/other experts



FB

- 6.1.2 Non key experts
- Expert profiles if applicable (CVs not examined)
- 6.1.3 Support staff & backstopping: to be included in the fees

GP

- 6.1.2 Other experts, support staff & backstopping – no reference to expert profiles
- Support staff & backstopping to be included in the financial offer





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6. Requirements (cont'd)



FB

6.2 Office accommodation

- 10 m²/expert
- Option 1: if provided by Contractor, to be covered from the fees
- Option 2: if provided by CA (exceptional), to be covered from Incidentals

6.5 Incidental expenditures

6.6 Lump sums

6.7 Expenditure verification

GP

6.2 Office accommodation

- To be provided by CA/BC/Contractor

No provisions for

- incidental expenditures (vs PrAG 3.1.1),
- lump sums and
- expenditure verification





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7.1 Reporting requirements



FB

- Inception Report
- 6-month progress/interim reports
- Draft final report
- Final report (all invoices must be accompanied by an interim or final report, also financial report - incl. an expenditure verification report for the final report - and an invoice for the actual costs of the EV).

GP

- Inception Report
- Interim reports (annual payments can be envisaged for GP contracts of a duration of more than 2 years, on the basis of approval of interim reports proving that specific objectives have been reached)
- Draft final report
- Final report (must be provided along with the corresponding invoice)





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Draft contract



- Draft contract art. (2):
 - Option 1: Fee-based contract
 - Contract value in EUR, based on:
 - Maximum fees
 - Incidental expenditures
 - Expenditure verification
 - Option 2: Global price contract
 - Contract value in EUR





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Special conditions



- Article 29.1 Payments
 - Option 1: Fee-based contract
 - Pre-financing, month 1, max. 20% of max. contract value
 - Interim payments, 6-monthly
 - Forecast balance, 10% of max. contract value
 - Option 2: Global price contract
 - Pre-financing, month 1, max. 40% of contract value
 - Interim payments if applicable
 - Balance, max. 60% of contract value





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General conditions - global price specific elements



- Article 20. Amendment to the Contract
 - 2. e): For global price contracts, administrative orders cannot have an impact on the contractual budget.
 - (2. d: *For fee based contracts, administrative orders that have an impact on the contractual budget are limited to transfers within the fees, or transfers from the fees to the Incidental Expenditures*)
 - But: incidentals in global price
- Article 28.1.: No expenditure verification report is required for global price contracts.





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General conditions - global price specific elements



Article 29.1: Payments

- If the contract has a duration of less than two years:
 - pre-financing payment up to 40%
 - balance of the contract value (60%) upon receiving final invoice
- If the contract has a duration of more than two years and if the budget is divided between different outputs:
 - pre-financing payment up to 40% balance of the contract value
 - one interim payment
 - at the end of each 12 months,
 - of an amount corresponding to outputs delivered and $\leq 90\%$
 - approved interim progress report
 - balance of the contract value (10%) upon receiving final invoice





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

General conditions - global price specific elements



Article 30. Financial guarantee

- 30. 6.: For global price contracts, the financial guarantee shall remain in force until the final payment has been made.
- *(30.5: For fee-based contracts, the possible financial guarantee shall be released only once the related pre-financing has been cleared)*





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Workplan



- Explicit requirement for GB in 3.1.1: *„The methodologies contained in the offers must include a workplan indicating the envisaged resources to be mobilised’*
- Repeated in PrAG Ann. III. O&M 4. Timetable of Work, but special reference to FB: *„The expected number of working days required from each category of expert each month during the period of execution of the contract’*
- Minimum requirement: Activities, deliverables (output), deadlines, milestones





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Conclusions



- PrAG's global price concept is a step towards real GB contracts:
 - Timetable of activities, including the number of expert days proposed is still part of evaluation – and therefore of the contract
 - List of activities is still required
 - KEs can still be proposed and subject to control
 - Possibility of incidentals (grey area in PrAG)





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Framework contracts



- Framework contract Beneficiaries 2013 ('FWC BENEf 2013')
- Re-opening of competition
- Conditions:
 - Specific Contract \leq EUR 300 000
 - Specific Contract \leq 730 calendar days
 - Input per expert \leq 260 working days





