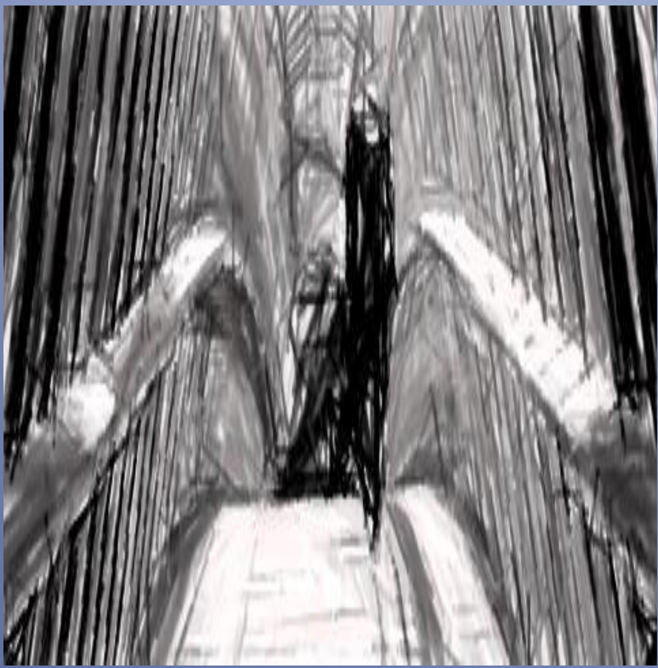

Toolkit for Budgeting of Cross-Border Projects

The Centre for Cross Border Studies

European Union
European Regional Development Fund
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The Centre for Cross Border Studies

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The Centre for
Cross Border Studies

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2015

This project is part-financed by the
European Union's INTERREG IVA
Cross-border Programme managed by
the Special EU Programmes Body.

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Contents

Foreword

The *Toolkit for Budgeting of Cross-Border Projects* and its companion publication, the *Toolkit for Evaluation of Cross-Border Projects* are both part of a strategic package of linked training, animation, mentoring and research activities to support public service deliverers, particularly local authorities. They are both products of the INNICO-2 project (the Ireland Northern Ireland Cross-Border Cooperation Observatory), which was funded under the EU INTERREG IVA Programme. The Aims and Objectives of the INICCO-2 project coincide with the overall objective of the INTERREG Programme to support strategic cooperation for a more prosperous and sustainable region, contributing to the development of a dynamic economy and improving access to services and the quality of life for those living in the Irish cross-border region. The aims of INICCO-2 are:

- To increase and strengthen cross-border cooperation for a more prosperous and sustainable border region and more efficient delivery of public services through addressing information and skills gaps among actors in the region.

- To contribute to the increased social, economic and territorial cohesion of the Irish Cross-Border region through:
    - promoting and improving the quality of Cross-Border Cooperation between public bodies, and between public bodies, business and civil society; and
    - improving the capacity of people involved in social and economic development of the Irish Cross-Border region to better align their objectives and outcomes with the priorities of EU Cohesion Policy and Europe 2020.

In the 2010-2011 period, as part of INICCO-1, CCBS and its partner, the Euro-Institut (based in Kehl, Germany) developed the *Impact Assessment Toolkit for Cross-Border Cooperation.* The *Impact Assessment Toolkit for Cross-Border Cooperation* was developed in the context of the joint policy imperatives for cross-border cooperation enshrined in European Cohesion Policy and the Belfast/Good Friday Agreement. The *Impact Assessment Toolkit for Cross-Border Cooperation* – the first of its kind in Europe – led to a very significant demand for follow-up training and mentoring in cross-border project planning and identified the need for additional tools to support EU-funded and other cross-border projects.

The *Impact Assessment Toolkit* was formally launched by Mr José Antonio Ruiz de Casas of DG Regio, EU Commission, at the Centre's *Cross-border Training and Impact Assessment in Ireland and Europe* **c**onference in Cavan on 28 October 2011. The speech by the DG REGIO representative, Mr Ruiz de Casas, while launching the *Impact Assessment Toolkit* at the October 2011 conference, also raised a number of issues about the need for a different approach to the evaluation of European Territorial Cooperation programmes (i.e. Peace and INTERREG). Several conference participants referred to the problems projects had in coping with the complexities of the application and monitoring processes of the programmes. Mr Shaun Henry of the Special EU Programmes Body (SEUPB) referred to the value of the *Impact Assessment Toolkit* in helping projects to evaluate and reflect on their own work and to bring about "a culture of honesty" rather than a funding-driven environment. Mr Henry commented that from the INTERREG Programme's point of view, it was important that the positive impacts of funded projects are articulated to programme stakeholders – most importantly the taxpayers here and in Europe – but this is a challenge for many projects.

