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**Directorate General for International
Cooperation and Development -
EuropeAid**

**Practical guide to
procedures for
programme estimates**



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This PE Guide enters into force from the date of its publication, 18/12/2015, and applies to all programme estimates based on financing agreements signed following the 2016 template. It may also be applied to ongoing financing agreements under previous templates where no programme estimate has been signed so far. In this case, a non-substantial rider to the financing agreement will be signed (to address for example the changes in payment modalities and the multiannuality of programme estimates). For ongoing financing agreements where one or several programme estimates have been signed, the remaining programme estimates will follow the PE Guide used so far under that concrete financing agreement.

1. Introduction

1.1. Definition and context

A programme estimate is a document containing a work programme to be implemented by a partner country of the European Union. It is drawn up by the partner country and endorsed by the European Commission. The programme estimate complements the corresponding financing agreement and usually covers the latter's lifetime¹. Besides the activities to be implemented, programme estimates also include financial provisions (in particular a budget and a financing plan), the human and material resources necessary for the implementation of the activities, the procedures to be followed by the partner country and further technical and administrative implementing arrangements.

Programme estimates are possible both in the context of EDF and EU Budget financed actions. With the entry into force of the 11th EDF Financial Regulation the underlying legal requirements regarding programme estimates have been mostly aligned between the EDF and the EU Budget. Remaining differences are highlighted in this PE Guide.

Most activities within a programme estimate are managed under indirect management, i.e. the partner country (or a body designated by it²) acts as contracting authority. However, certain contracts, mainly for expenditure verifications/audit and evaluation and the use of the framework contract BENEf, will be implemented by the Commission acting as the contracting authority under direct management³. For an overview of the different activities that may be included in a programme estimate please refer to Annex 1.

Under indirect management with partner countries, the Commission delegates the execution of procurement and grant award procedures and the signature and management of the resulting contracts.

Within a programme estimate this delegation can be either full or partial:

- Full delegation means that the contracting authority from the partner country conducts procurement and grant award procedures, manages the resulting contracts and also makes the payments to contractors and/or grant beneficiaries. This is the case for what is covered under the so-called imprest component of a programme estimate.
- Under partial delegation the contracting authority from the partner country again conducts the award procedures and manages the contracts, but the Commission makes the payments directly to contractors and/or grant beneficiaries⁴. This is the case for the so-called specific commitments under a programme estimate. A ceiling is stipulated in the PE Guide to define what would fall under the imprest component and what under specific commitments⁵.

¹ As a rule, the programme estimate will cover the operational implementation phase of the underlying financing agreement. The closure phase of the programme estimate may run during the closure phase of the financing agreement.

² Or the Head of Delegation if he/she assumes exceptionally the function of the NAO in the context of the EDF.

³ Note that contracts for expenditure verifications and evaluation are linked to the programme estimate and are included in its budget for information purposes.

⁴ In addition, the Commission also endorsed the main milestones of the procedures (see sections 3.2.1 and 3.2.4).

⁵ For the relevant ceilings see sections 3.2.1 and 3.2.4 and annex 12.

This PE Guide is only applicable if a financing agreement includes activities that will be implemented by way of full delegation. If no activities will be implemented by way of full delegation there is no need to use programme estimates.

In addition to the award and management of procurement contracts and grants, the programme estimate may contain a component that the partner country (or a public law body/private law body with a public service mission designated by it) executes directly using staff it employs and/or existing resources (machinery, equipment, other inputs) of the implementing body. This concrete modality is known as direct labour.

Finally, operating costs of the partner country's/designated body's implementation structure may be eligible under a programme estimate. These operating costs are the expenditure of the structure in charge of managing the programme estimates (salaries, rent, phone, electricity, etc.). In addition, support to the implementation structure may include some procurement (printers, office furniture, etc.). In this case the contracting authority from the partner country will have to apply the rules of the PRAG⁶ in force at the time of launching the relevant procedures⁷. The difference between these operating costs and direct labour is that the latter concerns only operational activities.

Both direct labour and the operating costs of the implementation structure are part of the imprest component of the programme estimate as payments are made by the partner country (or the body designated by it).

Please note that the support of the implementation structure should not be confused with support to the NAO/ministry.

In the latter case, an operating grant will be signed instead of a programme estimate (unless the relevant financing agreements include both support to the NAO/ministry and the award and management of procurement contracts and grants). Unlike support to the implementation structure, the support to the NAO/ministry is not related to the award and management of procurement contracts and/or grants of an operational nature. It is rather a general support to the department or unit for its functioning without being linked to specific activities. If support to the NAO/ministry is included in a programme estimate in the context of a larger project, it may also include some procurement. In this case the NAO/ministry will have to apply the rules of the PRAG in force at the time of launching the relevant procedures⁸. Further information on this case can be found under section 6.10.3. PRAG.

Furthermore, where activities are exclusively implemented by staff of the partner country (or the body designated by it) and/or by using existing resources (direct labour, i.e. no award and management of procurement contracts and grants are delegated to the partner country), an action grant will be signed instead of a programme estimate. However, if direct labour is combined with the award and management of procurement and/or grant contracts and therefore included in the programme estimate, the direct labour component may also include some procurement. In this case the contracting authority from the partner country will have to apply the rules of the PRAG in force at the time of launching the relevant procedures⁹. Further information on this case can again be found under section 6.10.3. of the PRAG.

⁶ Procurement and Grants for European Union external actions – A Practical Guide

⁷ Or their own rules and procedures if these have been positively assessed, see section 3.2.3.

⁸ Or their own rules and procedures if these have been positively assessed, see section 3.2.3.

⁹ Or their own rules and procedures if these have been positively assessed see section 3.2.3.

1.2. Different modes of operation

The partner country may choose whether specific activities within a programme estimate will be implemented by the central government itself or by a commissioned public law or private law body.

1.2.1. Central operations

Central operations means that tasks are performed directly by the central government of the relevant partner country (e.g. a ministry, departments, agencies at national level without separate legal personality).

1.2.2. Public commissioned operations

In the case of public commissioned operations the partner country designates a body governed by public law or governed by private law with a public-service mission who will award and manage procurement contracts and grants under a programme estimate (both within the imprest component and under specific commitments). This body must be from the partner country¹⁰, have legal personality and be legally distinct from the partner country.

Tasks so commissioned may include the power to award and sign contracts and manage these contracts, including their financial implementation, and the supervision of works on behalf of or for the relevant partner country¹¹.

The partner country concludes an implementation agreement with the body concerned for each programme estimate under this modality. Please note, that the implementation agreement reflects the partner country's choice to have the tasks implemented by a designated body and does not imply a sub-delegation of tasks to the designated body¹² and rules and procedures set out in the PE Guide must be applied by the commissioned body. The representative of the partner country may decide whether the commissioned body will become the contracting authority or whether the body will sign the contracts (covered by the imprest component as well as by specific commitments) in the name of the partner country.

Prior to its signature, the implementation agreement must be approved by the Head of Delegation.

Even though the body implements in lieu of the partner country, the partner country remains responsible vis-à-vis the Commission.

Activities under direct labour may be implemented by the commissioned body as well.

As in the case of central operations, the costs of the implementation structure of the body may also be covered.

¹⁰ International organisations or organisations from other countries can therefore not implement activities under public commissioned operations. In case of regional projects financed by the EDF, this body must be from any country in the region.

¹¹ Furthermore, the body may also be commissioned with the preparation of the operational programme estimate as part of the start up programme estimate.

¹² In the sense of the Common Implementation Rules (Art. 4 (7)) and the 11th EDF FR (Art. 17 (3)).

1.2.3. Private commissioned operations (EDF only)

Only under the EDF, partner countries (i.e. ACP States and OCTs) may also commission bodies governed by private law¹³ without a public-service mission with the award and management of procurement contracts and grants on the basis of a service contract. This service contract must be awarded in line with the procedures set forth in the PRAG. Some specific points will have to be included in the terms of reference to recruit this private entity (see annex 3). The service contract with the private law body may never be concluded by the Commission on behalf of the partner country. The time required to come up with this service contract¹⁴ has to be duly taken into account given its impact on the overall implementation schedule of the project.

The service contract will be endorsed by the Head of Delegation.

Tasks so commissioned may include the power to award contracts and manage these contracts, including their financial implementation, and the supervision of works on behalf of or for the relevant partner country. Under this modality, the signature of contracts may only be commissioned for contracts covered by the imprest component. The private law body will sign the contracts in the name of the partner country, i.e. the partner country remains the contracting authority.

Again, even though the body implements in lieu of the partner country, the partner country remains responsible vis-à-vis the Commission.

Given their nature, activities under direct labour may not be implemented by private commissioned bodies. However, the service contract may also include technical assistance to be provided by the commissioned body in addition to the services required for the management of the project.

The costs related to the implementation structure of the private law body will be covered by the fees agreed in the service contract (unless the relevant structure is provided by the partner country).

1.3. Main characteristics

The main features of programme estimates are:

1. A programme estimate is designed to **implement a project or programme** covered by a financing agreement.
2. A programme estimate must cover, with reference to the relevant financing agreement, a **work programme**, a **budget**, a **financing plan** and **technical and administrative implementing arrangements** over the period in question.
3. A single programme estimate will be drawn up covering the operational implementation phase of the entire financing agreement¹⁵. **It will be therefore multiannual.**

¹³ International organisations can therefore not implement activities under private commissioned operations.

¹⁴ Generally between 6 to 9 months.

¹⁵ A start-up programme estimate can be envisaged if needed. See section 2.3.4.

4. The programme estimate's budget will usually include **two components**:
- a) In all cases, the **imprest component** which:
 - will be implemented by the imprest administrator and the imprest accounting officer (see section 1.4);
 - may include direct labour and operating costs.
 - b) Where appropriate, the part of the work programme which will be implemented:
 - through **specific commitments** by the relevant representative of the partner country(ies) or public bodies commissioned (being payments made by the European Commission) and/or
 - through procurement contracts managed by the European Commission as Contracting Authority under direct management, such as expenditure verification/audit and evaluation and framework contracts in the interest of the partner country.

This is the **component of the budget of the programme estimate which will be the subject of specific commitments**¹⁶.

5. The programme estimate is **drafted and signed** by the imprest administrator and the imprest accounting officer, each in the framework of their respective roles¹⁷.
6. Before the activities provided for in the programme estimate can start up, it must be **approved and signed** by:
- a) the relevant representative of the partner country(ies) and
 - b) the Head of Delegation
7. The imprest component is **implemented**, in accordance with the principle of effective separation of the authorisation and payment functions, by the imprest administrator and the imprest accounting officer, each in the framework of their respective roles.
8. If a project or programme, because of its geographical or cross-cutting scope, involves activities that cannot be implemented properly at a global or geographically centralised level, it may be better to have separate components each covered by its own programme estimate. Each programme estimate must be prepared and implemented by its own imprest administrator and imprest accounting officer. In such cases the imprest administrator and imprest accounting officer responsible for the global or geographically centralised programme estimate will have to coordinate the drafting and submission of all the programmes estimates of the project or programme.

The creation of “subimprests” is not allowed.

¹⁶ Note that under private commissioned operations the commissioned body may not conclude contracts covered by specific commitments. They will instead be signed by the relevant representative of the partner country.

¹⁷ See section 1.4 of this PE Guide for an explanation of their roles.

As programme estimates are implemented within the framework of a financing agreement, non-compliance with the provisions of the programme estimate or this PE Guide may lead to the same consequences as non-compliance with the provisions of the financing agreement itself. In addition to potential ineligible expenditure, this means in particular that the European Commission may suspend payments or the implementation of the programme estimate in the cases foreseen in the General Conditions of the financing agreement. Such suspension may also lead to the termination of the financing agreement in accordance with Article 27 of the General Conditions of the financing agreement.

1.4. Roles and responsibilities

The roles and responsibilities of the European Commission and the relevant representative of the partner country(ies) are set out:

- for the **Budget** and for the **EDF**, in the related financing agreement and in this PE Guide.
- for the **EDF only**, in addition in Chapter 6 (“Fund-Resource management and executing agents”) of Annex IV to the revised Cotonou Agreement¹⁸;

The relevant representative of the partner country(ies) delegates some of his powers for the financial management of operations:

- in the case of **central operations**, they are delegated to the **imprest administrator** and the **imprest accounting officer**, who are appointed by the relevant representative of the partner country(ies) and designated for the duration of the programme estimate. If the imprest administrator and the imprest accounting officer are not officials or other agents of the partner country(ies) concerned, they sign an employment contract, or equivalent¹⁹, with the relevant representative of the partner country(ies).

