

GUIDELINES

for EEP MEKONG PROJECTS IMPLEMENTATION

August 2016

**ENERGY AND ENVIRONMENT PARTNERSHIP PROGRAMME
WITH THE MEKONG REGION
(EEP MEKONG)**

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These guidelines describe the main procedures required by the Energy and Environment Partnership Programme with the Mekong region (EEP Mekong) Programme for administration of the approved Projects in order to comply with Finnish legislation, the principles accepted by the Programme's Steering Committee as well as the donors and good procurements practices. **A Company** in this context means a company, organization or institution, which has submitted a full project proposal and successfully be selected for funding by the EEP Mekong Programme. **RCU** means the 'Regional Coordination Unit' of the EEP Mekong Programme in Vientiane, which is responsible for overall programme management and administration on behalf of NIRAS Finland and the Ministry for Foreign Affairs of Finland (**The Donor**).

I. GENERAL

All requirements and information related to each Project must include the Project's code and the complete name, as described in the contract.

II. FINANCIAL MANAGEMENT OF THE PROJECTS

Funds allocated to the Company are expressed in Euros. NIRAS Finland will administer and pay the funds in Euros (from NIRAS's bank account).

The Company shall confirm the receipt of the funds by email to:

Mr. Bernhard Meyhoefer,
Programme Manager, EEP Mekong,
Bernhard.meyhofer@eepmekong.org

Payments are made by NIRAS on behalf of the Ministry based on the tentative reporting schedule, once the results/milestones have been achieved and verified.

Before the payment, the RCU, on behalf of the MFA, will engage an independent consultant to verify the content of the disbursement request as well as the required achievement of results/milestones (refer to the RBF Methodology for further details on eligible milestones and results). Only after successful verification of claimed achievement of results/milestones the respective disbursement will be released. For each disbursement the Company will have to present also an

invoice in the name of “**EEP Mekong**”.

Each request for disbursement shall include the progress and financial report, as well as a description of the achieved result/milestone achieved for which the disbursement is requested. In addition, each expense must be supported by a copy of the original formal commercial receipt. All original receipts must be marked with the statement “**Paid with funds of EEP Mekong**” and must clearly indicate the name of the Company. All purchases through internet will have to be endorsed by a formal receipt otherwise the expense will not be covered. In case a service has been provided by a third party that cannot issue a receipt (for example in case of in-kind contribution), the person will have to sign a receipt by the amount of the service and enclose a copy of his/her ID card.

The Company is obliged to use a formal accounting system adhering to international accounting standards and keep the **original documents** for at least 6 years, counted from the end of the project, allowing access to these documents as requested by the donors or NIRAS/RCU. Due diligence visit on the accounting and administration system by RCU/EEP Mekong will take place before project contract signing and start of project implementation. Furthermore, the company is obliged to present standard annual audit reports to the donor and RCU/EEP Mekong.

Projects that have been agreed to receive disbursements for achieving a milestone during the initial stages of project implementation (maximum of 25% of total project budget), must attach the budget details related to achieving the milestone, signed by an authorized representative of the Company. The Company must present the original invoice including the respective receipts to RCU/NIRAS for release of disbursement.

The company shall attach the necessary receipts and accounting information to all disbursement requests.

Before the last disbursement can be released, the Company must present the Final Report and an Audit Report (including a management letter) prepared by a certified auditing firm on the project’s accounting details to RCU/NIRAS/MFA Finland reviewing all the funds received and spent during the project development. The Audit Report shall also include verification of assets of the project. The Company appoints the auditors. The auditors shall be legally authorized and certified auditors.

Any amount, including interest, which has already been disbursed but has not been fully used by the end of the project shall be paid back in full.

III. TYPES OF ACCEPTABLE EXPENSES

Eligibility of expenditures is based on the assumption that the respective expenditure must be necessary for project implementation and be reasonable in its value. All reimbursed costs are subject to discretion and the financing body evaluates their eligibility in relation to the project implementation plan and project management decision.