The *Impact Assessment Toolkit for Cross Border Cooperation* was the first of its kind in Europe, and has been widely welcomed by EU agencies and programmes involved in cross-border cooperation such as SEUPB and INTERACT, the European programme established to provide practical support, training and advice to European Territorial Cooperation programmes. INICCO-2 has extended this cross-border work with the development of the complementary *Toolkit for Budgeting of Cross-Border Projects* and the *Toolkit for Evaluation of Cross-Border Projects.* Similarly, in our work with cross-border projects, there has been considerable demand for additional tools and training in project planning, implementation and evaluation. There is, therefore, a well identified need to build capacity among those implementing EU-funded and other cross-border and transnational projects - and potential applicants – in impact assessment/project planning and design and in planning and implementing evaluations.

The *Toolkit for Budgeting of Cross-Border Projects* and the *Toolkit for Evaluation of Cross-Border Projects* are intended primarily to support funded projects – in private, public or community/voluntary sectors or cross-sectoral partnerships – which are challenged by the requirements of delivering cross-border (or transnational) projects.

These toolkits have been designed to complement and be used alongside the *Impact Assessment Toolkit for Cross-Border Cooperation*. The *Evaluation* and *Budget* toolkits also complement the *Inter-Cultural/Cross-Border Project Management Toolkit* published in 2014 in collaboration with the Centre's partners in the Transfrontier Euro-Institute Network (TEIN), funded through the EU Leonardo Programme. These four innovative *Toolkits* together comprise a portfolio of tools to support cross-border cooperation throughout the entire cross-border project life-cycle. We are confident that they will be of benefit to cross-border projects on the island of Ireland, and indeed are easily transferable to other cross-border and transnational projects elsewhere. Through this transfer and adaptation we will contribute to the professionalization of actors, a better quality of projects, more positive attitudes towards transfrontier collaboration and improved working and living conditions for citizens in border areas across the EU and beyond.

Like their companion toolkits, both the *Toolkit for Budgeting of Cross-Border Projects* and the *Toolkit for Evaluation of Cross-Border Projects* are user-friendly, practical resources that will guide both experienced and less experienced cross-border project promoters through the steps of:

- preparing a budget for their project and setting up appropriate financial monitoring and reporting mechanisms; and
- planning for the project evaluation – including managing both self-evaluations and external evaluations.

Both toolkits draw upon existing good practice from the island of Ireland, Europe and elsewhere as well as the considerable expertise of the three project partners – CCBS, Pobal and the Euro-Institut. On behalf of the Centre for Cross Border Studies, I would like to once again thank our partners for their important contribution to the success of the project.

RUTH TAILLON
Director, The Centre for Cross Border Studies
January 2015

This project is part-financed by the European Union's INTERREG IVA programme managed by the Special EU Programmes Body.

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Introduction

Why this Toolkit?

The number, range and complexity of regulations and guidelines to be applied to projects involving the expenditure of public money (whether through national or regional governments, governmental bodies, or the European Union, for example), or even funds from charitable sources, can appear bewildering. It can appear even more challenging in the case of projects with a cross-border dimension, involving partners and stakeholders accustomed to their own jurisdiction's financial management procedures. And, in the case of cross-border projects on the island of Ireland, budgeting and financial management means dealing with two currencies.

This *Toolkit for the Budgeting of Cross-Border Projects* seeks to distil some of this complexity into a practical guide for those involved in cross-border interventions on the island of Ireland, and particularly (but not exclusively) those funded by European Territorial Cooperation Programmes in the 2014-2020 programming period. However, as every cross-border project will have its specific requirements, it cannot offer exhaustive guidance nor can it be seen as a replacement for the specific financial regulations of the particular programme and/or government department supporting it. Nevertheless, what is contained in this Toolkit is closely informed by the principle regulations and guidelines relevant to most cross-border projects, and it also offers practical guidance to overcoming some of the challenges to the budgeting of cross-border interventions.