The imprest administrator and the imprest accounting officer are appointed by the representative of the partner country(ies) with the prior authorisation of the Head of Delegation.

- In the case of **public commissioned operations**, the **body governed by public law** or the **body governed by private law with a public-service mission** from the partner country(ies) is commissioned with the financial implementation of the project or programme following the conclusion of an implementation agreement. The commissioned body, with the prior authorisation of the representative of the partner country(ies) and of the Head of Delegation²⁰, appoints an imprest administrator and an imprest accounting officer who will be in charge of the implementation of the programme estimate.

¹⁸ See Articles 34 to 37 of Annex IV to the revised Cotonou Agreement.

¹⁹ For example an individual service contract covered by the law of the partner country. The relevant costs are covered by the support to the implementation structure.

²⁰ The authorisation of these appointments must be done at the latest when the start-up programme estimate (or the (multiannual) operational programme estimate if no start-up programme estimate is foreseen) is approved and endorsed by the Head of Delegation (see sections 2.4.1 and 2.4.2 of this PE Guide).

- In the case of **private commissioned operations (EDF only)**, the **body governed by private law** without a public service mission is commissioned with the financial implementation of the project or programme following the conclusion of a service contract. The commissioned body, with the prior authorisation of the representative of the partner country(ies) and of the Head of Delegation²¹, appoints an imprest administrator and an imprest accounting officer who will be in charge of the implementation of the programme estimate.

Whatever may be the extent of the commissioned powers and the mode of operation, the ultimate financial responsibility vis-à-vis the European Commission for implementation of the programme estimates remains always with the relevant representative of the partner country(ies).

The implementation agreement with the body governed by public law or the body governed by private law with a public-service mission of the partner country(ies) as well as the service contract with the body governed by private law must specify the tasks that have been commissioned and the manner in which the project or programme will be managed and financially implemented. They must notably contain the following provisions:

- adequate provisions for the review of the use of EDF/European Union funds by the European Commission, OLAF (the anti-fraud office), the relevant representative of the partner country(ies), the European Court of Auditors and the national audit bodies of the partner country(ies) concerned;
- a clear definition and precise delimitation of the powers commissioned and the powers retained by the relevant representative of the partner country(ies);
- the procedures to be followed in exercising the powers delegated, such as the selection of actions to be financed (grants), the award of procurement contracts or the supervision of works;
- the possibility of ex-post control to check notably whether or not the award of grants or contracts by the body concerned complies with the procedures laid down above;
- the obligation to set up and operate an effective and efficient internal control system for the management of operations, which includes effective separation of the duties of imprest administrator and imprest accounting officer;
- the obligation to set up and operate an accounting system that enables the correct use of EDF/European Union funds to be verified and the use of funds to be reflected in the EDF/European Union accounts.

Annex 2 to this PE Guide specifies the items to be covered in the implementation agreement to be concluded with the commissioned body under public commissioned operations.

Annex 3 to this PE Guide specifies the items to be covered in the terms of reference annexed to the service contract to be concluded with the commissioned body under private commissioned operations. **(EDF only)**.

The implementation agreement or the service contract with the body concerned must clearly designate the two persons (including their names) who will take on the duties of authorisation (imprest administrator) and payment (imprest accounting officer). These persons must then be duly authorised by this body to sign and act on its behalf (only possible for public commissioned operations) or on behalf of the partner country.

The duties of imprest administrator and imprest accounting officer are separate and mutually incompatible.

The financial implementation duties of imprest administrator shall be carried out by a single person. This also applies to the financial implementation duties of imprest accounting officer.

The imprest administrator and the imprest accounting officer must be able to exercise their tasks and duties independently²¹.

The financial implementation duties and powers incumbent on the imprest administrator and imprest accounting officer must be set out or referred to in the technical and administrative implementing arrangements for the programme estimate.

As for the part of the work programme of the programme estimate which will be implemented based on specific commitments, the imprest administrator and imprest accounting officer will usually carry out some or all of the work associated with the preliminary phases of the award of contract or grant: preparation of tender dossiers, preparation of calls for proposals, examination of tenders and proposals, write up the proceedings of contract or grant award proposals, etc. However, they will not sign the resulting contracts or payment requests, this is done by the representative of the partner country(ies) or possibly the commissioned body under public commissioned operations.

Similarly, the imprest administrator and imprest accounting officer will usually carry out the follow-up and supervision of the implementation of the corresponding contracts and grants based on specific commitments, which includes checks on invoices or payment requests. In this case, the technical and administrative implementing arrangements for the programme estimate, the implementation agreement or the terms of reference annexed to the service contract (**EDF only**) must mention those additional duties entrusted to the imprest administrator and imprest accounting officer or to the body concerned.

The technical and administrative implementing arrangements for the programme estimate shall also name the substitute imprest administrator and the substitute imprest accounting officer.

1.4.1. Imprest administrator

The imprest administrator (appointed by the representative of the partner country or the commissioned body) is responsible for drawing up the technical and operational parts of the programme estimate. With the imprest accounting officer, he or she submits the programme estimate for authorisation to the representative of the partner country and, where need be, liaises with the other imprest administrators in drafting and submitting programme estimates for local or cross-cutting components.

In implementing the imprest component the imprest administrator is also responsible for all expenditure commitments, payment authorisations and recoveries.

²¹ Cases of subordination should be avoided whenever possible.

The imprest administrator therefore:

- commits the expenditure provided for in the imprest component:
 - signs, for and on behalf of the partner country(ies) or on behalf of the commissioned body (only possible for public commissioned operations), order forms and contracts²² resulting from tenders and calls for proposals and/or consultations, subject to conditions and limitations laid down in the programme estimate(s) that he or she is in charge of;
 - accepts the corresponding works, supplies and services;
 - prepares and draws up the implementation reports;
 - verifies for each invoice, payment request and interim or final account statement that the works were carried out, supplies were delivered and services were rendered and/or actions performed are in accordance with the contracts; endorses and signs each of these documents as “certified correct”;
 - for the imprest component sends these documents and any supporting documents to the imprest accounting officer for payment;
- co-signs with the imprest accounting officer:
 - the requests for payment;
 - cheques, bank transfer orders and disbursement authorisations²³;
 - the synthetic and full financial report (Annex 8 and Annex 9);
 - the closure of the programme estimate.

1.4.2. Imprest accounting officer

The “imprest accounting officer” is in charge, along with the imprest administrator, of the financial management of the imprest component.

The imprest accounting officer is responsible for drawing up the financial and contractual parts of the programme estimate. Jointly with the imprest administrator, he or she submits the programme estimate for authorisation to the representative of the partner country and, where need be, liaises with the other imprest accounting officers in drafting and submitting programme estimates for local or cross-cutting components.

For the imprest component, the imprest accounting officer is responsible for verification of expenditure and corresponding payments and recoveries after their

²² Contracts covered by specific commitments may be prepared and supervised by the imprest administrator and imprest accounting officer but the signature will be done by the representative of the partner country or possibly a commissioned body under public commissioned operations.

²³ So bank transactions and cash disbursements require two signatures, that of the imprest administrator and of the imprest accounting officer.

authorisation by the imprest administrator. This also includes responsibility for the bookkeeping of these operations.

During implementation of the programme estimate, the imprest accounting officer keeps the accounts of the imprest component in accordance with the rules of this PE Guide and its Technical and Administrative Provisions and the accounting standards and policies in the country concerned.

The imprest accounting officer therefore:

- keeps the accounts of the imprest component;
- obtains, files and keeps adequate and reliable supporting documents for financial transactions i.e. commitments, income and expenditure, receipts and payments and recoveries;
- verifies the correct application of contract and grant award procedures;
- verifies the financial and contractual aspects of invoices, payment requests and of the interim and final statements of account submitted by the imprest administrator;
- prepares and draws up (and co-signs with the imprest administrator):
 - the requests for payments, cheques and documents for bank, cash payments and disbursement authorisations,
 - the synthetic and full financial report (Annex 8 and Annex 9), and
 - the closure of the programme estimate.
- keeps appropriate accounting and financial records such as asset registers, inventory listings, bank and cash books, staff and payroll records.

1.4.3. Steering committee

In addition to these organisational requirements, the financing agreement may foresee the setup of a steering committee to provide guidance and support for the implementation of projects and programmes.

The steering committee is made up of representatives of various bodies involved in the implementation or supervision of the project or programme. These usually include the representative of the partner country(ies), the representative(s) of the technical ministry(ies) concerned and the Head of Delegation, who has observer status.

The steering committee:

- steers and contributes to the coordination of the programmes estimate activities;
- verifies and approves proposals for programmes estimate activities;
- reviews and approves implementation and progress reports of programmes estimate activities;
- can act as an intermediary in disputes with contractors or grant beneficiaries.

The steering committee shall not intervene in the financial implementation of the programme estimates.

If it is necessary or helpful to set up a steering committee for implementation of a project or programme, provision for it should be made in the corresponding action document. Furthermore, the role of the steering committee must be described in the financing agreement if possible and in any event in the technical and administrative implementing arrangements²⁴ for the corresponding programme estimate(s).

1.5. Financial Management

The relevant representative of the partner country(ies) or the commissioned body must put in place a financial management including an effective and efficient internal control system for the management of the operations for which they are in charge. The internal control system has to complement the rules and procedures set out in this PE Guide and be implemented by the imprest administrator and the imprest accounting officer.

Financial management covers:

- the internal control: general aspects, asset management, cash and bank management, staff management, expenditure control, procurement and grants;
- the documentation, filing and record keeping;
- the accounting and budgeting;
- the financial reporting, and
- the expenditure verification.

Further guidance on how to set up an efficient financial management system (including internal control) and templates for this purpose can be found in the Commission's *Financial Management Toolkit*. Imprest administrators and imprest accounting officers, along with other staff involved in the management of programme estimates, are strongly encouraged to consult and to use this tool. It is online available at:

http://ec.europa.eu/europeaid/funding/procedures-beneficiary-countries-and-partners/financial-management-toolkit_en

2. Preparation of programme estimates

2.1. Financing agreement

At the end of the identification, formulation and financing phases of the project cycle a financing agreement is drawn up and signed between the European Commission and the partner country(ies) concerned.

The technical and administrative provisions (TAP) annexed to the financing agreement describe and include the work programme, the procedures and conditions for implementation

²⁴ See section 2.3.6 below.

and financing, the provisional technical and financial execution timetable, the tasks and activities and a budget estimate for the project or programme.

The decision to implement projects and programmes to be carried out under indirect management according to the rules and procedures set out in this PE Guide is taken at the formulation stage. Provision made for it must be stated in the corresponding action document attached to annual action programmes and properly reflected in the TAP annexed to the corresponding financing agreements.

The TAP²⁵ annexed to the financing agreement shall set out at least:

- the form of operation to be implemented: central or public commissioned or, for the **EDF only**, private commissioned;
- the extent of the powers to be commissioned by the relevant representative of the partner country(ies) to those undertaking the implementation of the project or programme;
- if applicable, the setting-up of the steering committee and description of its role;
- the setting-up of local or cross-cutting components if any are planned.

The financing agreement with the attached TAP is thus the reference document for recourse to operations to be carried out according to the rules and procedures set out in this PE Guide.

The general conditions of financing agreements specify that the procedures for implementing programme estimates must comply with the rules in force, which means the rules set out in this PE Guide.

2.2. Contracting deadline

Each operational programme estimate has to include a contracting deadline, i.e. a date by which procurement and grant contracts managed within the programme estimate must be concluded (signed by both parties).

The contracting deadline shall as a rule not exceed 3 years of the entry into force of the financing agreement (which means within 3 years of the date on which the financing agreement was signed by the last party) to ensure a timely implementation of the programme estimate.

This deadline may not be extended. Contracts for expenditure verifications/audits and evaluations may be concluded later, as well as contracts concluded after early termination of an existing contract. Riders to existing contracts may also be concluded after this period. If these riders include an increase in the amount of the contracts, the availability of the funds should be verified beforehand.