1. ELIGIBLE EXPENDITURE

- Services purchased from external service providers
- Costs related to the evaluation of project effectiveness and monitoring
- The project personnel's reasonable travel and accommodation expenses and daily allowances in accordance with the State's Travelling Regulations (<http://eepmekong.org/index.php/cfp/177-project-traveling-regulations-2015/file>) and the Standard Terms for the Payment of Fees and Reimbursement of Costs, MFA 1.6.2012 (<http://eepmekong.org/index.php/prd/258-standard-terms-for-payment-of-fees-and-reimbursement-of-costs-1-june-2012/file>)
- Travels must be essentially connected with project implementation.
- Acquisition costs of fixed assets necessary for project implementation (machinery, equipment, etc.), have to be verified that no public assistance has been granted for their acquisition during the five previous years
- Rental expenses (of premises and equipment)
- Rental or leasing costs of premises, machinery and equipment necessary for project implementation (including motor vehicles)
- Office expenses telephone, postal and photocopying costs if they result from project implementation and are not claimed as indirect costs
- General costs (indirect costs), e.g., costs resulting from the use of a telephone, electricity or water, as well as accounting costs, rental and cleaning costs, office costs, and so on, when these can be allocated to the project but have not been declared under previous points as direct project costs

Wages, salaries and non-consultant honoraria are eligible cost provided these are justified and that total expenditures for such items shall **not exceed 10%** of the amount of EEP grant or **Euro 10,000**, whichever is lower of the amount of EEP grant. This limit does not apply to consultancy fees.

Head office administrative support costs are eligible costs provided a detailed breakdown of these costs are provided and the total cost shall not exceed 10% of the amount of EEP grant or Euro 10,000 whichever is lower.

Re-allocation of budget lines: this is permitted as long as justified and the amount re-allocated does not exceed 20% of the original budgeted amount. If the amount re-allocated exceeds 20%, approval from the Steering Committee is required. In addition, reimbursable costs cannot be re-allocated as wages, salaries/honoraria. On the other hand, salaries, wages and honoraria can be re-allocated as reimbursable costs.

- Unpaid voluntary work, the value of which is defined using hourly or daily rates generally paid for the work in question and the allocated time.
- Communications costs.

2. INELIGIBLE EXPENDITURE

- Expenditure that is not based on the approved project plan or project and financing decisions issued for the project or which have not been agreed on with the financing authority in project negotiations.
- Merit pay, bonuses, fringe benefits and similar supplements to wages that are paid in addition to the regular wage.
- General staff training.
- Fines, penalty fees and legal expenses.
- Financing expenses: interest on loans, fees related to financing transactions, currency exchange fees and exchange rate losses.
- Fees resulting from opening or managing an account, if the granting of aid does not specifically require this.
- Value-added tax that may be deducted or that is refunded, or compensated for in another way
- Fees related to customs clearance

IV. PROCUREMENT

For project implementation related procurements, the following principles are to be followed:

As for Finnish Companies, procurements shall be made taking into account the

Finnish Act on Public Contracts (348/2007) and Finnish Government Decree on Public Contracts (614/2007) as they read when a procurement process is started by the Company.

Dividing contracts into parts in order to keep the contract value below the threshold of 30,000 euros or any other threshold mentioned below is strictly forbidden.

For other companies, procurements shall be made by abiding by the National legislation on Public Contracts of the country where procurement will take place.

The principle of equal and non-discriminatory treatment of tenderers shall be complied with.

Company is obliged to keep a file of all procurement documents and asset list as described in section II.

Please note the MFA internet page link to the Guidelines for development projects and procurement:
<http://formin.fi/public/default.aspx?contentid=325021&nodeid=49316&contentlan=2&culture=en-US>

V. MONITORING & EVALUATION AND REPORTING

Monitoring and Evaluation activities of the EEE Mekong Programme including the funded projects will be done web-based using the programme's online platform. In addition, all reporting and communication activities shall be carried out by using the online system as well. This will allow quick response by EEP Mekong to all inquiries and project management issues. The online system is also used by EEP Mekong in monitoring and documenting RBF application including verification of results and milestones as well as reporting related to monitoring visits of projects.

The **Financial Report** shall include narrative description and expenditures data with the following details: project number, date on which the expenses occurred, supplier's name, expense description, as well as the amount in both, local currency and Euro. The Report has to be based on the original budget presented in the full project proposal and related to achieved results and/or milestones. The Report shall have narrative explanation on any major over expenditure or underutilization of funds and reasons for them as well as a comparison between the planned budget and actual expenditure. The report must include the date of preparation, as well as the name and signature of the person officially representing the Company.

The quarterly **Progress Reports** shall summarize the implementation activities during the reporting period and include a detailed description of the results (i.e. the

outcomes, outputs) and/or milestones achieved during the reporting period. Reporting on expenditure/costs issues shall be linked to the description of implemented activities and results achieved.

The reported achievement of impacts, results/milestones and implemented activities shall be monitored/verified thru project visits of RCU.

In case that monitoring of project implementation indicates the necessity to introduce changes during the forthcoming reporting period, the report has to describe the change in activities and corrective measures to be introduced including their reasons.