The *Toolkit for Budgeting of Cross-Border Projects*, therefore, is part of an essential portfolio of Toolkits that follows the entire life-cycle of cross-border project management, consisting of the *Impact Assessment Toolkit for Cross-Border Cooperation*, the *PAT-TEIN Toolkit for Inter-Cultural/Cross-Border Project Management*, and the *Toolkit for Evaluation of Cross-Border Projects*.

How to use the *Toolkit for Budgeting of Cross-Border Projects*

This Toolkit should be used from the very beginning of the cross-border project cycle as you set out plan and design it. It is important that the financial aspect is not seen as somehow separate from the project or as a necessary evil, but instead as something that – like evaluation – should be integrated throughout all stages. Similarly, if financial matters are the responsibility of a particular individual or team in your organisation, they should become key figures in the Project Steering Committee and not simply brought in at irregular intervals (such as the application stage or end of project).

> "Project budgeting is as important as developing a project idea."
>
> INTERACT, *Financial Management Handbook*, p.85

The *Toolkit for Budgeting of Cross-Border Projects*, therefore, is structured according to the cross-border project cycle, and takes you through some of the key issues and challenges at each stage:

Section 1 focuses on how to ensure proper budgeting for your cross-border project during the design stage and some of the necessary steps to take in the light of a Letter of Offer. This entails finding the proper balance between costing all the activities you would like your project to undertake and ensuring that it remains efficient in terms of its value for money. **Efficiency** will not only be one of the determining factors when your application for funding is considered but, if it is successful, one of the central criteria when it is evaluated.[1]

Section 2 considers some of the challenges frequently faced by cross-border projects once they have moved onto the implementation stage. Given that such projects involve partners, stakeholders and beneficiaries on two sides of a border, communication becomes crucial in ensuring that financial guidelines are adhered to when some may fall into the temptation of reverting to the principles of their own organisation and/or jurisdiction. Proper monitoring procedures will go some way to preventing that irregularities become a "regular" feature of the project's implementation.

Section 3 deals with what is often the tense period at the end of a cross-border project when minds may be concentrated on its progress toward achieving the intended results and financial matters become a secondary "nuisance". But it is also the time at which budgetary and financial matters have a central importance as the final evaluation and the project's funders look closely at its financial management.

Section 4 corresponds with the post-project stage, where the project team needs to consider any lessons learnt in relation to project budgeting, including any contained in the recommendations of the final evaluation report. These lessons will then help you in the design of your next cross-border project.

[11] See the Centre for Cross Border Studies, *Toolkit for Evaluation of Cross-Border Projects*.

1. Budgeting your cross-border project from the start: design and pre-implementation

Unless this is your very first cross-border project, when thinking about budgeting issues at the start of the project cycle you should actually return to the end of your previous one. What problems did you encounter? What worked well? Were there any recommendations in the final evaluation report that you need to implement as you begin to design your next cross-border project? Of course, every cross-border project will have its own specificities, addressing a different problem, involving different partners, stakeholders and beneficiaries, and looking for funding in a new programming period or from a new funder. Nevertheless, most lessons learnt in terms of financial management will usually be applicable to the project your organisation is hoping to implement.

However, in order to ensure that those lessons are transferred to the design of the next cross-border project, there should be no separation of the individual or unit responsible for financial matters in your organisation from the cross-border project team. Whoever has responsibility for financial matters should be part of the Project Steering Committee, and should not be seen as the person that is only looked for to give costings or, during the project implementation stage, to process claims for expenditure. This does not necessarily mean that s/he needs to be present at every meeting, but there should be opportunity for regular input, especially during the project design stage.

Although we will not examine every step in detail, the stages in the process from project conception to submission of funding application in which oversight from the individual with financial management responsibilities is particularly required can be represented as follows, with the shorter arrows indicating where that involvement is necessary:

What should become apparent from this visual representation of the key stages from project design to submission of the funding application is the necessity for proper time to be given to this process. It should be borne in mind that proper budgeting requires time, and that it should not be left to the eve of the deadline for submission of the funding application.