²⁵ See TAP template, Part 2 <http://intragate.ec.europa.eu/dg/devco/companion/annexes.do?chapterTitleCode=F>

The deadline does not apply to:

- contracts concluded under contracts (i.e. sub-contracts);
- ordinary operating costs (excluding equipment) of the structure in charge of the management of the project or programme;
- expenditure incurred for activities directly performed by own staff as part of direct labour and that do not therefore require contracts to be awarded or concluded;
- contingencies of the financing agreement (where used after the deadline to cover riders to existing contracts).

A later deadline may only be foreseen in exceptional, duly justified cases and is only possible in the following two cases:

- in the case of multi-donor actions. In the context of programme estimates, multi-donor means that the costs related to the activities under a programme estimate are not exclusively covered by the European Union. If the partner country contributes with its own resources²⁶ this would qualify as multi-donor;
- for EDF only: Where a 3-year-deadline cannot be complied with owing to the very nature of the project or programme to be funded, the Head of Delegation may send to Headquarters a duly substantiated derogation request. It is essential that the derogation request be drawn up and sent as early as possible, preferably during the project or programme identification and preparation stage²⁷.

2.3. Drawing up the programme estimate

2.3.1. Types of commitments (imprest - specific) to be recorded in the DG DEVCO online accounting system

As mentioned in the previous chapter, the programme estimate may comprise two differently managed forms of expenditure which call for different individual financial/budgetary commitments in the DG DEVCO online accounting system:

- **Imprest commitment**

The imprest component corresponds to the estimate of the amount of financing to cover all the expenditure:

- needed to carry out the planned work programme as set out in the programme estimate,
- with reference to the period covered by the programme estimate,
- which will be implemented by the imprest administrator and the imprest accounting officer within the limits of the powers delegated by the relevant representative of the partner country(ies),

²⁶ For example by providing the salaries of (some) staff involved in the implementation of the programme estimate. In kind contributions are however not sufficient to qualify as multi-donor.

²⁷ For further details, please refer to section 7.4.1. of the DEVCO Companion.

- which will be paid out during the period covered by the programme estimate from the bank account(s) managed by the imprest administrator and imprest accounting officer and,
- if appropriate, which is incurred during the implementation phase but will be paid during the closure period prior to the submission of the request for closure²⁸ from the same bank account(s)²⁹,
- which is incurred during the closure phase (including staff costs), strictly linked to closure activities and incurred prior to the submission of the request for closure.

The total sum of the imprest component is the subject of the booking of one individual financial commitment in the accounting system, referred to as “imprest commitment”³⁰.

• **Specific commitments**

As mentioned in section 1.3 above, the programme estimate may also provide for procurement contracts and grants to implement the financing agreement where the relevant payments will be made by the Commission. These contracts will each be the subject of an individual financial/budgetary commitment in the accounting system, afterwards referred to as a “specific commitment”. Envisaged procurement contracts and grants should be individually referred to in the programme estimate under which they are to be awarded, for information and for the amount estimated. Since the outcome of calls for tender and calls for proposals is not known when the programme estimate is drafted, the programme estimate should provide for the estimated number and amounts of procurement contracts and grants to be awarded

2.3.2. Types of authorised expenditure

The types of expenditure that can be financed by the imprest component include in particular:

- service contracts, except contracts for expenditure verifications and evaluation of the project or programme and contracts under a framework contract carried out by the European Commission on behalf of the partner country;
- supply contracts;
- works contracts;
- grants;
- staff costs such as the salaries and allocations of staff recruited³¹ for the implementation of award procedures and the management of procurement contracts and grants, and
- costs related to direct labour activities³², where applicable.

²⁸ See section 3.1.6. of this PE Guide.

²⁹ For example, salaries for the last month of the implementation phase covered by the programme estimate that are paid the following month, an electricity bill for the last month covered by the programme estimate that is received and paid in the following month, etc.

³⁰ There is one imprest commitment for the operational programme estimate and, where relevant, one imprest commitment for the start-up programme estimate,.

³¹ Eventually including those of the imprest administrator and imprest accounting officer

Concerning seconded officials of the partner country and in accordance with the conclusions of the Council of the European Union on an Operational Framework on Aid Effectiveness³³, parallel remuneration systems and topping up should be avoided.³⁴

- operating costs such as the rent of offices and houses, supplies, equipment, vehicle costs, mission and travel expenses, per diems, etc.;
- expenditure related to scholarship holders and trainees such as travel expenses, subsistence allowances and other allowances, expenses to obtain visa, medical examination expenses of the successful applicants, etc.;
- bank charges³⁵, costs of the financial guarantee where required under private commissioned operations (EDF only)³⁶ and exchange rate losses;
- in the case of private commissioned operations (EDF only), indirect taxes (VAT, customs duties or equivalent taxes) on purchases made locally insofar as those taxes are due and cannot be recovered;
- in the case of public commissioned operations, the staff costs of the body concerned as well the operating costs necessary for the financial implementation of the imprest component for the entire duration of the programme estimate may be financed by the imprest component (support to the implementation structure);
- in the case of private commissioned operations (**EDF only**), the staff costs of the body concerned as well as its own running costs (unless facilities and resources are provided by the partner country) necessary for the financial implementation of the imprest component are covered by the fees agreed in the service contract concluded with the body for the entire duration of the programme estimate.

A more exhaustive list of eligible expenditure is include in Annex 4 and 5.

Financing of credit lines or loans as well as borrowing from financial institutions and loans/cash transfers between projects and programmes are prohibited under programme estimates.

³² The expenditure under direct labour must be a detailed component of the approved programme estimate budget and work plan.

³³ See CS/2009/15912, 18 November 2009.

³⁴ In the cases where the payment of allocations or top-ups to officials of the partner country (or a public commissioned body) is deemed necessary, they will be linked to their performance regarding the implementation of the programme estimate. **The amount of these allocations will take the form of a maximum 50% percentage of their gross salary.** The relevant payment will be due annually following the submission of the expenditure verification report for each year and the final expenditure verification report for the final period provided that the error rate is below 3%.

The top-up is furthermore conditioned to the degree of implementation of the programme estimate: If at least 80 % of the foreseen commitments have been concluded, the full top-up will be paid, if more than 60 % have been committed 75 % of the top-up will be paid and if at least 40 % have been committed 50 % of the top-up will be paid. If the rate of commitments is below 40 % no top-up will be paid.

³⁵ The possible charges applied by the bank for the opening of the account(s) and/or for the validation of the form(s) for the “financial identification” may exceptionally be covered by the imprest component.

³⁶ Bank charges for the opening of the account(s) and/or for the validation of the form(s) for the “financial identification” may exceptionally be covered by the imprest component. (See section 3.1.1. of this PE Guide).

2.3.3. Types of programme estimates

There are two types of programme estimates: **operational** and exceptionally **start-up (optional)**.

The imprest administrator and the imprest accountant will draw up, in step with these phases, a start-up programme estimate, if exceptionally required, followed by the programme estimate covering the operational and the closure phase.

2.3.4. Duration of programme estimates

A single multiannual operational programme estimate will be signed, which may cover the entire operational implementation period of the financing agreement. It will include a closure part, not longer than eight months, which may run during the closure phase of the financing agreement.

- **Start-up programme estimate (optional)**

If needed for the preparation of the operational programme estimate, a separate start-up programme estimate can be put in place once the financing agreement has entered into force. Start-up programme estimates should however be the exception. They should only be foreseen if there is a clear need for them. Its duration cannot exceed four months, since its main purpose is the groundwork for the multiannual programme estimate needed for the implementation of the activities foreseen in the project. Start-up programme estimates are not to be used under the modality of private commissioned operations as the relevant private commissioned body should not require a start-up phase to put in place the necessary structure.

- **Operational programme estimate**

The maximum duration of the operational phase of the multiannual programme estimate will be determined by the end date of the operational implementation period of the financing agreement itself.

Consequently, all the activities foreseen in the financing agreement to be implemented by the partner country (or a commissioned body) will have to be captured in the programme estimate, along with the resources needed to carry them out. Given the multi-annual and the fully-comprehensive nature of the programme estimate to be signed, the work programme becomes a key piece of its implementation. It has to be carefully drafted as explained in section 2.3.6.

- **Closure phase of the operational programme estimate**

To ensure that the imprest component can be closed on schedule, the implementation period of the programme estimate **must include a closure phase of not more than 8 months**, the sole purpose of which is the drawing-up and submission by the imprest administrator and the imprest accounting officer of the closure request including the full final financial report, the final implementation report and the final expenditure verification report executed by an external auditor (contracted by the Commission), as well as the authorisation of the closure request by the relevant representative of the partner country(ies) and by the Head of Delegation.

As indicated before, this closure part of the programme estimate will normally run during the closure phase of the financing agreement although it could start earlier if appropriate.

During the closure phase, only expenditure, including staff costs, strictly linked to closure activities can be financed by the imprest component.

The implementation period (exclusive of the closure period of not more than 8 months) of the multiannual programme estimate must be included in the operational implementation phase of the corresponding financing agreement³⁷.

2.3.5. Sources of funding for programme estimates

There are several sources of funding of programme estimates:

a) National funds

- **National budget**

The national budget of the partner country concerned usually finances recurring costs which continue to occur after completion of the project or programme. An example being the salaries of partner country officials seconded to the project or programme by their ministries. Such financing is subject to the rules of the partner country concerned and the related costs have to be clearly identified in the budget.

- **Counterpart funds**

Counterpart funds are provided by the partner country from the revenue generated from the sale of goods provided by EU external aid.

These funds are managed by the partner country concerned in agreement with the Head of Delegation.

b) EU contribution

The EU contribution is usually the main source of financing.

c) Own resources generated by the project or programme

These resources include for example sales of asset, services invoiced to third parties, beneficiaries' contributions and any interest on bank account(s). Own resources can only be used to finance activities provided for in the programme estimate and must be accounted for just like other sources of financing.

³⁷ An example would be:

Entry into force of the financing agreement: 01/01/2016,

End date of operational implementation period of the financing agreement: 31/12/2019,

End date of the closure period of the financing agreement: 31/12/2021.

Our single multiannual programme estimate would have an operational phase for implementation of activities ending on 31/12/2019 at the latest and a closure phase ending on 31/08/2020 at the latest. We would therefore have a programme estimate running from its last day of signature until 31/08/2020 as possible longest duration. A start-up can be envisaged at the very beginning of maximum four months. Modifications in the dates of the financing agreement could be transposed to the programme estimate via rider(s).

For the EDF: If it was so provided for in the financing agreement, interest generated by pre-financing payments on bank account(s) shall either be re-used for the corresponding action or deducted from the final amount of total expenditure incurred during implementation of the imprest component.

The conditions for using own resources should be set out in detail in the technical and administrative implementing arrangements for the programme estimates.

All funds and resources (national funds, EU contribution, own resources³⁸) must be paid into a separate bank account for the programme estimate. These funds shall not be invested.

2.3.6. Contents of the programme estimate

A model operational programme estimate can be found in Annex 4 to this PE Guide.

- The **cover page** of the programme estimate has to include the following information:
 - the partner country(ies) concerned;
 - the technical ministry or its equivalent, where applicable;
 - the title of the project or programme;
 - the form of the commissioned operations (public or private), where applicable;
 - the contract³⁹ number of the corresponding global financial/budgetary commitment;
 - the title or number of the programme estimate;
 - the period covered by the programme estimate;
 - the total amount of the programme estimate;
 - the amount of the imprest component.

- The **content** of the programme estimate, which stems from the TAP annexed to the corresponding financing agreement, must include the following:
 - a **work programme**;
 - a **budget**;
 - a **financing plan**;
 - the **technical and administrative implementing arrangements** over the period concerned.

The work programme, the budget and the financing plan must itemise separately:

- expenditure under the imprest component, which will be the subject of an imprest commitment, and
- foreseen amounts for contracts and/or grants, which will require specific commitments.

³⁸ When the own resources are only limited to bank interests or are insignificant (thresholds to be agreed in advance), the obligation to open a specific bank account does not apply.

³⁹ Reference given by the accounting system

➤ **Work programme**

The work programme shall set out the context, the logical framework⁴⁰, the objectives, the expected results, the activities to be undertaken during the period covered by the programme estimate and the material and human resources necessary for carrying out these activities. It should make clear the interaction between the project or programme and other parties involved.

The work programme must capture all the activities and subactivities that will be carried out within the project, their timing and sequence. It must be an operational and reliable strategic plan for the implementation of the project. It has to include the specific commitments even if they will be contracted and managed outside the imprest component. It is therefore an instrumental element of the programme estimate.

