

ANNEX VI GUIDELINES FOR EXECUTION

These guidelines describe the main procedures required by the Energy and Environment Partnership Programme with Mekong (EEP-Mekong) Programme for the 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 successfully a full project proposal for the EEP-Mekong. The RCU means the Regional Coordination Unit of the EEP-Mekong at the AIT.

I. GENERAL

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

In case that a Company is executing simultaneously two or more projects funded by the EEP-Mekong, the Company must handle each project separately; in no case a document can be used as endorsement for two or more projects. For each project the Company must have separate contract, settlements, expenses receipts and audit.

II. FINANCIAL MANAGEMENT OF THE PROJECTS

1. Funds allocated to the Company are expressed in Euros. Niras will administer and pay the funds in Euros (from the Niras's bank account).
2. The Company shall confirm the receipt of the funds by email to the RCU (eepmekong@eepmekong.org).
3. Payments are made by Niras on behalf of the Ministry based on the tentative reporting schedule mentioned in the Contract (Article VI).
4. Before the payment, the RCU will verify on behalf of the Ministry the content of the disbursement request as well as the required reports (please see Articles III and VI). 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 thus far and each expense must be supported by the copy of an original formal commercial receipt, or it couldn't be included in the settlement. All the 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 emit 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.

In case of insufficient payment request, will Niras through the RCU ask additional information or updated version of the request.

5. The Company is obliged to have a formal accounting system and keep a file of the **original documents** for at least 6 years, counted from the end of the project, allowing access to these documents when required by the donors or Niras/RCU.
6. Projects that have been authorized to receive funds in advance must attach to the request for the first disbursement a budget for the first reporting period, which signed by an authorized representative of the Company. This will be a temporary invoice, to endorse the first disbursement in the name of "EEP-Mekong". The Company must present afterward the original invoice including the receipts (with the same characteristics above described) to Niras/RCU to clear this disbursement. The same principles apply when subsequent payment(s) are made in advance on the basis of a separate agreement.
7. The company shall annex to all other disbursement requests except the advance disbursement request receipts with the same characteristics above described;
8. Before the last disbursement can be released the Company must present a Final Report and an Audit Report to the Niras/RCU for all the funds received and spent during the project development. The Company appoints the auditors. The auditors shall be legally authorized auditors.
9. 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 amount.

III. **TYPES OF ACCEPTABLE EXPENSES**

When the eligibility of expenditure is determined, the starting point is that the expenditure must be necessary for the project and be reasonable. All reimbursed costs are subject to discretion and the financing body evaluates their eligibility in relation to the project plan and project 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://www.vm.fi/vm/en/04_publications_and_documents/01_publications/06_state_employers_office/20091230TheSta/The_States_Travelling_Regulations_2010.pdf) and the Standard Terms for the Payment of Fees and Reimbursement of Costs, MFA 1.5.2004 (<http://formin.finland.fi/Public/download.aspx?ID=8979&GUID={51153bc1-3942-4fa1-9570-547129f8e8e8}>). The trips must be essentially connected with project implementation.
- Acquisition costs of fixed assets necessary for project implementation (machinery, equipment, etc.), if it can 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 the project and they 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
- 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

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

As for the project procurements, the following principles are to be followed:

1. Purchases of 30 000 euros or more

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.

In cases where Finnish procurement legislation is not applicable, the Company (Finnish or other) shall procure the goods or services in accordance with what is stated below as regards purchases of 4000-29 999 euros.

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.

2. Purchases of 4 000 -29 999 euros

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

Selection of the provider shall be made in the first place on the basis of competitive tendering.

When using competitive tendering, the company shall draw up an invitation to tender and ask for tenders by e-mail, fax or letter. The invitation to tender can be delivered directly to selected potential tenderers (at least three whenever possible). All significant information concerning the purchase and the contract should be presented in the written invitation to tender.

The time limit for submitting written tenders must be reasonable. As a general rule, the lowest price forms the selection criterion in competitive tendering. A favourable price in terms of overall economy can also be used.

Direct award should be used only if

- The costs of competitive tendering exceed the benefits obtained from competitive tendering
- The contract is urgent for reasons independent of the company
- A corresponding product has been procured in the recent past and the price level is known

- No other potential suppliers have been identified

If direct award has been used, the reasons for the procedure shall be explained in the disbursement request.

3. Purchases of 100- 3999 euros

Offers should be obtained from at least 3 different suppliers whenever possible. The basis for the selection should be documented and included in the disbursement request.

4. Purchases of less than 100 euros

The procedure can be decided upon by the Company. All documents should be filed so that procedures can be checked afterwards.

V. REQUIRED DOCUMENTS AND REPORTINGS

1. For each one of the disbursements requests, the Company will have to present a Financial and Progress Report concerning the reporting period.
2. The **Financial Report** should include narrative and expenditure parts and the following details: project number, the date in which the expenses were made, supplier's name, expense description, as well as the expenses amount in local currency and Euros. The Report is based on the original budget presented in the full project proposal. The Report shall have narrative explanation on any major over expenditure or underutilization of funds and reasons for them as well as comparison between the planned budget and actual expenditure. Also it must include the elaboration date, as well as the name and signature of the person who is representing the Company.
3. The **Progress Report** should summarize the implementation during the reporting period and include a description of management measures taken as a result of monitoring and changes foreseen for the next reporting period. It is also important to examine the progress against the set overall objective and targets instead of just listing the activities. In addition the report should include a detailed list of the planned activities for the next reporting period as the basis for requesting the next disbursement.
4. For completed project the Company must send to the EEP's Regional Coordination Unit a Final Report, both an electronic and printed version, including photos to be published on the EEP's Web site and related publications. The Final Report should contain a profound analysis of changes in the project context and of the target group, also the beneficiaries. In addition the Final Report should contain a detailed assessment of the project's progress based on the comparison of the intervention logic or the planning and actual achievements and stating deviations/ comments/ observations made as well as should provide a description of the monitoring and management measures implemented. Based on this assessment the Report should bring out conclusions with regard to future perspectives of the Project in terms of sustainability.

Also a brief leaflet concerning the main outputs shall be provided in the end of the project by the project developer to be able to attract further financiers (costs involved can be added to the project budget).

VI. PROJECT AUDIT

1. The project audit 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 that there is an acceptable endorsement document each expense. An Audit Report should be issued approving the funds handling for the execution of the Project. The Report will have to be sealed and signed by the auditor including his/her name and certification number.
2. The auditor must verify in situ that all invoices, receipts or any other voucher issued to the Company's name are marked with the statement **"Paid with funds of EEP-Mekong"**.
3. The cost for the audit must be considered in the project's budget and must be included in the settlement for the last disbursement.

VII. OTHER IMPORTANT MATTERS

1. All expenses not indicated in the project's budget will not be covered.
2. Demonstrative projects will have to install a metal billboard sign to identify the project as one financed by the Donors through the EEP. The sign's design must be coordinated with the EEP's Regional Coordination Unit. The sign's cost will have to be included in the project's budget.
3. 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 and the Nordic Development Fund", 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.
4. The Ministry or Niras/RCU 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.