> "Good practice in budgeting involves clarity of purpose, detailed planning and considerable thought."
>
> CIVICUS, *Budgeting*, p.3

1.1 Planning the cross-border project

"It is vital that projects start to consider financial issues and the project budget from the very beginning."

INTERACT, *Territorial Cooperation Project Management Handbook*, p.53

Before considering the need to involve the budgetary process from the very beginning of the project cycle it may be useful to remind ourselves of an important underlying consideration when applying for funding. This has to do with the financial soundness of your organisation.

European Union funding programmes, including Territorial Cooperation programmes, as well as other sources of funding for projects, look at the risks associated with offering financial support to a particular organisation and consider its potential ability to bring the proposed work to its conclusion. Central to that risk assessment is the organisation's financial situation and whether project funding will not be used to "plug" cash-flow deficiencies, particularly when it is providing match-funding. This assessment is also made in relation to any project partners.

"The assessment process should include […] assessment of risk that a partner or project may fail or not meet all objectives and how realistic the budget is."

INTERACT, *Territorial Cooperation Financial Management Handbook*, p.85

"Project viability should be assessed to help ensure that public money is not wasted on projects that will fail prematurely. There should be evidence of sound business planning, which requires thorough analysis of the anticipated cash flows and the planned financing, marketing and management arrangements."

Department of Finance and Personnel, *The Northern Ireland Guide to Expenditure Appraisal and Evaluation*, p.7

This is simply a cautionary reminder that when funders require detailed information on the organisation's financial situation, it is not simply an inconvenient bureaucratic hurdle, but a vital criterion by which the application for funding will be judged. It is therefore unlikely that no matter how innovative and well designed a proposed project might be that it will be successful in attracting funding if the organisation's underlying financial basis is not sound.

NOTE: From the outset check what financial details your organisation will be required to submit to the funder at the application stage and begin compiling that information in the required format. DO NOT LEAVE IT TO THE END!

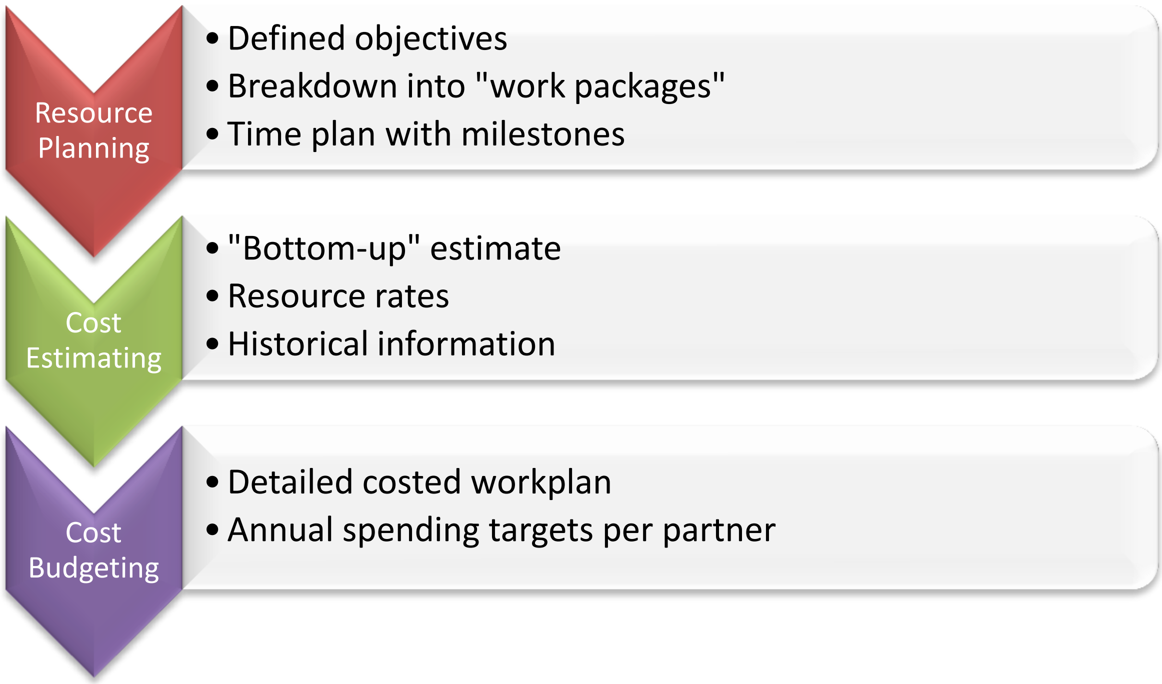
Although it is useful to involve the person responsible for financial management at the initial stages of the design of the cross-border project in order to have familiarity with it, the first key point at which significant input is required is when the first draft of the project plan has been completed.[2] At this stage the project's general and specific objectives would have been agreed, along with the planned activities, and it is now time to cost them and formulate a working budget.