An implementation timetable shall be attached to the work programme. Activities should be presented as individual operations or in the form of units of work so that they can be costed in the budget and later properly managed, i.e. expenditure monitored.

➤ **Budget**

The budget presentation should respect that of the budget included in the TAP annexed to the corresponding financing agreement. It is vital to prepare a realistic and reliable budget as this will be an essential reference tool for the planning and monitoring of the activities and the expenditure incurred for the activities. So, items of expenditure should be presented in accordance with the interventions of the logical framework, i.e. by subactivity and activity on the basis of objectives. The budget should also include an estimate of expenditure not directly attributable to the activities and sub-activities⁴¹, and of project or programme operating costs⁴² over the period concerned.⁴³

All main budget headings and all items included in each of these main headings should be costed in as much detail as possible; this concerns both the work programme and the human and material resources needed to carry it out over the period concerned.

Any own resources generated by a project or programme should be estimated separately⁴⁴ and included in the financing plan. The use to be made of them should be entered against the corresponding own resource and detailed in the same way as other activities.

The allocation of funds in the budget should be established with great care and in a realistic and economic way in order to allow the use of the budget estimate effectively and as a reference document for both coordination and technical purposes and for the financial management of the programme estimate, and thus the management of the whole project or programme.

⁴⁰ The logical framework of the programme estimate should be coherent with the logical framework set up for the corresponding financing agreement.

⁴¹ Notably investments and audit or expenditure verification by an external auditor and evaluation expenses.

⁴² Notably rent, permanent staff costs, vehicles running costs, various supplies, and the like.

⁴³ See also the corresponding paragraphs dealing with the imprest commitment in section 2.3.1. of this PE Guide.

⁴⁴ When the own resources are only limited to bank interests or are insignificant, this obligation does not apply.

The budget will be drawn up in euro or in a different currency, as appropriate. The rules governing the currency of a programme estimate are set out in Annex 6 of this PE Guide.

A provisional financial implementation timetable must be attached to the budget.

The model operational programme estimate annexed of this PE Guide (Annex 4) offers additional guidance and examples of tables for drawing up and submitting budgets.

➤ **Financing plan**

The financing plan recapitulates all the sources of funds, EU and otherwise, required for implementation of the programme estimate and sets out in detail the interventions to be financed by each.

➤ **Technical and administrative implementing arrangements**

The technical and administrative implementing arrangements are directly derived from the TAP annexed to the corresponding financing agreement and serve to flesh them out.

As a minimum they should include the following information:

- the names of the imprest administrator and the imprest accounting officer as well as of their substitutes;
- the period covered by the programme estimate;
- the amount of the imprest component;
- the references of the bank account(s);
- calculation of the amount of the pre-financing instalment to be paid into the bank account(s);
- provisions on submission and keeping of the supporting documents related to expenditure incurred;
- procedures and thresholds for the award of contracts and grants and for their control by the Head of Delegation;
- cash disbursement procedures and rules on the currency of payments;
- staff needs and staff management rules;
- provisions on changes to the programme estimate;
- the content and timing of implementation reports;
- provisions on closure of the imprest component;
- provisions on external control (including the final financial expenditure verification), such as the frequency of expenditure verifications;
- tax and customs arrangements;
- provisions on conditions for the assignment or sale of the materials and equipment at the end of the programme or project.

2.3.7. Bank account(s)

As a rule there is one single bank account for the financial implementation of the imprest component of the operational and, where relevant, the start-up programme estimate, called hereafter “programme estimate” bank account.

The relevant procedure will be as follows:

- the imprest administrator and the imprest accounting officer open at a bank of the partner country concerned⁴⁵ one (or exceptionally a second) “programme estimate” bank account according to the currency of the programme estimate itself. Nevertheless, if needed for operational purposes an additional bank account in another currency may be opened⁴⁶;
- such bank account(s) will be reserved for payment transactions relating to the financial implementation of activities provided for in the imprest component of the operational programme estimate (and the start-up programme estimate, where relevant);
- such bank account(s) will be credited progressively with the pre-financing instalments necessary for the implementation of the programme estimate(s);
- such bank account(s) will require two signatures, that of the imprest administrator and that of the imprest accounting officer; these accounts, separated by currency, will be used for all financial transactions;
- payments from such bank account(s) will be made for and on behalf of the relevant representative of the partner country(ies) or the commissioned body and normally will not require the intervention of either the relevant representative of the partner country(ies) or the Head of Delegation. However, the relevant representative of the partner country(ies), in agreement with the Head of Delegation, may decide to fix a threshold above which all payments need his or her prior authorisation. This decision should be stipulated in the technical and administrative implementing arrangements for the corresponding programme estimates.

2.3.8. Petty cash

Payments to cover expenditure under the imprest component are usually made by bank transfers or cheques. Nevertheless petty cash in national currency may be kept to pay small amounts of administrative expenditure. It is managed under the responsibility of the imprest accounting officer.

The total sum of expenses paid in petty cash should be kept to a strict minimum⁴⁷ and its use reserved for payments which cannot be made by other means. Furthermore, the amount of petty cash available should be kept to a reasonable minimum and kept in a safe place.

⁴⁵ In the case of private commissioned operations (**EDF only**), the account may exceptionally be opened at a bank in the country of the commissioned company. This possibility should be duly justified and after approved by the Head of Delegation.

⁴⁶ This can be the case when a second currency is needed for the implementation of the programme estimate.

⁴⁷ Maximum amount of petty cash at any time must be stated in the programme estimate.

2.3.9. Calculation of the pre-financing instalments

The amount of the pre-financing instalments have to be determined on the basis of the cash flow needs for the implementation of the imprest component and can represent up to 100% **(excluding the contingency reserve)** of the forecast budget for the subsequent 12-month period(N). The pre-financing instalments may not be the object of short term investments.

The percentage of the pre-financing instalments may be reduced by the Head of Delegation on the basis of a risk analysis. In particular, the level of clearance of the pre-financing instalments previously paid on programme estimates financed in favour of the partner country(ies) concerned must be taken into account⁴⁸.

2.3.10. Start-up programme estimate (optional)

The start-up programme estimate is intended to finance the work of launching the project or programme and of preparing the multiannual operational programme estimate. A start-up programme estimate cannot be foreseen for private commissioned operation and it should remain exceptional under central and/or public commissioned operations

The start-up programme estimate should therefore cover the shortest period possible, which should under no circumstances exceed 4 months. The amount of financing will be small and used solely for task of preparing the multiannual programme estimate.

The start-up programme estimate should be drawn up by the office of the relevant representative of the partner country(ies) or the public law body/private law body with a public service mission on the basis of a simple model tailored to the specific needs of the project or programme.

Taking into account the modest amount⁴⁹ and the short implementation period of the start-up programme estimate, the amount of the pre-financing instalment may be up to 100% of the imprest component.

The closure of the start-up programme estimate will be integrated in the closure of the operational programme estimate (see section 3.1.6).

A model start-up programme estimate can be found in Annex 5 to this PE Guide.

2.4. Authorisation and signing of both operational and start-up programme estimate

2.4.1. The authorisation circuit is as follows :

1. drawing up of the operational/multiannual programme estimate (or start-up) by the imprest administrator and the imprest accounting officer (appointed by the commissioned body, where relevant);

⁴⁸ Along with other factors, such as the potential risk of financial losses due to depreciation of the national currency in comparison with the euro when expenditure is paid in national currency.

⁴⁹ The start-up programme estimate should not include any contingency reserve.

2. verification of the programme estimate (or start-up) by the steering committee, where applicable;
3. signing of the programme estimate (or start-up) by the imprest administrator and the imprest accounting officer;
4. verification, authorisation and signing of the programme estimate (or start-up) by the relevant representative of the partner country(ies);
5. verification of the programme estimate (or start-up) by the Delegation;
6. authorisation and endorsing of the programme estimate (or start-up) by the Head of Delegation.

The Head of Delegation’s endorsement of the operational/multiannual programme estimate (or start-up) signals his or her agreement to the financing of the imprest component of its budget with EDF resources/by the Budget as long as the rules and procedures set out in this PE Guide are followed. If the rules and procedures are not followed, expenditure on the operations in question will not be eligible for EDF/European Union financing.

In case of agreement, the Head of Delegation signs for endorsement three or four copies of the programme estimate (or start-up). He keeps one copy and sends the others back to the relevant representative of the partner country(ies) who keeps one copy and sends one copy to the imprest administrator and one copy to the supervisory technical ministry, where applicable.

Remarks:

- **Amendments to the proposed programme estimate**

If changes have to be made in response to comments by the relevant representative of the partner country(ies) and/or the Head of Delegation, the draft programme estimate will have to be modified consequently and go through the authorisation circuit above mentioned once again.

In order to avoid losing time by repeating the authorisation circuit in cases like this it can be advisable for the team responsible for the financial implementation of the project or programme to submit their proposed programme estimate at a joint meeting with all the authorities concerned. This is also one of the roles of the steering committee, where there is one. The conclusions of this meeting can then be incorporated into the final version of the proposal, which is then likely to be adopted without delay.

- **Opening of the “programme estimate” bank account(s) and deposit of signatures**

In order to speed up implementation of the programme estimate and the payment of the pre-financing instalments, the following formalities - opening of the “programme estimate” bank account(s), the deposit of the signatures of the imprest administrator and the imprest accounting officer and the completion of the form(s) for the “financial identification”- can usefully be done before the programme estimate is signed by the relevant representative of the partner country and the Head of Delegation.

- **Request for payment of the first pre-financing instalment**

On the same lines and for the same reasons, the request for transfer of the pre-financing instalment to the “programme estimate” bank account(s) should be drawn up and

submitted at the same time as the final version of the proposal for a programme estimate. This will allow the parallel processing of endorsement of the programme estimate and at the same time the payment of the pre-financing instalment and consequently a speedy availability of funds to start with the implementation of activities⁵⁰.

2.4.2. Time-limits for approving programme estimates

The time taken to draw up a programme estimate and get it adopted will depend on a number of factors (existence of a steering committee playing an active role in the adoption of programme estimates, intervention of one or more technical ministries, etc.) and on the quality of the preparatory work and of the draft itself.

So the following should be taken into account:

- time necessary for the team responsible for the financial implementation of the project or programme to draw up the proposal, including formal or informal consultations with the relevant representative of the partner country(ies), the Head of Delegation and/or the technical supervisory authority;
- time necessary for the steering committee to assess and verify the proposal, where applicable;
- time to amend the proposal in the light of the steering committee's recommendations, where applicable;
- time needed to get the programme estimate approved by the relevant representative of the partner country;
- time needed to get the programme estimate approved by the Head of Delegation.

Whatever the case, the programme estimate must be ready early enough to be approved and signed by the relevant representative of the partner country and the Head of Delegation before the beginning of the planned activities of the imprest component.

Expenditure can be considered eligible for financing by the EDF/Budget only from the date on which the programme estimate is endorsed by the Head of Delegation.⁵¹

2.5. Use of the contingency reserve and amendments to the programme estimate

2.5.1. Use of the contingency reserve

The imprest component usually includes a contingency reserve.

The amount of this reserve may never exceed 10% of the total amount of the imprest component excluding contingencies.

⁵⁰ Provided that all conditions in section 3.1.1 are met.

⁵¹ With the only exception of the possible expenses applied by the bank for the opening of the account(s) and/or for the validation of the form(s) for the "financial identification" (see section 3.1.1. of this PE Guide).

Use of the contingency reserve is subject to the following conditions:

- if reallocation (internal adjustments) between main headings of the imprest component is not or no longer possible;
- the imprest administrator and the imprest accounting officer must address a written request to the relevant representative of the partner country(ies) explaining why they need to use the contingency reserve. Their request must be supported by a detailed financial estimate of the amount needed and an update of the budget of the programme estimate;
- the prior written authorisation of the relevant representative of the partner country(ies) and of the Head of Delegation is required.

If the abovementioned conditions are met, use of the contingency reserve is possible and there is no need for an addendum to the programme estimate.

2.5.2. Budget reallocation (internal adjustment)

Reallocation (internal adjustment) between main headings of the budget of the programme estimate or within the same main heading cannot increase the total amount of the imprest component nor can it affect the technical solutions/activities initially agreed on.

The result of all successive internal adjustments of the budget of the programme estimate may, at no point in time, modify the budget breakdown foreseen in the corresponding financing agreement.