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Supply



- Forms: purchase, leasing, rental or hire purchase (with or without option to buy)
- Core documents: Technical specification and offer

1. Item Number	2. Specifications Required	3. Specifications Offered	4. Notes, remarks, ref to documentation	5. Evaluation Committee's notes
		Compliant/Yes		





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Supply – Core documents: Budget



A		C	D	E
ITEM NUMBER	QUANTITY	SPECIFICATIONS OFFERED (INCL BRAND/MODEL)	UNIT COSTS WITH DELIVERY <PLACE OF ACCEPTANCE> [EUR]	TOTAL [EUR]
1				
2				
		[Training]	[Lump sum]	
		[Other services]	[Lump sum]	
			Total	
		[Spare parts with detailed annex including unit prices]	[Total cost]	
		[Consumables with detailed annex including unit prices]	[Total cost]	
		[Life cycle costs with detailed annex including unit prices]	[Total cost]	





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Supply – core documents



- Special and general conditions
- Performance guarantee
 - from signature to full and proper performance
 - for the full and proper execution for any loss resulting from the Contractor's failure to perform its contractual obligations
 - between 5 and 10 % of the total Contract price
 - for contracts \leq € 150 000 CA may decide





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Supply – core documents



- Pre-financing guarantee
 - 30 days at the latest after the provisional acceptance of the goods
 - 40%
- Official certificate of origin
- Provisional and final acceptance





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Supply – tasks



- Commencement order
- Inspection and testing
- Acceptance
- Cases of failure:
 - Extension
 - Delays – liquidated damages (5‰, max 15%)
 - Amendment
 - Suspension
 - Termination





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Mixed contracts



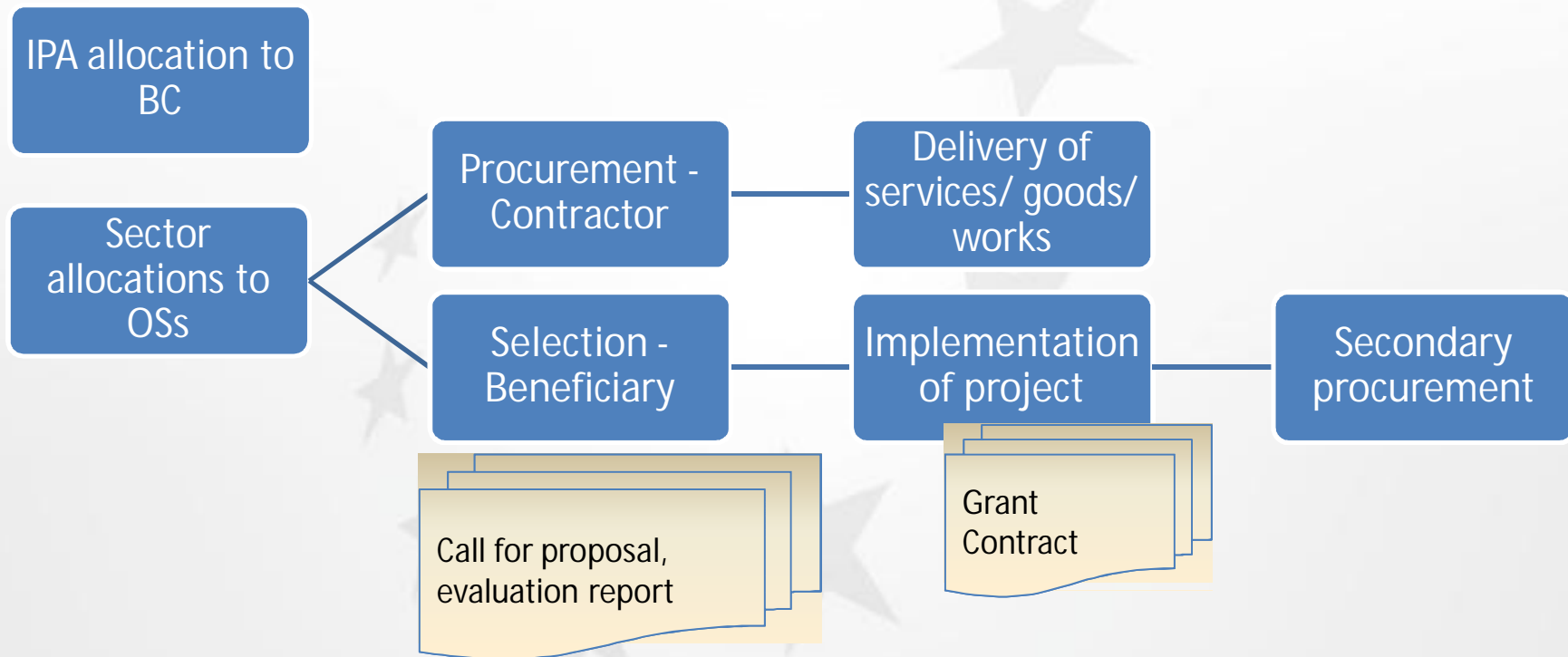
- Combination of works, supplies or services
- CA determines the procurement thresholds and procedure to be used
- On the basis of which is the main component (works, supplies or services) in terms of value