"By this stage it should be clear what exactly the project will do. The next step is work out how much it will cost. […] Each of the planned expenditures needs to be checked to make sure it can be claimed from the programme – some planned costs may need to be modified to fit the rules."

INTERACT, *Territorial Cooperation Project Management Handbook*, p.53

[2] It is recommended that the design of the project follows the integrated approach to cross-border cooperation set out in the *Impact Assessment Toolkit for Cross-Border Cooperation*.

A possible approach to this task, which breaks down the process into three key steps, is as follows:[3]



1.1.1 Resource planning

This part of the process offers an overall view of the resources required for the proposed project to undertake its activities, and to determine *who* is doing *what* and *when*. It allows you to see the project's required resources at key milestones according to the activities planned for that period, i.e. at month 1 the project will require X (e.g. staff hours, equipment), etc. However, this is also a point at which budgetary planning needs to be integrated with project design, as **it is crucial here that you identify any planned expenditure that is not eligible under the funding programme's rules**, or whether the project contains any activities or provides any services furnishing income which will have to be deducted from the project cost.[4] If any planned activities are not eligible items of expenditure, you need to consider whether those activities can be revised in order to be deemed eligible, whether you are going to cut them from the project, or are you going to finance them using your own resources.

NOTE: It is advisable that a lead-in time is built into the project plan. Avoid including a large number of activities and associated resources in the first stages as this overlooks the fact that there are often delays in projects' start-up time, which leads to difficulties in complying with planned use of expenditure.

You are also planning a budget for a *cross-border* project. The nature of such projects, which can involve a number of partners and key stakeholders from both jurisdictions, means that considerable resources in terms of staff time (and travel) are needed for management and coordination of the

[3] See INTERACT, *Territorial Cooperation Project Management Handbook*, p.54.
[4] For the rules on eligibility for EU programmes see Article 65 (Eligibility of expenditure and durability) in the Common Provisions Regulation 1303/2013, and for European Territorial Cooperation programmes see Article 18 (Rules on eligibility of expenditure) in Regulation 1299/2013.

project.[5] Indeed, as in all aspects of the design and implementation of a cross-border project, the planning of the budget requires cross-border input with, for example, partners agreeing to the activities for which they are to be given responsibility and for which they will incur expenditure.

"As planning meetings move from general objectives to specific objectives and an outline of the activities needed to meet them, each activity proposal should be budgeted. All partners should be involved in this process and it is important to also include a realistic budget for the Lead Partner's project administration role."

INTERACT, *Territorial Cooperation Financial Management Handbook*, p.86

"All partners are equally involved in this process. When Lead Partners develop projects in isolation and later try to assign activities and budgets to possible partners it generates resentment in the partnership and results in unrealistic proposals."

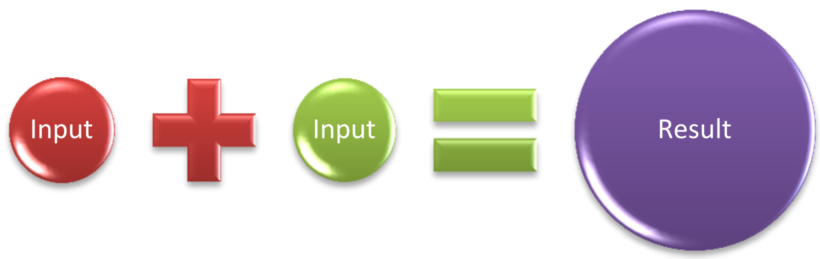
INTERACT, *Territorial Cooperation Project Management Handbook*, p.53