It is important to evaluate the progress against the set overall objective and targets, including cross-cutting objectives and HRBA. Simple listing of implemented project activities without description of impacts achieved in relation to objective and targets of the project is not acceptable as reporting.

In addition the report should include a detailed list of the planned activities and expected milestones and results to be achieved during the next reporting period and indicate any disbursements planned based on the RBF schedule.

For completed projects the Company must prepare and send a **Final Report** to RCU of the EEP Mekong Programme. The report has to be send both, as electronic file and as printed version, and shall include photos suitable for publishing on the EEP's website and related publications. The Final Report must include a profound analysis of changes in the project context and of the target group, also the beneficiaries. In addition the Final Report shall contain a detailed assessment of the project's progress based on the comparison of the project's 'result chain', including cross-cutting objectives/HRBA, and actual impacts achieved; as well as description of deviations/ comments/observations made. The Final Report shall also provide a description of the monitoring/evaluation and management measures implemented. Furthermore, the Final Report shall include an analysis of lessons learnt and how these support planning or implementation of specific national RE/Clean Energy policies and strategies. Based on this assessment the Final Report should describe conclusions with regard to future perspectives of the project in terms of sustainability.

In addition, a two-page 'project fact sheet' shall be submitted by the project developer at the end of the project, describing the main outputs, outcomes and impacts achieved. This 'fact sheet' will be used by the EEP Mekong Programme in its dissemination activities, aiming to attract investors and financiers for up scaling. The costs involved for preparation of the 'factsheet' shall be covered by the overall project budget.

The Final Report should explain in detail the results and/or milestones achieved during project implementation.

VI. RESULT-BASED FINANCING (RBF)

The disbursement of funds in the EEP Mekong Programme is based on verified achievement of milestones and results, not on delivery of inputs. The funding schedule (RBF schedule) as prepared by the project developer and agreed by MFA, is part of the project contract.

The project developer has to report the achievement of agreed upon milestones/results to RCU incl. request for disbursement according to the RBF schedule. Subsequently RCU will organize the visit of an independent verifier (consultant) to verify the claimed achievement and report to RCU on the outcome of the verification. If the claimed achievement of the respective milestone/result is verified, RCU will initiate release of the disbursement via NIRAS and MFA. If verification shows negative results, then the project developer will be informed by RCU to introduce necessary corrective measures as indicated in the verification report.

Achievement of a first milestone can represent a maximum of 25% of the total grant.

The last EEP Mekong funding, which can be a minimum of 25% of the total grant, is released after the project has been completed, i.e. after verification of achievement of final result/milestone, receipt and acceptance of project completion report and audit report.

VII. VERIFICATION AND PROJECT AUDIT

The achievement of milestones and results, as related to the RBF schedule, will be verified independent verifiers. The achievements in project implementation as described in the quarterly reports will be evaluated by EEP Mekong RCU visits to the project. The verification reports prepared by the verifiers as well as the project evaluation reports, prepared by RCU, will be stored and managed through the programme's online M&E platform for easy retrieval and use.

The project audit, which has to be proposed and budgeted in the Full Project Proposal, will have to be performed by a certified audit firm and will have to review mainly that all the expenses have been made accordingly to the project's budget and are linked to the achievement of the agreed upon results and/or milestones of the project. The audit also has to certify that there is an acceptable endorsement document for each expense. An Audit Report should be issued approving the funds handling for execution of the Project. The Report will have to be sealed and signed by the auditor including his/her name and certification number.

The auditor must verify in situ that all invoices, receipts or any other vouchers issued to the Company's name are marked with the statement "Paid with funds of EEP Mekong", except those that are not financed by EEP funds.

The cost for the audit must be allocated in the project's budget and must be included in the settlement for the last disbursement.

VIII. OTHER IMPORTANT MATTERS

- Any expenses not indicated in the project's budget will not be covered.
- All printed or electronic documents related to the project prepared by the Company, either for promotional, informative or another purposes, will have to include the legend "Project financed by Ministry for Foreign Affairs of Finland, Energy and Environment Partnership with the Mekong Region Programme – EEP Mekong", and the EEP Mekong logo, which will be provided by the EEP's Regional Coordination Unit. Also, the document's layout and illustrations should be sent to the EEP's Regional Coordination Unit for approval, before printing and publication.
- The Ministry, or RCU/NIRAS as its representative, has a right to give additional information or guidance to the Company regarding the issues related to the execution and financial management of the project, as well as to give further specifications concerning the contents of the Audit and the Audit Report. The Company must comply with the given guidance and specifications.
- Valuation of in-kind contribution must be based on verifiable prevailing market rates.