The imprest administrator may make a commitment on the basis of internal adjustment of the budget of the programme estimate only on the following conditions:

- a) Where the amendment to the budget is limited to a transfer between items within the same main budget heading including cancellation or introduction of an item, or a transfer between main budget headings involving a variation of 25% or less of the amount originally entered (or as modified by addendum) in relation to each concerned main heading, the imprest administrator may amend the budget and inform the representative of the partner country accordingly, in writing and at the latest in the next financial report. The imprest administrator shall also submit a revised budget, stating the initial amounts, the amounts of the reallocation, the amounts of previous reallocations if any, and the amounts finally amended, at the latest with the next financial report.
- b) Where the amendment to the budget goes beyond the variations described in paragraph a) above the imprest administrator and the imprest accounting officer must address a written request to the relevant representative of the partner country(ies) explaining the proposed reallocation. Their request must also entail the provision of an updated budget of the programme estimate mentioning the initial amounts, the amounts of the proposed reallocation, the amounts of the previous approved reallocations, if any, as well as the amounts finally amended. In this case the prior written authorisation of the relevant representative of the partner country(ies) is required. The Head of Delegation is informed in writing without delay by the relevant representative of the partner country(ies). This information must include the updated budget of the programme estimate (approved by the relevant representative of the partner country(ies) submitted by the imprest administrator and the imprest accounting officer.

If the abovementioned conditions under a) or b) are met an addendum to the programme estimate is not necessary.

2.5.3. Amendments to the programme estimate

Except for the use of the contingency reserve and budget reallocations⁵², any amendment to the programme estimate, including to its annexes, has to be the subject of an approved addendum.

The following should be taken into account when making amendments:

- such changes must be adequately justified in writing by the imprest administrator and the imprest accounting officer;
- such changes must be authorised and the resulting addendum must go through the same circuit for authorisation by the relevant representative of the partner country(ies) and the Head of Delegation as the programme estimate itself.

In case the addendum has a financial impact, it has to include an updated budget of the programme estimate.

If the partner country's or public commissioned body's rules and procedures have been positively assessed⁵³ and they are applied to the imprest component, the partner country has to inform the EU Delegation of any changes to the assessed rules and procedures. If those changes would lead to a different outcome of the assessment, the programme estimate will have to be amended and the partner country/public commissioned body will have to apply the rules and procedures of the PRAG instead of its own rules and procedures.

An addendum cannot cover retroactively activities not foreseen initially in the programme estimate or undertaken before its authorisation and signature for endorsement by the Head of Delegation⁵⁴.

Amendments to a programme estimate can only be requested within its operational implementation period. The decision on the amendment may however still be taken during the closure phase.

⁵² Under the conditions detailed in sections 2.5.1. and 2.5.2. of this PE Guide.

⁵³ See sections 3.2.3 and 3.2.6 of this PE Guide.

⁵⁴ Exception made of the concrete cases mentioned in section 2.4.3 (footnote 59).

3. Implementation of programme estimates

Implementation of a programme estimate may involve two types of expenditure:

- the expenditure of the imprest component, for which the payments will be executed by the imprest administrator and the imprest accounting officer;
- the expenditure covered by specific commitments for which the payments will be executed by the European Commission.

Except when otherwise specified, the provisions of this section only address the implementation of the imprest component.

3.1. Financial implementation of the imprest component

3.1.1. Payment Arrangement

For both start-up and operational programme estimates, before the first pre-financing instalment is paid, the following conditions have to be met:

- opening of the “programme estimate” bank account(s)⁵⁵ and deposit of the necessary signature;
- the financial identification form(s) is (are) duly completed, signed by the imprest administrator, the imprest accounting officer and the bank representative and annexed to the programme estimate⁵⁶;
- the programme estimate is approved and signed by all parties, and endorsed by the Head of Delegation;
- in the case of central operations or public commissioned operations, it is not necessary to lodge a financial guarantee before payment of the pre-financing instalment;
- in the case of private commissioned operations (**EDF only**), the relevant representative of the partner country(ies) has received from the commissioned body a **financial guarantee** in the currency of the programme estimate⁵⁷ and of an amount equal to that of the requested pre-financing instalment.

The financial guarantee must remain valid for 30 days after payment/reimbursement of the balance of the amount in the final statement of income and expenditure financed from the imprest component, duly approved by the Head of Delegation. The amount of the guarantee may be reduced at any time but under no circumstances can it be lower than the balance of the pre-financing instalment not yet cleared or repaid.

⁵⁵ This condition will have to be met only once before the payment of the pre-financing instalment for the implementation of the start-up programme estimate (or the operational programme estimate if no start-up programme estimate is foreseen).

⁵⁶ This condition will have to be met only once before the payment of the pre-financing instalment for the implementation of the start-up programme estimate (or the operational programme estimate if no start-up programme estimate is foreseen).

⁵⁷ If the programme estimate is in national currency and a financial guarantee in that currency cannot be obtained, a financial guarantee in euro may be accepted provided that it covers the full amount of the pre-financing.

Financial guarantees (originals) must be kept by the Head of Delegation in a safe place where they are protected against risks of loss or theft up to the end of their validity.

The expenses incurred in putting up the financial guarantee to obtain the pre-financing instalment for the implementation of the imprest component may be covered by the imprest component.

The model to be used for the financial guarantee is provided in Annex 7 to this PE Guide.

The rules and procedures set out in this PE Guide must be scrupulously respected. In case of commissioned operations, the body in charge of the implementation must inform without delay the relevant representative of the partner country(ies) of any problem that may occur in the financial implementation of the programme estimate.

The financial guarantee must be called upon only when the body governed by private law fails to comply with the rules and procedures set out in this PE Guide.

If the above conditions are met the first pre-financing is paid by the EU Delegation at the same time of the authorisation of the programme estimate.

Lastly, if the request for the first pre-financing instalment has not been submitted along with the programme estimate at the time of its endorsement, it is advisable to take account of the time needed for its processing at a later stage so as to have the necessary funds available for the beginning of the activities. This comes to reinforce the advisability of a parallel submission of the programme estimate and the pre-financing instalment request as mentioned in section 2.4.1.

3.1.2. Payment of pre-financing instalments under the imprest component of the programme estimate.

- **For start-up programme estimates**, the amount of the pre-financing, set at 100% of the imprest component, must be paid in a single payment, within 60 calendar days for EDF and 30 calendar days for programme estimates financed from the EU Budget, into the bank account referred to in annex 5;
- **For operational programme estimates**, payments shall be made in accordance with a multiannual Financing Plan established under the programme estimate.
 - Upon signature of the programme estimate by all parties, the Contracting Authority shall provide, within 60 calendar days for EDF and 30 calendar days for programme estimates financed from the EU Budget, a first **pre-financing instalment, up to 100% of the first year forecast budget for the imprest component**. (The determination of the amount of the first pre-financing corresponds to X% of the part of the forecast budget for the first 12-month (N) period of the Action which is being financed under the imprest component by the EU, excluding contingencies).
 - As soon as 70% of the first pre-financing received has been disbursed or at the latest three months before the end of year N

- upon request of the imprest administrator and imprest accounting officer a **new pre-financing instalment of a percentage up to 100% of the forecast budget for the subsequent 12-month period** or of the remaining period if shorter as regard to the last instalment of pre-financing which is being financed by the EU (excluding contingencies) will be paid.
 - if by this date (3 months before the end of the 12-months period) the disbursement is less than 70% of the previous payment, the further pre-financing instalment shall be reduced by the amount corresponding to the difference between the 70% of the previous pre-financing instalment and the part of the expenditure disbursed which is financed by the European Commission.
- As soon as 70% of the last pre-financing and 100% of previous pre-financing have been disbursed or at the latest 3 months before the end of the 12-month period N+1, N+2, N+3..:

Upon request of the imprest administrator and imprest accounting officer, further pre-financing instalments of a percentage up to 100% of the forecast budget for **the subsequent 12-month period** (or of the remaining period if shorter as regard to the last instalment of pre-financing) (excluding contingencies) will be paid.

If by this date (3 months before the end of the 12-month period) the disbursement is less than 70 % of the previous payment (and 100 % of any previous payments), the further pre-financing instalment shall be reduced by the amount corresponding to the difference between the 70 % of the previous pre-financing instalment and the part of the expenditure disbursed which is financed by the European Commission.

Each pre-financing instalment is subject to a payment request submitted to the Commission. Each request for further **pre-financing instalment**⁵⁸ shall be accompanied by a summary interim implementation, a synthetic financial report⁵⁹ and a complementary bank guarantee⁶⁰ covering the additional amount of pre-financing. The Commission shall pay the further pre-financing instalments within 60 calendar days of receiving and approving the payment request and its reports.

Authorisation of the payment request and of the accompanying reports shall not imply recognition of the regularity or of the authenticity, completeness and correctness of the information contained therein.

⁵⁸ Numbered, dated and signed by the imprest administrator and the imprest accounting officer

⁵⁹ See Annex 9 to the PE Guide.

⁶⁰ If need be, see section 3.1.1 of the PE Guide.

Within **3 months from the end of each twelve months period**⁶¹, an expenditure verification executed by a qualified professional auditor, along with the full financial report submitted by the imprest administrator and imprest accounting officer, shall be submitted to the Commission, enabling the clearing of the previous pre-financing (see section 3.1.5).

In case the expenditure verification has detected non-eligible costs, internal control issues or other relevant weaknesses in the financial management of the programme estimate, the further instalment of pre-financing can be reduced accordingly proportionally to the seriousness of the findings⁶².

At the end of the closure phase of the programme estimate the Commission, following approval of the final implementation report and submission of the final expenditure verification report (including the full final financial report), will determine the final amount of the EU contribution which will exclude any ineligible cost. If the total amounts already paid by the Commission is higher than the final contribution, funds will be recovered. If on the other hand, exceptionally, the total amount already paid is lower than the final contribution, a payment order (PO) will be issued and executed.

The authorisation circuit of the request for payment of the pre-financing instalments and of the corresponding payment is as follows:

- verification by the relevant representative of the partner country(ies) that the prior conditions for payment of the pre-financing instalment are met and authorisation of the request;
- where appropriate, drawing up and signature by the relevant representative of the partner country(ies) of a payment order corresponding to the amount accepted;
- sending by the relevant representative of the partner country(ies) of the signed payment order or the approved pre-financing instalment request accompanied by an interim implementation and a synthetic financial report⁶³ to the Head of Delegation;
- verification and authorisation by the EU Delegation of the pre-financing instalment file.

⁶¹ In the case a start-up programme estimate has been put in place, the first year programme estimate expenditure verification should include the period covered by the start-up programme estimate as well.

⁶² The reduction should be proportional to the findings: The measures to be taken can span from simply reducing the amount of the further pre-financing by the amount of not eligible costs till the suspension of the payment of the instalments till proof is received that the weakness detected has been appropriately addressed.

⁶³ See Annex 9 to the PE Guide

3.1.3. Documents making up the synthetic financial report and the full financial report

The list of documents to be included in the synthetic financial report and the full financial report⁶⁴ can be found in Annex 8 and Annex 9 to this PE Guide.

- a) **The synthetic financial report** shall accompany, together with the interim implementation report each pre-financing instalment request (except the first pre-financing instalment) and it shall consist of:

➤ **Cover page**

The cover page must include the following information:

- the title of the programme estimate;
- the period covered by the programme estimate;
- the reference number of the corresponding global financial/budgetary commitment and individual financial/budgetary commitment;
- the number⁶⁵ and the period covered by the record;
- the total amount representing the funds disbursed in the period covered by the record.

➤ **Pre-financing instalment**

The request must include the following information:

- the title and the period covered by the programme estimate and its individual financial/budgetary commitment number;
- the pre-financing number⁶⁶ and the period covered by the request;
- the total amount of the requested pre-financing, representing **a percentage up to 100% of the part of the forecast budget for the subsequent 12-month period.**

➤ **Budgetary monitoring documents**

The budgetary monitoring documents should make it easy to compare forecast expenditure against expenditure disbursed in the course of implementation of the programme estimate.

They consist of:

- a summary table of the monitoring of the budget consumption of the programme estimate by heading and by item (the same level of detail of the budget of the programme estimate is required).

⁶⁴ An electronic copy of the scanned supporting documents shall be attached to each full financial report (Annex 8)

⁶⁵ Records must be numbered in sequence.

⁶⁶ Records must be numbered in sequence.