It is important that this cross-border approach is taken to the whole planning process, including budgetary planning, as failure to do so may have severe consequences for the project's successful implementation, including financial consequences. Although the roles and responsibilities of the cross-border project partnership will have to be formalised in a Partnership Agreement subsequent to any Letter of Offer, it may be useful here to note an extract from a sample Partnership Agreement in which Article 11 deals with "Non-fulfilment of Obligations or Delay":

11.4 The debarred partner is obliged to refund to the Lead Partner any Programme funds received which cannot be proven on the day of debarring that they were used for the implementation of the Project according to the definition of eligible expenses stated in the Programme rules.
11.5 In cases where the non-fulfilment of a Project Partner's obligations has financial consequences for the funding of the Project as a whole, the Lead Partner may demand compensation to cover the sum involved.

PAT-TEIN, *Toolkit for Inter-Cultural/Cross-Border Project Management*, p.42

At the end of this step of the budgeting process you will begin to have an indication of the proposed project's level of **efficiency** in terms of the balance between resource input and the project's intended result.[6]



[5] For detailed guidance on the management of a cross-border project, see PAT-TEIN *Toolkit for Inter-Cultural/Cross-Border Project Management*.
[6] For more on evaluating efficiency see Section 3.2.2 in Centre for Cross Border Studies, *Toolkit for the Evaluation of Cross-Border Projects*.

Although consideration will be given to the proposed cross-border project's efficiency independently of this process, planning the budget will bring a useful focus.

> "The budget forces you to be rigorous in thinking through the implications of your activity planning. There are times when the realities of the budgeting process force you to rethink your action plans."
>
> CIVICUS, *Budgeting*, p.5

So, by the end of the resource planning phase you should have gained clarity on budgetary issues such as activities with ineligible expenditure and excessive use of resources affecting efficiency, which may imply revisions to the cross-border project plan.

1.1.2 Cost estimating

You should now have a fairly accurate picture of what activities will happen over the course of the cross-border project and the resources needed to carry them out. The next step is to estimate how much these activities will cost (which must include activities related to the management and coordination of the project). However, in order for this to be done, input will be needed from all project partners, specifying the number and type of staff required to undertake the activities for which they are responsible, and their standard salaries. These costs can be defined with accuracy, but you need to take account of changes to EU programmes.

In terms of estimating costs, it is important to recognise that the 2014-2020 programming period is introducing and actively promoting measures to simplify costs, and this will apply to the Territorial Cooperation programmes.

> "The Programme will pro-actively promote and implement simplified costs. All relevant projects will avail of the flat rate for overheads. Calls for applications and assessment will identify opportunities for using unit cost methodology. Where there is a suitable basis for unit costs, this methodology will be mandatory."
>
> SEUPB, *European Territorial Cooperation 2014-2020*, p.26
>
> "The use of simplified costs is an option for the Member State concerned: at beneficiary level, the managing authority may decide to make such use optional or compulsory for all or part of the beneficiaries or for all or part of the operations."
>
> European Commission, Directorate General for Employment, Social Affairs and Inclusion, *Guidance on Simplified Cost Options*, p.10

The underlying logic to the promotion of simplified costs for EU programmes is so that the "tracing of every euro of co-financed expenditure to individual supporting documents is no longer required: this is the key point of simplified costs as it significantly alleviates the administrative burden".[7] In terms of determining staff costs, for example, a flat rate can be introduced, as set out in Article 19 of the Regulation for European Territorial Cooperation (1299/2013):

> "Staff costs of an operation may be calculated at a flat rate of up to 20 % of the direct costs other than the staff costs of that operation."

[7] EC DG Employment, *Guidance on Simplified Cost Options*, p.7.

It is beyond the scope of this Toolkit to offer more detailed guidance regarding the application of simplified costs to individual projects as it will be the responsibility of the Managing Authority to determine which types of projects will be required to employ simplified costs, and in which categories (staff costs, indirect costs, etc.). If there is an element of uncertainty here it would be advisable to prepare *two* costings. This will enable the project to see what the "real" costs will be, and the effect of employing the simplified costs option.

Other uncertainties will have to be addressed when estimating costs, such as numbers of participants at a particular event or the exact cost of travel. In such cases, the recommended approach is to "define a realistic maximum price for the activity".[8] Past experience, however, will help in arriving at realistic figures.