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Grant schemes (reminder)





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Grant vs procurement



Procurement "Buying things"		Grants "Giving money"
Purchase of services, supplies or works	Object	Proposal from an applicant to contribute to the achievement of a policy objective through: - a project (i.e an action grant); or - the functioning costs of the applicant (i.e. an operating grant)
Contracting Authority	Owner of Results	Grant beneficiary
100% of the cost	Financial contribution	The Union finances a part of the costs, which are eligible for Union-financing. The grant beneficiary (or another donor) finance the other part.
Allowed	Profit	Not allowed





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Grant schemes



- Actors (grant beneficiaries)
 - Lead applicant
 - Co-applicant
 - Affiliated entity
- Award through call for proposals – application
- Secondary procurement
- Financing
 - Maximum amount and % (EU vs own contribution)
 - Reimbursement of eligible costs established on the basis of:
 - actual costs incurred by the grant beneficiary(ies)
 - one or more simplified cost options





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Case study: School4All



- Objective: integration of mentally disabled (Down syndrome, autistic) children into school
- Attending classes of healthy children during several months
- Closure with common performance
 - à Unique experience of both disabled and healthy children
 - à Awareness raising
 - à Approaching majority and therapist educators
 - à Written practical guide - protocol





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

School4All Protocol for school intervention and co-education of disabled children
PROJECT PLAN
A1. Integrated School4All protocol
A1.1 Preparation of v1.0
A1.2 Quality assurance of v1.0
A1.3 Finalisation of v1.0
A1.4 Adaptation and translation of v1.0
A2. Pilot programme in HU, RO, SK
A2.1 Preparation, contacts, signing of agreements with schools
A2.2 Kick-off, workshops with teachers and parents, selection of DS children
A2.3 Attendance of classes
A2.4 Closure
A3. Finalisation of School4All protocol
A3.1 Modification, conclusion of v1.0 protocol
A3.2 Good practice inventory
A3.3 Preparation of Dissemination protocol
A3.4 Compilation of list of partner institutions
A4. Projectmanagement
A4.1 Project follow-up
A4.2 Reporting (internal and progress/final)
A4.3 Impact assessment
A4.4 Sustainability plan
A4.5 Project closure
M1 - M9 Partner meetings (9)
E1-E4 Regional opening conferences HU, RO, SK
E4. Project closing conference HU





Bu proje Avrupa Birliđi ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Exercise



- Please draft a budget by listing types of expenditures related to the Project Plan
(Duration: 24 months)





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



Practical Guide to contract procedures for European Union external actions

- Annex K - *GUIDELINES and CHECKLIST for assessing ACTION BUDGETs and SIMPLIFIED COST OPTIONS for Union financed GRANT CONTRACTS* -

e3a2_checklistsimplifiedcostoptions_en.doc



Microsoft Office
d 97 - 2003 Docun

- Budget for the Action - e3c_budget_en.xls



Microsoft Office
Excel Worksheet

- Justification of the Budget for the Action





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



- Actual and simplified cost forms may be combined together to cover different categories of eligible costs, inside the limits and conditions stated in the Call for Proposal.
- Simplified cost options may take the form of unit costs, lump sums and/or flat-rates.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



Unit costs

Unit costs - cover all or certain specific categories of eligible costs which can be clearly identified and are expressed in amounts per unit.