- an updated budget table including the forecast for the next 12 month period and, if relevant, updated information related to the contribution of the partner country, other contributions and project's own resources.
- b) **The full financial report** is a document required for the justification of the pre-financing received and shall be drawn up at the end of every 12 months period⁶⁷ by the imprest administrator and the imprest accounting officer and submitted together with the expenditure verification report⁶⁸. The full financial report is included in Annex 8 and it consists of:

- **Full Financial report cover page**
- **Financial monitoring documents**

The financial monitoring documents consist of:

- summary table of budget consumption by budget heading (currency);
- for each currency used (EUR or other currency), a **detailed table of expenditure** under the same main headings as the budget of the programme estimate. The detailed tables must give, for each item of expenditure, the reference of the corresponding payment file⁶⁹, the date of payment and the nature and amount of expenditure;
- for each currency used (EUR or other currency), a **reconciliation of the bank balance and the accounting balance of the “programme estimate” bank account, plus justification of the corresponding cash balance**;
- Cash statement in local or other currency.

and the following additional documents:

- a **list of ongoing contracts (procurement and grants)** financed by the imprest component. This list must show, for each contract, the start-up date, the implementation time-limit, details of the payments already made (amount and date) and an estimate of remaining payments;
- a **statement of the monitoring of the advances/pre-financing** paid and recovered during the implementation of the contracts financed by the imprest component;
- a **statement of the monitoring of the financial guarantees** concerning the contracts financed by the imprest component.

The financial guarantees required for the implementation of these contracts must be retained and kept by the imprest administrator and the imprest accounting officer in a safe place where they are protected against risks of loss or theft. They must also monitor their validity and, if necessary, release them only at the

⁶⁷ In the case a start-up programme estimate has been put in place, the first full financial report of the operational programme estimates shall include the period covered by the start-up as well.

⁶⁸ It must be ensured that both documents are submitted at the same time and cover the same period in order to allow the clearing of the pre-financing.

⁶⁹ See the section dealing with supporting documents, 3.1.4.

request of the commissioned body and after agreement of the relevant representative of the partner country(ies).

3.1.4. Documentation, filing and record keeping

Basic requirements

The imprest administrator and the imprest accounting officer shall ensure that a logical system of filing and record retention in line with the applicable legal norms and a reliable and easy to follow audit trail are put in place.

Failure to comply with these measures may inter alia result in poor or insufficient documentation and these are the most frequent causes of project expenditure being established as not eligible. This may result in the European Commission recovering the funds.

The imprest administrator and the imprest accounting officer shall:

- put into place a **filing system** which allows a quick and easy retrieval of documents. Documents must be filed in a **logical** order (e.g. numerical, alphabetical, by subject or theme) and on a **regular** basis (i.e. daily, weekly, monthly);
- maintain supporting documents in the form of **receipts and vouchers** for **all financial** transactions. These should be cross-referenced to the accounts and filed in date or number order.

Supporting documents include inter alia accounting records, supporting documents (for financial transactions and accounting entries), intermediate and supporting schedules and reconciliations used for drawing up the financial report. These documents shall be easily accessible and filed so as to facilitate their access and examination.

Annex 10 (Examples of supporting documents by type of expenditure to be included in the full financial report) includes a list with examples of commonly and frequently used source (accounting) documents and records;

- take measures which ensure that all staff concerned are aware of (the importance of) the rules for documentation, filing and record keeping.
- ensure that a **reliable and easy to follow audit trail** is present.

Original documents

All supporting (accounting) documents and records shall be available in the original form (including in electronic form if this fulfils the minimum requirements set in the applicable legal norms).

Scanned documents other than original documents can be accepted by the Commission provided that the related originals are properly archived and accessible. In case original documents become unavailable, the body in charge shall draw up a protocol stating the causes of unavailability and confirming that the electronic copies are in line with the original

versions. The protocol should be duly dated and signed preferably also by an external party (e.g. an official of the EU Delegation or a notary).

Supporting documents for payment claims

Claims for the payment of expenditure incurred must be supported by payment files that must be structured in a logical way in line with the expenditure declared in the financial report for the period concerned. Annex 10 provides a list of examples of documents which may be submitted in support of payment claims.

Payment files shall be signed by the imprest administrator and by the imprest accounting officer. The files shall be organised in a way which makes it possible to verify that expenditure was committed and that it was validated, paid and discharged correctly. Validation means that the imprest administrator and imprest accounting officer verify:

- the existence of the creditor's claim;
- the reality and the amount of the claim;
- the conditions when payment is due.

Documents for verification

Records and documents shall be kept available for on-the-spot inspection and verification by Commission staff if so requested by the Commission or for verification by an auditor contracted by the Commission. The Commission may also request to submit these records and documents - or part thereof - to the Commission in documentary or in electronic form.

Supporting documents must be maintained in a way which allows an easy and exhaustive verification of the legality and regularity of expenditure.

Retention of supporting documents

All original records, accounting and supporting documents relating to the implementation of a global financial/budgetary commitment shall be kept for 5 years as from the end of the execution period of the corresponding financing agreement.

The representative of the partner country (ies) shall take measures to ensure an adequate retention of the supporting documents related to the programme estimate and s/he will inform the Head of Delegation accordingly.

3.1.5. Clearing of pre-financing

Within 3 months of the end of each 12 months period⁷⁰, an expenditure verification report executed by an external audit company contracted and managed by the Commission shall be submitted together with a full financial report⁷¹ prepared by the imprest administrator and imprest accounting officers. It must be ensured that both reports are submitted at the same time and cover the same period in order to allow the clearing of the pre-financing. The

⁷⁰ In the case a start-up programme estimate has been put in place, the first 12 months period of the programme estimate full financial report and expenditure verification will include the period covered by the start-up as well in order to able the EU delegation to clear the start-up open pre-financing.

⁷¹ See section 3.1.3. b).

expenditure verification mission will verify if the costs reported are eligible according to the criteria indicated in this section and in the expenditure verification TOR. Following the expenditure verification report the EU delegation will be able to clear the part of the open pre-financing corresponding to amount of eligible costs.

In case the **expenditure verification report or full financial report** have detected non-eligible cost, internal control issues, or other relevant weaknesses in the financial management of the programme estimate, the further instalment of pre-financing can be reduced accordingly proportionally to the seriousness of the findings.

3.1.6. Closure of a programme estimate

➤ Closure request

Closure of the imprest component must take place as soon as possible after the end of the period it covers⁷².

The full financial report⁷³ of the imprest component and the final implementation report must be drawn up, by the imprest administrator and the imprest accounting officers, not later than 60 calendar days after the end of the implementation period of the programme estimate in view to allow the auditors to carry out and finalize the final expenditure verification.

The closure request, including the full financial report, the final implementation report and the final expenditure verification report of the imprest component of the programme estimate budget, must be submitted to the relevant representative of the partner country(ies) and the Head of Delegation for authorisation not later than 6 months after the end of the implementation phase and the programme estimate shall be closed not later than 8 months after the end of its implementation phase.

In case the imprest administrator and the imprest accounting officer do not respect the deadline for submission of the closure request of the programme estimate, their salaries and/or allocations related to the closure period of the programme estimate will be considered ineligible for financing.

In the case of private commissioned operations (**EDF only**), the same measures shall be taken.

Moreover, the relevant representative of the partner country(ies) shall ensure that the closure request, including the final expenditure verification report is transmitted to the Head of Delegation in order to allow the financial closure of the programme estimate. Failing this, a recovery order may be issued in order to recover the balance of the pre-financing instalment not justified.

⁷² In the case of a start-up programme estimate, its closure will take place at the same moment of the closure of the operational programme estimate imprest account and the full financial report and final expenditure verification will cover the entire period starting with the date of the start-up to the date determined by the closure request.

⁷³ An electronic copy of the scanned supporting documents shall be attached to each full financial report.

After verification of the closure request, the EU Delegation may issue:

- a recovery order (RO) for the repayment of the amount of funds which is not used and/or which corresponds to ineligible expenditure established⁷⁴;
- exceptionally, a payment order (PO) when the accepted amount of total expenditure incurred is higher than the total amount of “programme estimate” bank account prefinanced⁷⁵.

Failing repayment by the deadline specified in the request of the Head of Delegation, default interest will be applied to the debt⁷⁶.

Where claims that the EDF/European Union has against the relevant representative of the partner country(ies) are not recovered within the time-limit, the Head of Delegation must take all necessary measures to obtain actual repayment of the amounts due, including, if necessary, suspension of the use of that type of implementation of projects and programmes with the partner country(ies) concerned.

➤ Closure

At the end of the implementation of the programme estimate and after the EU Delegation has finalized the financial closure of the imprest component of the programme estimate, the imprest administrator and the imprest accounting officer shall provide a statement showing a zero balance of the “programme estimate” bank account and the closure notice for the bank account issued by the bank and submit the documents to the Head of Delegation.

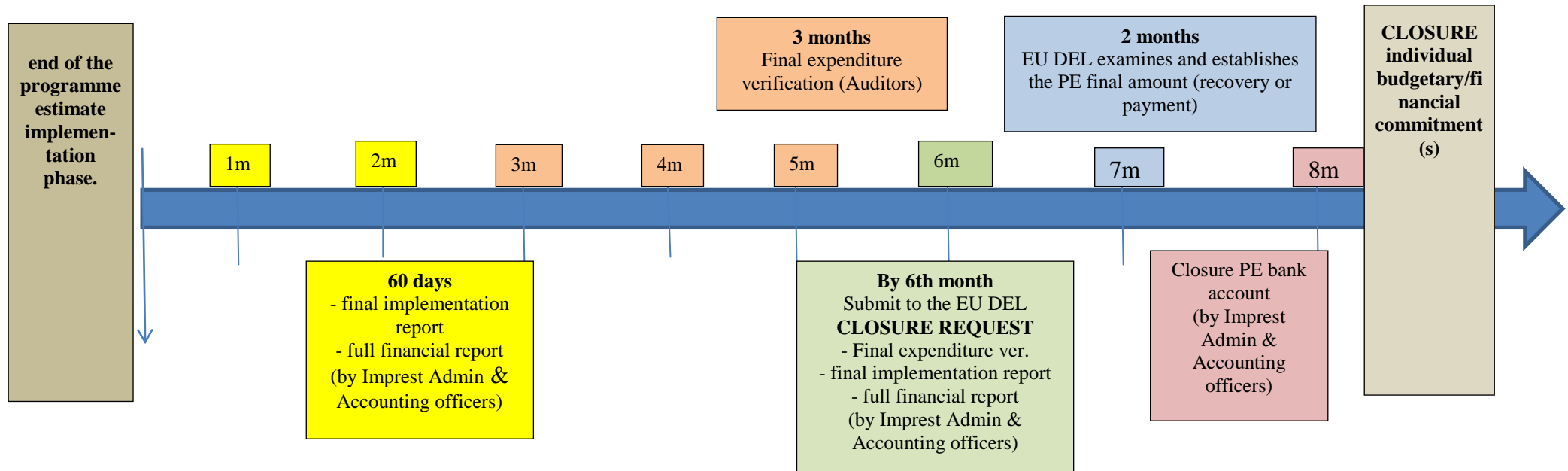
The programme estimate (and where applicable the start-up programme estimate) individual budgetary/financial commitment(s) can now be closed and funds (*where applicable*) de-committed.

⁷⁴ Under private commissioned operations, this recovery order must be registered against the commissioned body (at the request of the partner country or when, the partner country agrees, the Commission may proceed on its behalf). In case of failure to recover the funds from the commissioned body and if it is not possible to call upon the bank guarantee, the Commission shall issue the recovery order against the partner country.

⁷⁵ For EDF bank account only: Interest generated by pre-financing payments on bank account(s) shall either be re-used for the corresponding action or deducted from the final amount of total expenditure incurred during implementation of the imprest component.

⁷⁶ Please refer to the "GUIDE TO THE ENFORCED RECOVERY" on BUDGWEB site: https://myintracomm.ec.europa.eu/budgweb/EN/imp/debt/Pages/imp-150-050_recouvrement.aspx

Indicative closure timeline:



3.1.7. Implementation reports

During implementation of the programme estimate, the imprest administrator and the imprest accounting officer must draw up and submit summary interim implementation reports and a comprehensive final implementation report.

These technical, and monitoring reports shall provide as a minimum:

- a summary report on the activities carried out, problems encountered and solutions found; the activities carried out should be related to the provisional timetable and explanations given for any delays;
- monitoring of planned activities; this includes comparing the results obtained against the objectives, using the monitoring indicators set out in the logical framework.