NOTE: A major area of *unavoidable* uncertainty for Territorial Cooperation projects in the Ireland-Northern Ireland context concerns exchange rates. Remember that funding is provided in euros, so your costings will have to take this into account where expenditure is to take place in Northern Ireland.

By the end of this stage of the budgeting process you will have arrived at a total cost for the proposed cross-border project. From here, in the case of projects seeking funding from the Territorial Cooperation programmes, you will be able to see how much match-funding you or some other agency will have to contribute, remembering that this calculation is based on ***eligible*** costs ***only***.

"The intervention rate for both programmes will be a maximum of 85%, i.e. ERDF can fund up to 85% of eligible costs. The remaining 15% match-funding can come from a range of non-EU sources, including central government, local government, other public or private sources. Match-funding can take the form of cash or contributions in kind (non-cash contributions such as staff time)."

SEUPB, *European Territorial Cooperation 2014-2020*, p.8

This is another key stage in which the cross-border project team must consider the draft budget in terms of its implications for the project's **efficiency**, particularly of how it represents value for money. It must be remembered that if match-funding is to be sought from central or local government, then the question of efficiency and value for money will be a determining factor in assessing your application for support.

These considerations will inevitably lead to a revision of items such as the number and nature of planned activities and staff time. This is where re-drafting of the cross-border project plan must take place, but in such a way that its intervention logic is not compromised.

1.1.3 Cost budgeting

Although some preliminary work can be undertaken in relation to cost budgeting during the drafting stages of the cross-border project plan, the majority of the work will be done at the application stage. Based on the detailed knowledge that now exists of the estimated start and end dates of the project, the resources required for specific activities and who will carry them out and when, the task

[8] INTERACT, *Territorial Cooperation Project Management Handbook*, p.55.

now is to organise this information into the main spending categories, in other words your budget lines (i.e., staff, travel, workshops, etc.).

However, as part of the move to reduce the administrative burden in the 2014-2020 programming period, the Managing Authority's required detail of budget lines is being lessened in comparison to the 2007-2013 period.

"A simplified budget structure will be used within the letter of offer, reflecting the limited number of categories of eligible expenditure. This will increase the operational flexibility of Lead Partners in the implementation of operations without the requirement to seek approval for modifications to sub-budget lines."

SEUPB, *European Territorial Cooperation 2014-2020*, p.26

The introduction by the Managing Authority of broad categories for budget lines will undoubtedly assist the financial management of your cross-border project in operational terms, and the amount of detail you have to provide in terms of your budget categories will be set in the application and any subsequent Letter of Offer.

Nevertheless, in order to assist you in both the preparation of your project and proposal and to monitor the evolution of expenditure during its implementation, it is advisable that your budget be organised into more detailed budget-lines.

"The more cost headings used (i.e. the more detailed the breakdown), the greater your [project's] ability to analyse where the bulk of your costs are, which in turn will help inform strategic decisions for future spending."

Pobal, *Financial Management*, p.14

The ability to see where the bulk of your proposed cross-border project's expenditure is will enable you to consider whether there are any unanticipated major categories of expenditure that may need to be revisited before the application stage. It will also enable you during the project's implementation to follow the actual patterns of expenditure to those that were projected, and to initiate any necessary corrective measures.

At this stage you also need to formulate the project's annual budget tables, detailing projected overall project expenditure year-by-year as well as the projected annual expenditure for each project partner. This will allow you and programme managers to monitor whether the project is progressing according to the project plan.

REMEMBER: Allow for a slow start-up to the project, with fewer activities and less expenditure in the initial phases.
"Think carefully about how you spread your budget over the project's lifetime. The first few months of the project are generally slow as the first meetings need to be held and detailed planning completed. There are normally not many costs in this period and the budget needs to reflect this. If you have a big budget for the first year but do not use it by the end of the year, the programme may reduce your overall budget."