- unit cost per working month for personnel costs;
- unit costs for small local transportation;
- unit costs for training;
- per diems.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



Costs of Local travel:

- Number of (return) trips
- Distance
- Type of vehicle for transportation
- Price of tickets for bus, train
- Price of petrol for automobile
- National regulations on travelling
- Company policy on travelling





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



Local travel

	Procedures and checks (what to do)	Sources / documents / examples (where to look)
1	<p>Is qualitative information plausible / <u>in line with project activities</u>?</p> <ul style="list-style-type: none"> - necessity of international and local travel for the project - type and frequency of travel: air, train, bus, sea, other; local, international costs per trip, subscriptions for public transport (weekly, monthly) 	<p>Project description and Justification Sheet</p> <p><i>In particular:</i> question the necessity of international travel (higher costs)</p>
2	<p>Is quantitative information plausible / <u>in line with project activities</u>?</p> <ul style="list-style-type: none"> - number of trips (local and international) needed to attend seminars and meetings, for on-site visits. - timing (start of project, mid-term, end) and time periods (weeks, months) 	<p>Project description and Justification Sheet</p> <p><i>In particular:</i> description of assumptions / principles used to quantify data.</p>
3	<p>Are travel costs:</p> <ul style="list-style-type: none"> - based on regular policies of the beneficiary? - based on official, generally applicable policies and rules - based on reliable and appropriate information? - in line with relevant standards / criteria / benchmarks 	<p>Beneficiary internal policies and rules (HR/ Management memos, guidelines)</p> <p>Government / NGO policies and rules (internal guidelines, memos, brochures)</p> <p>Information from other projects in financial reports and in audit and evaluation reports.</p> <p>Knowledge of CA staff</p> <p>Internet rates for national / international flight, train and bus tickets</p> <p>Quotes from travel agencies</p>





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



Costs of training:

- Trainer
- Training facilities – room, video-projector, flip-chart, screen, supplies
- Coffee breaks
- Training materials
- Certification
- Support staff

Calculate unit cost by dividing total cost by number of participants





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



- Example of unit cost:



Microsoft Office
Excel Worksheet





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



Definitions of simplified costs

Lump sums - cover in global terms all or certain specific categories of eligible costs which can be clearly identified (as indicated in the Budget at proposal stage)



Microsoft Office
Excel munkalap





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



Flat rate

flat-rate financing - covers specific categories of eligible costs which can be clearly identified and are expressed as a percentage (%) of other eligible costs

Most common – indirect costs as % of direct costs

Local office - % of direct costs

Administrative staff salaries - % of Technical staff salaries





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



- Example Flat rate



Microsoft Office
Excel Worksheet





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



Simplified cost options may apply to one or more of the direct cost headings of the budget (cost headings 1 to 6) or to sub-cost headings or to specific cost items within these cost headings (Annex 1 – Budget for the Action & Justification)

1. Human resources
2. Travel
3. Equipment and supplies
4. Local office
5. Other costs, services
6. Other





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



The applicant proposing this form of reimbursement, must clearly indicate in worksheet no. 1 of Annex B – Budget for the Action, each heading/item of eligible costs concerned by this type of financing, by adding the reference in capital letters "UNIT COST" (per month/flight etc), "LUMP SUM" or "FLAT RATE" in the Unit column.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



Methods used to determine the amounts or rates of unit costs, lump sums or flat-rates:

- must comply with the criteria established in Annex K - *GUIDELINES and CHECKLIST for assessing ACTION BUDGETs and SIMPLIFIED COST OPTIONS for Union financed GRANT CONTRACTS,*
- ensure that the costs
 - correspond *fairly* to the actual costs incurred by the Grant Beneficiary(ies) and affiliated entity(ies),
 - are in line with their accounting practices,
 - no profit is made and
 - costs are not already covered by other sources of funding (no double funding).