Summary interim implementation reports have to be drawn up regularly and presented with each request of further pre-financing instalment.

The final implementation report has to be submitted at least 60 days after the beginning of the closure phase of the programme estimate.

Reports are to be sent to the technical ministry concerned, the relevant representative of the partner country(ies) and the Head of Delegation and, where one has been set up, to the steering committee.

3.1.8. Records and accounts

The imprest administrator and imprest accounting officer shall keep accurate and regular accounts of the implementation of the programme estimate using an appropriate accounting and double-entry book-keeping system. The accounts:

- may be an integrated part of or an adjunct to the partner countries'/commissioned bodies' regular system;
- shall comply with the accounting and bookkeeping policies and rules that apply in the country concerned;
- shall enable income and expenditure relating to the programme estimate to be easily traced, identified and verified.

The rules on the currency in which the accounts shall be kept are set out in Annex 6 to this PE Guide.

The imprest administrator and imprest accounting officer shall ensure that the financial report can be properly and easily reconciled to the accounting and bookkeeping system and to the underlying accounting and other relevant records. For this purpose they shall prepare and keep appropriate reconciliations, supporting schedules, analyses and breakdowns for inspection and verification.

The records and accounts must cover all activities financed by all sources of funding, including the own resources generated by the project or programme itself. They must ensure compliance with generally accepted accounting principles and be kept in accordance with the rules of the partner country concerned.

With this in mind, a general system of double-entry, budgetary and analytical accounts linking expenditure to each source of financing and with each activity carried out under the imprest component shall be set up for the purposes of financial management of the project or programme. This system shall also make it possible to keep a perpetual inventory of investments and capital goods financed under the project or programme.

It is up to the relevant representative of the partner country(ies) and the Head of Delegation to ensure the use of an accounting software package guaranteeing reliability and security⁷⁷.

3.1.9. Expenditure verifications and systems audit

Expenditure verifications of financial reports shall be carried out by qualified professional auditors who are members of a recognised auditing body⁷⁸. The requirements for the auditor are specified in the terms of reference for an expenditure verification of a programme estimate.

Contracts for expenditure verifications will always be financed by specific commitments. These contracts are concluded and managed by the European Commission for and on behalf of the partner country(ies) concerned.

Expenditure verifications are managed by Audit Task Managers of the Commission in a EU Delegation or in Headquarters.

Expenditure verifications are carried out every 12 months period in order to allow the clearing of the disbursed pre-financing instalments. A final expenditure verification will be performed at the end of the implementation period of the multiannual programme estimate. Consequently the period subject to verification is the entire implementation period starting with the start-up programme estimate (in any) up to the end date of the implementation period as specified in the closure request.

The expenditure verifications must be performed on the basis of the specific terms of reference for an expenditure verification of a programme estimate which are available on DG DEVCO's website⁷⁹. The Audit Task Manager must ensure a timely contracting and planning of the expenditure verifications.

Objective of the expenditure verification

The objective of the expenditure verification is for the Auditor to carry out specific verification procedures which are listed in the terms of reference and to submit to the European Commission a report of factual findings. Verification means that the Auditor

⁷⁷ If required the EU Delegation can launch an audit of the systems and procedure set up by the imprest administrator and imprest accounting officer

⁷⁸ Where this is not possible, by an appropriately qualified auditor.

⁷⁹ <https://myintracomm.ec.europa.eu/dg/devco/finance-contracts-legal/audit/Pages/terms-of-reference.aspx>

examines the factual information in the financial report for the programme estimate imprest component and compares that information with the terms and conditions of the programme estimate. As this engagement is not an assurance engagement the Auditor does not provide an audit opinion and expresses no assurance. The Commission assesses for itself the factual findings reported by the Auditor and draws its own conclusions from these factual findings.

Timing and frequency of the expenditure verification

An annual expenditure verification is required which should be completed - i.e. the Auditor must issue an expenditure verification report - within 3 months from the end of the period covered by the full financial report. Hence, the expenditure verification is yearly and it is not directly linked to the request of payment of pre-financing instalments.

Period covered by the expenditure verification

The period subject to verification shall be the entire period covered by the full financial report.

Final expenditure verification

The EU Delegation shall make sure that the auditor performs the final expenditure verifications as soon as the imprest administrator and the imprest accounting officer have submitted the final financial report to the auditors. The EU Delegation shall check that the external auditor submits their report to the representative of the partner country.

A final expenditure verification shall be performed in the closure phase of the programme estimate and the final expenditure verification report (finalized within 3 months from the end of the period covered by the full financial report) shall be submitted to the Commission along with the closure request **not later than 6 months after the end of the programme estimate implementation phase.**

The Auditor shall verify that there are no 'reporting gaps' and that there is no double declaration of expenditure or that expenditure which was previously declared and audited has been changed or omitted.

Systems audit (optional)

In certain cases – in particular for complex projects or in case of specific engagement circumstances – it may be useful to have a systems audit in the early stages of implementation. The purpose of such a systems audit is to identify and report weaknesses in the design and operation of financial management and internal control and to make recommendations for improvements. This could be of substantial benefit to the (financial) management of the programme estimate and contribute to avoiding errors involving ineligible expenditure which could lead to a recovery of Commission funds.

The period subject to audit is the entire period starting with the date of the start up of the programme estimate up to the date determined by the closure request.

3.1.10. Staff management

The rules for managing the various categories of staff are set out in the technical and administrative implementing arrangements for the programme estimate. They must include, or refer to, procedures for making available or recruiting staff, national legislation on the subject, the type of contract used and related social entitlements (social security, insurance, etc.).

The recruitment procedures and elements of the remuneration package of management staff have to be approved by the relevant representative of the partner country(ies) and the Head of Delegation prior to the preparation of the programme estimate.

Terms of reference should be established for the recruitment of contractual staff. A standard contract is concluded between the imprest administrator and each recruited staff member. These contracts are usually for a fixed term coinciding with the duration of the programme estimate.

A standard contract, a staff list, pay scales, rates for additional allowances and rates for daily allowances paid for missions should be annexed to the programme estimate.

Staff management is the responsibility of the imprest administrator and the imprest accounting officer, whose functions include:

- drawing up and keeping up-to-date, a list of staff by function and by name, indicating their pay and related contributions borne by the imprest component;
- keeping an up-to-date staff register;
- keeping a payroll with monthly tables showing details of expenditure on staff;
- drawing up, and keeping it up-to-date, by category of staff, the rates of daily allowances paid for missions.

Any proposed change in staffing should be mentioned in the programme estimate. Any unforeseen change during implementation of the programme estimate requires the prior written authorisation of the relevant representative of the partner country(ies), who then without delay notifies the Head of Delegation requesting his/her authorisation.

3.1.11. Transfer of materials and equipment at the end of the implementation of the project or programme

The materials and equipment financed by the EDF/Budget remain the property of the project or programme throughout its implementation. They must be used exclusively for carrying out activities provided for in the programme estimates.

Materials and equipment are normally handed over to the administration concerned of the partner country(ies) during closure of the operational programme estimate. The relevant representative of the partner country(ies) may, in agreement with the Head of Delegation, decide to assign them to other projects or programmes financed by the EDF/Budget. The assignment of the materials and equipment must be the subject of one or several minutes, on the one hand, drawn up on the basis of the perpetual inventory of investments and capital goods acquired during the implementation of the project or programme and, on the other hand, duly approved and signed by the imprest administrator and the imprest accounting officer as well as by the recipients.

The materials and equipment may exceptionally be sold to outside economic operators with the authorisation of the relevant representative of the partner country(ies) and the Head of Delegation. The income generated by these sales must be entered in the accounts as own resources generated by the project or programme.

The conditions for the assignment or the sale of the materials and equipment must be specified in the technical and administrative implementing arrangements of the programme estimate.

3.2. Award and implementation of procurement contracts and grants provided for in the programme estimate

3.2.1. Award of procurement contracts⁸⁰

The procedures for the award of procurement contracts, whether financed by the imprest component or by specific commitments, must comply with the PRAG applicable on the date of the launch of the relevant procedures⁸¹. However, within the imprest component, the procurement rules and procedures of the partner country (central operations) or the public law body/private law body with a public service mission (public commissioned operations) may be used instead if they have been positively assessed by the European Commission (see section 3.2.3 below). In such a case, a description of or a reference to the applicable rules and procedures shall be included in the technical and administrative implementing arrangements of the programme estimate.

For contracts worth up to the equivalent of EUR 20,000, use of standard contract templates included in the PRAG is by default not compulsory⁸².

In case of non-compliance with the procurement procedures set forth in the PRAG or this section the costs related to the relevant contract will not be eligible for EU funding.

Deviations from the PRAG

In the case of procurement contracts financed by the imprest component, the Head of Delegation together with the relevant representative of the partner country(ies) may agree to lower the award thresholds stated in the PRAG in the interest of sound financial management.

For procurement contracts financed by the imprest component, the contract notices will not be published on the EuropeAid website. Furthermore, the obligations regarding the submission of documents for prior authorisation by the European Commission as stated in the PRAG do by default not apply (see below).

⁸⁰ For the roles of the imprest administrator and imprest accounting manager in the context of procurement see section 1.4 above.

⁸¹ For information on the role and set-up of evaluation committees see section 8.6.3 of the DEVCO Companion and 2.8 of the PRAG.

⁸² In case of a positive assessment (see section 3.2.3 below) the contracting authority may use its own templates also for contracts above EUR 20.000.

Decisions to derogate from the aforementioned default options or the standard thresholds or other provisions of the PRAG must be specified in the technical and administrative implementing arrangements of the corresponding programme estimates.

Ceilings for contracts to be managed within the imprest component

The following procurement contracts have to be financed with specific commitments⁸³. These contracts will be signed by the relevant representative of the partner country(ies) or by a public law body or private law body with a public service mission from the partner country⁸⁴ (partial delegation) but the related payments will be executed by the European Commission:

For financing decisions taken after the 1st January 2013⁸⁵:

- **service contracts worth the equivalent of EUR 300,000 or more,**
- **supply contracts worth the equivalent of EUR 300,000 or more, and**
- **works contracts worth the equivalent of EUR 300,000 or more**

Service contracts concluded through framework contracts (BENEF), expenditure verifications⁸⁶ and evaluation contracts have also to be financed with specific commitments as they have to be concluded and managed by the European Commission (for and on behalf of the partner country(ies) concerned).

The above amounts refer to the financial envelope available for the relevant call for tenders and not to the individual contracts to be signed under these calls. For calls for tenders with several lots, the amount to consider is the budget available for the call for tenders itself (aggregated value of all lots foreseen).

The maximum applicable ceilings are to be found in the action document corresponding to the project, subject of the financing decision by the European Commission.

All contracts below the aforementioned thresholds can be financed by the imprest component. The Head of Delegation and the relevant representative of the partner country(ies) may agree to lower the ceilings above which the contracts have to be financed with specific commitments. This decision must be specified in the technical and administrative implementing arrangements of the corresponding programme estimates.

Before notifying the award of a contract financed by the imprest component, the imprest administrator has to be sure that the successful tenderer is not subject to an exclusion situation from the award of a contract financed by the EDF/Budget in the Early Detection and Exclusion System of the European Commission. For this purpose, the imprest administrator has to send a request for verification to the Head of Delegation.

⁸³ In case the programme estimate is in national currency, these ceilings are fixed in national currency when drawing up the programme estimate and may not be modified during the implementation of the imprest component.

⁸⁴ The signature of these contracts cannot be delegated by way of private commissioned operations.

⁸⁵ For financing decisions taken before 1st January 2013, please refer to the previous version of the PE guide, version 4.1 of March 2013.

⁸⁶ Including contracts related to audits, expenditure verification of the imprest component by an external auditor.

If the contracting authority from the partner country intends to apply a deviation to the contract rules and procedures foreseen in the PRAG a relevant request has to be referred to the Head of Delegation for prior authorisation.

Ex-ante control

For contracts financed with specific commitments, the contracting authority from the partner country has to submit all documents required in accordance with the provisions on indirect management with ex-ante control as set forth in the PRAG.

For contracts financed by the imprest component, following the procedures of the PRAG and exceeding EUR 100.000, by default only the tender dossiers and the proposals for the award decision have to be referred for prior authorisation to the Head of Delegation. According to his risk analysis, the Head of Delegation may however decide to strengthen the ex-ante control by applying in addition totally or partly the ex-ante controls mentioned in the PRAG also to the imprest component.

