Guidance how to minimise pre-financing burdens

Background

The duration of the reporting periods for projects in the South Baltic Programme is six months. Based on the experiences so far, up to 6 months should be assumed from the end of the reporting period until the reimbursement of ERDF funds. For Partners with limited liquidity (e.g. small NGOs) this may imply considerable pre-financing burdens and some risks if underestimating them. However, financial burdens, risks and the reimbursement period for expenditures can be minimised through measures in the project planning phase as well as during the implementation.

Minimising burdens and risks through conscious budget planning

During the preparation of the project budget, special attention should be paid to the following:

- The total budget of a partner should be determined also with reference to a concrete and realistic estimation of the pre-financing capacities during the project implementation. This implies to consider not only the general financial capacity of the organisation, but more specifically also potential further (pre-)financing requirements, e.g. related to the involvement in other projects.
- If an organisation plans to use ERDF reimbursement tranches for pre-financing costs of the next reporting periods in a "rolling approach", it should be considered in the budget planning that it can take up to 6 months from the end of a reporting period until the ERDF co-financing is reimbursed. The first two reporting periods, therefore, may have to be financed without such an arrangement from own liquid assets of the organisation. This implies a careful temporal distribution of costly items to the reporting periods on the one hand, and precautions in the liquidity planning of the organisation on the other hand. It is recommended to make such arrangements before submitting the application, as well as to create also a "security margin" in the liquid assets allocated for the project as the experience shows that the spending level in the beginning of a project is in most cases below the expectations.
- Larger expenditures with episodic character (e.g. external expertise, investment, equipment, conference cost) should be carefully placed in the project time table. It is recommended to plan them for the second half of a reporting period, as this can reduce the period for reimbursement as well as enable to use ERDF reimbursement tranches of the previous period for pre-financing them. This is to be considered already in the project preparation phase before submitting the application. But also after the approval, a certain "fine tuning" of activities and related payments within a reporting period might still be possible for Partners in dialogue with the Lead Beneficiary. However, such items should either not be placed too close to the end of the reporting period, as this might lead to the situation that they can be reported only with the following Partner Progress Report in case of delays – and thus prolong their reimbursement period considerably.

Minimising the reimbursement period through timely and efficient reporting

Experiences show that the period until ERDF reimbursement depends significantly on a timely and efficient reporting process on the side of the project. The interval until the payment currently varies between three up to six months after the end of the reporting period, depending very much on the quality of information provided by the project as well its ability to keep deadlines and show short reaction times to clarification requests by the JTS. Crucial is in this context an effective cooperation between Partners and the Lead Beneficiary. The following issues and measures should be considered:

- The Partners should ensure a timely submission of the Partner Progress Report to the Lead Beneficiary for a pre-check and to the First Level Controller for certification. A way to ensure this is to collect the information and documentation that is necessary for compiling the Partner Progress Report (e.g. invoices, pay slips, time sheets) continuously during the reporting period, instead of starting this process only after its end. Using the exchange rate of the first month of the reporting period for currency conversion (new provision within the South Baltic Programme, invented with the revision of the Programme Manual as of 1 April 2010) facilitates this approach. It enables the Lead Beneficiary to provide the Partner Progress Report templates to the Partners already in the beginning of the reporting period, and the Partners to fill in new information in the templates when occurring.

- The Partner should keep a close contact and continuous dialogue with the First Level Controller during the project implementation concerning project costs to be certified and the certification process. It is recommended to clarify critical expenditures and procedures (e.g. public procurement for external expertise) as well as related documentation requirements with the First Level Controller in the beginning of the project or before the costs incur. This prevents delays during the certification of the reports that are caused by missing documentation of costs and procedures, and lead to time-consuming “ping-ponging” between Partner and First Level Controller. Furthermore, it is beneficial that Partner and First Level Controller agree on an exact delivery date for the Partner Progress Report to the First Level Controller well in advance, so that the work can be better integrated into the schedules of both parties and delays due to unavailability of staff and overlaps with other tasks are avoided.
- The Lead Beneficiary, or respectively the Implementing Partner should prepare and verify the Shared Costs Template if possible “off season”, which means already during the reporting period as soon as all costs that are to be shared have incurred. This relieves both Implementing Partners and their First Level Controllers in terms of work load after the end of the reporting period. As a result, a sooner determination and delivery of the shares of each Partner to be included in the Partner Progress Report, and thus, in the final consequence, a faster processing of the Partner Progress Reports is possible.
- The Lead Beneficiary should assist the Partners as much as possible in compiling their Partner Progress Report. This can help to eliminate mistakes before the certification process starts, and thus time consuming corrections during and after the certification. A way to achieve this is that the Lead Beneficiary provides a Partner Progress Report templates to the Partners that is pre-filled as much as possible (e.g. with the project name, Partner name, Partner no., Partner budget information, previously reported costs etc.). The experiences show the more cells are pre-filled and blocked by the Lead Beneficiary in the Partner Progress Report, the less mistakes occur. Also a pre-check of the Partner Progress Report before it is submitted to the First Level Controllers, with a focus on programme- and project-specific aspects (e.g. attribution of costs to components and budget lines), proved helpful in this context. It should even be included as compulsory procedure in the Partnership Agreement, with defined deadlines
- The Partners should ensure the availability of key persons and First Level Controllers not only during the compilation of the report, but also during the following clarification process between the Lead Beneficiary and the JTS / MA. The later might also require contributions of these parties (e.g. corrected FLC certificates, further information on items), and experiences show that especially the unavailability of Partners and First Level Controllers caused delays in this process.

In case you have any questions and need further advice on managing pre-financing within your projects, please do not hesitate to contact the JTS or your Contact Point. The contact details can be found on the programme website www.southbaltic.eu.