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



In Annex B, in the second column of worksheet no. 2, "Justification of the estimated costs" for each of the corresponding budget item or heading the applicant must:

- describe the information and methods used to establish the amounts of unit costs, lump sums and/or flat-rates, to which costs they refer, etc.
- clearly explain the formulas for calculation of the final eligible amount
- identify the beneficiary who will use the simplified cost option in order to verify the maximum amount per each beneficiary (which includes if applicable simplified cost options of its affiliated entity(ies))

Examples: for staff costs: number of hours or days of work * hourly or daily rate according to the category of personnel concerned; for travel expenses: distance in km * cost of transport per km; number of days * daily allowance according to the country; for specific costs arising from the organization of an event: number of participants at the event * total cost per participant etc.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



The total amount of financing on the basis of simplified cost options that can be authorised by the Contracting Authority for any of the applicants individually (including simplified cost options proposed by their own affiliated entities) cannot exceed EUR 60,000 (the indirect costs are not taken into account)

- a) The threshold of EUR 60 000 does not necessarily apply to the entire grant amount. The CA may decide that simplified forms of grants can be used for low value grants. The CA may also authorise simplified forms of grants for only one or several categories of eligible costs up to EUR 60,000.
- b) The threshold of EUR 60,000 corresponds to the amount awarded in the form of reimbursement of unit costs, lump sums or flat-rate financing. The final amount granted at the end of the Action in the form of reimbursement of unit costs or flat-rate financing may exceed EUR 60,000 in case budget transfers between contributions to eligible costs or categories of eligible costs are authorised, without prejudice to the conditions, amounts and percentages established in the Grant Contract.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



- c) In case of multi-beneficiary grants, the threshold of EUR 60,000 refers to the amount awarded per beneficiary. In the case of multi-beneficiary grants, the CA can award grants or part of grants in simplified forms exceeding EUR 60,000, provided that the amount per beneficiary is equal to or less than EUR 60,000
- d) The Financial Regulation provides for flat-rate financing of indirect costs on the basis of a rate up to 7% of the total eligible direct costs. The threshold of EUR 60,000 is considered as *exclusive* of the funding of eligible indirect costs on the basis of a 7% or lower flat-rate applied to total eligible direct costs.
- e) The threshold of EUR 60,000 should not be interpreted as a final ceiling for lump sums, unit costs or flat-rate financing. Higher amounts can be accepted but must be authorized by a Commission decision.





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



When to use simplified cost

The budget

- based on the objectives and activities set out in the Grant Contract
- based on a combination of financial, quantitative and qualitative information
- a planning tool
- a control tool
- a tool for financial compliance





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



They are fixed during the contracting phase, and are meant to simplify the management of the grant

Advantages:

- Less paper work (still keep all docs for controls by Court of Auditors, EC, OLAF)
- Less costs of administrative procedures both on BEN side & on CA side
- More focus on actual activities, results & indicators on BEN side
- More focus on monitoring & evaluation on CA side





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



Disadvantages:

- Difficult to justify (BEN)
- Difficult to decide on accuracy, plausibility and reasonableness (CA)
- In real life may not prove correct and generate losses for BEN
- If proved not to have accomplished results, costs may be declared ineligible up to the amount of simplified cost options used (case by case)





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

SIMPLIFIED COST OPTIONS



Responsibilities of the Grant Beneficiary

Draw up a reliable, plausible, transparent and realistic Action Budget in line with the objectives, activities and time period defined for the proposed Action

Explain in the Justification Sheet the assumptions used to draw up the Budget and the methods and sources used to:

- quantify the project inputs (number of assets to be acquired, staff numbers to be employed / allocated and time period).
- value Action inputs (prices of assets and services to be acquired, salaries of staff, fees of consultants)





Bu proje Avrupa Birliđi ve Trkiye Cumhuriyeti tarafından finanse edilmektedir.

Exercise



- Please re-draft the budget for School4All project





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Budget (€)



• Project management	24 000
• Partner meetings	34 500
• Intellectual output (fees)	152 044
• Events	16 800
• <u>Total</u>	<u>227 344</u>





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Case study: School4All



I. Budget

For further information please consult the Programme Guide for the overview of funding rules. Please note that all amounts must be expressed in Euros.