The relevant representative of the partner country(ies) may decide to approve all proposals for award of contracts financed by the imprest component, some of them on the basis of thresholds, or none. The role of the relevant representative of the partner country(ies) in these situations must therefore be specified, if possible in the TAP annexed to the financing agreement, but in any event in the technical and administrative implementing arrangements of the corresponding programme estimates.

In this respect, the "Companion checklists" related to the authorisation of tender dossiers and to the authorisation of contract award proposals have to be completed by the EU Delegation, submitted to the Head of Delegation and kept for a possible control by Headquarters.

The role of the Head of Delegation concerning the authorisation of the decisions related to the procurement and award of contracts must be specified in the technical and administrative implementing arrangements of the corresponding programme estimates.

Ex-post control

The Head of Delegation's authorisation of the tender dossiers and the contract award proposals is not required for contracts following the procedures of the PRAG worth up to the equivalent of EUR 100,000 (or other reduced thresholds as described earlier). In that case, there will be only an ex-post control at the moment of the submission of the implementation and financial reports required for pre-financing instalments, clearings, closure or at any other moment if so decided by the Head of Delegation.

This refers to the cases mentioned as indirect management with ex post-controls in the PRAG.

This ex-post control should concern in particular:

- relevance of the contract;
- non-splitting of the contract in order to bypass the procurement thresholds;

- where relevant, compliance with the rule on nationality and with the rule on origin⁸⁷;
- existence of a potential conflict of interests;
- check that the contractor is not subject to an exclusion situation from the award of a contract financed by the EDF/Budget in the Early Detection and Exclusion System of the European Commission;
- reasonableness of the contract amount;
- relevance of the negotiation report in case of a single tender procedure;
- justification provided in cases where exceptionally the contract was signed with a contractor different from the one recommended by the evaluation committee.

In case of ex-post control, no prior authorisation by the Head of Delegation is required to use the negotiated procedure⁸⁸.

When exceptionally, and in well justified cases, the contract is to be signed with a contractor different from the one recommended by the evaluation committee⁸⁹, the imprest administrator has to obtain the authorisation of the Head of Delegation before signing the corresponding contract. In the event of failure to meet this obligation, the costs related to the contract will not be eligible for EU financing.

At the end of this ex-post control and in case of establishment of non-compliance with the contract procedures or of non-relevance of the contract, the costs related to the contract will not be eligible for EU financing.

Signature of contracts

Contracts financed by the imprest component are dated and signed⁹⁰ by the imprest administrator and by the contractors.

In case of central operations, private commissioned operations and public commissioned operations where the partner country is mentioned as contracting authority in the implementation agreement, the contracting authority to be mentioned as party to the contract is the relevant representative of the partner country(ies), represented by the imprest administrator.

⁸⁷ Note that under the CIR and the 11th EDF supplies may originate from any country if the value of the supplies is below EUR 100.000. There will therefore generally be no ex post-control in this regard.

⁸⁸ However, if the country is covered by a declaration of crisis situation recognised by the Authorizing Officer by Delegation and flexible procedures are proposed on the basis of emergency assistance or crisis situation, these shall be foreseen in the Programme Estimate. By endorsing the programme estimate, the Head of Delegation will approve the use of the flexible procedures and will verify their correct implementation during the ex-post control. If the crisis declaration takes place during the implementation of the programme estimate, in order to benefit from flexible procedures a rider to the programme estimate shall be signed.

⁸⁹ As for instance in cases where the awardee refuses to sign the contract, problems identified with the exclusion criteria, etc.

⁹⁰ He must also initial all the special conditions.

In case of public commissioned operations where the commissioned body is mentioned as contracting authority in the implementation agreement, the contracting authority to be mentioned as party to the contract is the commissioned body represented by the imprest administrator.

Contracts financed by the imprest component and accordingly signed by the imprest administrator will not be signed for endorsement by the Head of Delegation.

Contracts covered by a specific commitment and managed by a contracting authority from the partner country are signed by the representative of the partner country or a public commissioned body and endorsed by the Head of Delegation.

Summary tables are given in Annexes 12 and 13 to this PE Guide.

3.2.2. Implementation of procurement contracts

The implementation of procurement contracts, whether financed by the imprest component or by specific commitments, is governed by the PRAG unless the procurement rules and procedures of the partner country (central operations) or the public law body/private law body with a public service mission (public commissioned operations) have been positively assessed by the European Commission.

3.2.3. Use of own rules and procedures (procurement)

If its procurement rules and procedures have been positively assessed by the European Commission⁹¹, the partner country or relevant body may use its own rules and procedures for procurement within the imprest component⁹². This compliance assessment is similar to the pillar assessment for international organisations and other organisations implementing budget implementation tasks for the European Commission under indirect management. However, in the case of programme estimates it only covers the aspects of procurement and/or grants (see also section 3.2.6 below).

The main features of the compliance assessment are:

- It will be contracted and paid by the EU Delegation concerned using the standard terms of reference ('ToR') for a compliance assessment prescribed by the Commission. These ToR include inter alia a template for a compliance assessment report.
- The compliance assessment shall be performed by an independent external auditor who meets the requirements set out in the ToR for compliance assessments.
- The auditor shall assess the systems put into place and the controls, rules and procedures for procurement by reviewing the existing situation against the criteria for procurement which are defined in the ToR.
- The objective of the compliance assessment is to enable the auditor to report on whether the requirements set by the Commission are fulfilled.

⁹¹ Positive assessment means that a report with a positive conclusion has been issued, i.e. confirming that the procurement procedures assessed are in accordance with criteria set by the Commission.

⁹² However, the rules on nationality and origin as set forth in the PRAG still need to be complied with.

In case the partner country or relevant body applies its own rules and procedures neither ex-ante nor ex-post controls as set forth in the sections above will be carried out by the EU Delegation. Award decisions will not be subject of an ex-ante approval by the European Commission and there will be no check if the relevant contractor is listed in the Early Detection and Exclusion System. However, compliance with the rules and procedures will be checked by auditors.

In order to use its own rules and procedures, the partner country or relevant body has to set up and operate an effective and efficient internal control system in line with the requirements set forth in in section 1.5 (Financial Management). **In addition, an internal control system which governs a partner country's or the relevant body's own procurement and/or grant award procedures and rules shall meet the requirements in Annex 11.**

Compliance with Annex 11 will be checked as part of the expenditure verification following the first 12 months of implementation and as part of the final expenditure verification at the end of the programme estimate.

If the contracting authority does not follow the assessed rules and procedures, the costs of the relevant contracts will not be eligible for EU funding.

The use of own rules and procedures should apply to the entire imprest component of the programme estimate and not only to parts of it. Furthermore, the possibility to apply the partner country's own rules and procedures must already be foreseen in the underlying financing decision (including, where necessary, the option to apply the rules of the PRAG in case the outcome of the assessment is negative).

However, under private commissioned operations and specific commitments the rules and procedures set forth in the PRAG must always be followed.

3.2.4. Award of grants

The procedures for the award of grants, whether financed by the imprest component (imprest commitment) or by specific commitments, must comply with the PRAG applicable on the date of the launch of the procedures⁹³. However, within the imprest component, the grant rules and procedures of the partner country (central operations) or the public law body/private law body with a public service mission (public commissioned operations) may be used instead if they have been positively assessed by the European Commission. In such a case, a description of or a reference to the applicable rules and procedures shall be included in the technical and administrative implementing arrangements of the programme estimate.

In case of non-compliance with the grant rules and procedures set forth in the PRAG or this section the costs related to the relevant grant contract will not be eligible for EU funding.

For grants financed by the imprest component, the guidelines for applicants do not have to be published on the EuropeAid website.

⁹³ For information on the role and set-up of evaluation committees see section 8.6.3 of the DEVCO Companion and 6.5.7. of the PRAG.

Grants contracts above EUR 300,000⁹⁴ have to be financed with specific commitments. These grants will be awarded and managed directly by the relevant representative of the partner country(ies) or the commissioned body but the related payments will be executed by the European Commission⁹⁵.

The above amount refers to individual grant contracts amount to be signed under this calls and not to the financial envelope available for the relevant call for proposals. All grant contracts under the same call for proposals must have the same treatment (i.e. they will be either specific commitments or contracts within the imprest account). This deserves a proper treatment in the guidelines of the call for proposals to be launched, namely the maximum and/or minimum grant amounts to be defined.

The Head of Delegation and the relevant representative of the partner country(ies) may agree to lower the ceiling above which the grants have to be financed by specific commitments and signed directly by the relevant representative of the partner country(ies) or the commissioned body under public commissioned operations. This decision must be specified in the technical and administrative implementing arrangements of the corresponding programme estimates.

The relevant representative of the partner country(ies) must approve all guidelines and proposals for award of grants financed by the imprest component. Concerning the authorisation by the relevant representative of the partner country(ies) as regards pre-contractual matters (authorisation of guidelines for applicants, participation to the evaluation committee...), his role must be specified, if possible in the TAP annexed to the financing agreement, but in any case in the technical and administrative implementing arrangements of the corresponding programme estimates.

Before notifying the award of a grant financed by the imprest component, the imprest administrator has to ensure that the successful applicant is not subject to an exclusion situation from the award of a grant financed by the EDF/Budget in the in the Early Detection and Exclusion System of the European Commission (through the EU Delegation offices).

If the contracting authority from the partner country intends to apply a deviation to the grant rules and procedures foreseen in the PRAG a relevant request has to be referred to the Head of Delegation for prior authorisation.

For grants financed with specific commitments, the documents required in accordance with the PRAG have to be submitted to the Head of Delegation.

For grants financed by the imprest component, by default only the guidelines and proposals for the award decision have to be referred for prior authorisation to the Head of Delegation. Nevertheless and according to his risk analysis, the Head of Delegation may decide to

⁹⁴ In case the programme estimate is in national currency, this ceiling is fixed in national currency when drawing up the programme estimate and may not be modified during the implementation of the imprest component of its budget.

⁹⁵ In case of private commissioned operations the grant contracts may not be signed by the commissioned body but by the relevant representative of the partner country.

strengthen the ex-ante control by applying totally or partly the controls mentioned in the PRAG for indirect management with ex-ante controls, such as the authorisation of guidelines for applicants, also to the imprest component. This decision must be specified in the technical and administrative implementing arrangements of the corresponding programme estimates.

In this respect, the "Companion checklists" related to the authorisation of guidelines for applicants and to the authorisation of grant award proposals have to be completed by the EU Delegation, submitted to the Head of Delegation and kept for a possible control by Headquarters.

Grant contracts financed by the imprest component are signed and dated⁹⁶ by the imprest administrator and by the grant beneficiaries.

In case of central operations, private commissioned operations and public commissioned operations where the partner country is mentioned as contracting authority in the implementation agreement the contracting authority to be mentioned as party to the contract is the relevant representative of the partner country(ies), represented by the imprest administrator.

In case of public commissioned operations where the commissioned body is mentioned as contracting authority in the implementation agreement, the contracting authority to be mentioned as party to the contract is the commissioned body represented by the imprest administrator.

Contracts financed by the imprest component and accordingly signed by the imprest administrator will not be signed for endorsement by the Head of Delegation.

Summary tables are given in Annexes 12 and 13 to this PE Guide.

3.2.5. Implementation of grants

The implementation of grants, whether financed by the imprest component or by specific commitments, is governed by the PRAG unless the grant rules and procedures of the partner country (central operations) or the public law body/private law body with a public service mission (public commissioned operations) have been positively assessed by the European Commission.

3.2.6. Use of own rules and procedures (grants)

If its grant rules and procedures have been positively assessed by the European Commission, the partner country or relevant body may use its own rules and procedures for the award of grants within in the imprest component⁹⁷.

The requirements, rules and procedures described above for procurement (see section 3.2.3) apply mutatis mutandis.

⁹⁶ He/she must also initial all the special conditions.

⁹⁷ However, the rules on nationality and origin as set forth in the PRAG still need to be complied with.

3.2.7. End of the time-limit for implementing contracts

The operational implementation period of tasks and/or actions of contracts to implement financing agreements, whether financed by the imprest components or by specific commitments, excluding contracts for expenditure verifications and final evaluations and technical assistance contracts implying financial closure activities of the corresponding projects or programmes, may under no circumstances be prolonged beyond the end of the operational implementation phase of the corresponding financing agreements.