I.1. Project Management and Implementation

PIC of Organisation	Role of Organisation	Name of the Organisation	Grant Requested
930455623	Applicant Organisation	DOWN Egyesület	12000.00
949008813	Partner Organisation	Asociatia Organizatia Caritas a Diecezei Satu Mare	6000.00
930125726	Partner Organisation	Centrum Liberta, n.o.	6000.00
Total			24000.00

I.2. Transnational Project Meetings

PIC of Sending Organisation	Total No. of Meetings	Total No. of Participants	Distance Band	Grant per Participant	Grant Requested
930455623: DOWN Egyesület	6	24	100 - 1999 km	575.00	13800.00
949008813: Asociatia Organizatia Caritas a Diecezei Satu Mare	6	18	100 - 1999 km	575.00	10350.00
930125726: Centrum Liberta, n.o.	6	18	100 - 1999 km	575.00	10350.00
Total					34500.00





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Case study: School4All



I.3. Intellectual Outputs

PIC of Organisation	Output Identification	Category of Staff	Country	No. of Working Days	Grant per Day	Grant Requested
930455623: DOWN Egyesület	O1	Managers	Hungary	162	88.00	14256.00
930455623: DOWN Egyesület	O1	Teachers/Trainers/Researchers	Hungary	1862	74.00	137788.00
949008813: Asociatia Organizatia Caritas a Diecezei	O1	Managers	Romania	32	88.00	2816.00
949008813: Asociatia Organizatia Caritas a Diecezei	O1	Teachers/Trainers/Researchers	Romania	363	74.00	26862.00
930125726: Centrum Liberta, n.o.	O1	Managers	Slovakia	32	88.00	2816.00
930125726: Centrum Liberta, n.o.	O1	Teachers/Trainers/Researchers	Slovakia	363	74.00	26862.00
Total				2814	Total	211400.00

+ -

I.4. Multiplier Events

PIC of Organisation	Event Identification	Country of Venue	No. of Local Participants	Grant per Local Participant	No. of Foreign Participants	Grant per Foreign Participant	Grant Requested
930455623: DOWN Egyesület	E1	Hungary	36	100.00	4	200.00	4400.00
930455623: DOWN Egyesület	E2	Hungary	36	100.00	4	200.00	4400.00
930455623: DOWN Egyesület	E3	Hungary	36	100.00	4	200.00	4400.00
930455623: DOWN Egyesület	E4	Hungary	36	100.00	4	200.00	4400.00
949008813: Asociatia Organizatia Caritas a	E5	Romania	32	100.00	4	200.00	4000.00
930125726: Centrum Liberta, n.o.	E6	Slovakia	32	100.00	4	200.00	4000.00
Total			228	Total	36	Total	30000.00





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Eligibility rules



- No actual cost
 - à Given unit prices
 - à Only the number of units are to be determined and justify
 - à No need for accounting documents





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Project management



- Calculation: number of months x unit
- Action that justifies expenditure: implementation of project actions, delivery of intellectual output
- Supporting documents:
 - Description of actions/ intellectual output in the Final Report





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Partner meetings



- Calculation: number of persons travelled x unit price defined for distance
- Action that justifies expenditure: actual attendance on the meeting
- Supporting documents:
 - Host partner's declaration;
 - Legal document proving working relation with partner and person





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Intellectual output



- Calculation: number of days worked per person x unit fee of the person's category (researcher, manager, trainer, administrator)
- Action that justifies expenditure: delivery of intellectual output in quality approved by the CA
- Supporting documents:
 - Certificate on intellectual output submitted to CA
 - Timesheets
 - Legal document proving working relation with partner and person





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Events



- Calculation: number of participants x unit cost (local: €100, foreign: €200)
- Action that justifies expenditure: event organised in quality approved by the CA
- Supporting documents:
 - Description of the event in the Final Report;
 - List of attendance signed
 - Agenda and all documents distributed on the event





Bu proje Avrupa Birliği ve Türkiye Cumhuriyeti tarafından finanse edilmektedir.

Importance of the Final Report



- Quality evaluation of the project's output by the CA scoring;
- Can determine insufficient, partial or delayed performance;
- Contribution can be reduced by 25%, 50%, or 75%.

à Result based approach