INTERACT, *Territorial Cooperation Project Management Handbook*, p.55

1.2 From re-drafting to submission of application for funding

As you move to the second draft (or even further drafts) of the cross-border project plan and then to the first draft of the funding application, it is essential that there is close involvement in this process of the person or persons responsible for financial management, *and* that the process involves a cross-border approach with close engagement from all partners. Modifications to the plan and drafting of the application need to be assessed in terms of their budgetary implications, and checked for accuracy. Moreover, they also have to be considered as to whether they represent the requisite levels of **efficiency** and value for money.

At this stage (if not even earlier) some tensions may begin to arise in the cross-border project partnership as you move closer to the submission of the application and budgetary distribution becomes a possible reality. These tensions need to be managed through open and clear communication with project partners.

"Financial planning would have been integral to your project's initial development. An initial estimate – a budget envelope – would have been defined during the project development phase, together with an approximate estimation of how much each partner is ready to put into the project development and realization. At this first stage negotiations would have taken place between the partners, with each one setting out not only their contribution to the project but also, as a result, their influence in the project's development, i.e. **the degree of influence over the development of the project normally corresponds to the extent of the contribution to be made in terms of resources**."

PAT-TEIN, *Toolkit for Inter-Cultural/Cross-Border Project Management*, p.58

Once the drafting of the project plan and the funding application have been completed, with all the necessary financial information included, it is recommended that the Lead Partner circulate this information to all partners for verification of the accuracy of the financial elements that relate to them. It is also advisable to hold a final meeting of all project partners prior to the submission of the funding application in order to confirm full engagement and commitment of all the organisations' indicated resources during implementation, particularly where they are providing match-funding.

"Now is the last chance to make sure all partners understand their roles and responsibilities. Everyone needs to be clear about exactly what they are committing to."

INTERACT, *Territorial Cooperation Project Management Handbook*, p.66

This will allow for the identification of any changes of circumstances within any partner organisation during the time that has elapsed between the original conception of the project idea and the submission of the application for funding. Changes in an organisation's circumstances, such as new commitments or doubts over whether its source of match-funding will now be able to supply co-financing, may have significant implications for their capacity to participate in the project.

REMEMBER: This entire process takes time! Good planning and the writing of a good application require the commitment of all partners even if the Lead Partner will necessarily devote more time and energy.

"The preparation of applications is often time-consuming. Some project proposals take 1-2 years but on average the preparation of a good project will require approximately 1 year. It is not particularly time-consuming to fill in the application form […] but developing the information required to do this well takes time."

INTERACT, *Territorial Cooperation Project Management Handbook*, p.66

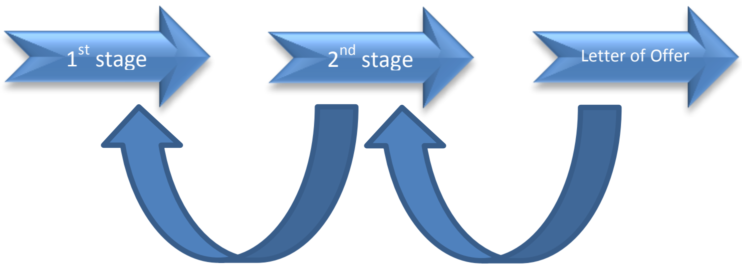
It is vital that your application can clearly demonstrate why the project is applying for the amount requested. This means ensuring the transparency of your project budget and that it is only seeking financial support for items of eligible expenditure, and that you will have proper monitoring systems in place. This is your last opportunity to make sure that the project's budget is realistic, accurate and clear! Avail of any opportunities to acquire guidance from the Managing Authority to help you in the application process and, if necessary, invest in external expertise.

"Support will be available to potential applicants through information seminars and workshops."

SEUPB, *European Territorial Cooperation 2014-2020*, p.25

1.3 Project approval and pre-implementation

Hopefully your proposed cross-border project will pass the first application stage, but the subsequent process will require budgetary considerations as the project is revised in light of any requirements made by the Managing Authority, which will include those made in the Letter of Offer if your application is successful. Once again, those responsible for financial management should not be divorced from the revision of the project, and this also needs to take place on a cross-border basis. In terms of the budgetary process, revisions to the project will require the repetition of the key steps taken during the project design phase.



Whereas the step between the first and second stages of the application process (where this is applied) should not imply anything other than minor modifications (for clarification purposes) and accessing any financial information requested that may have been omitted in the planning phase (which may have to be supplied by one or more project partners), beyond the second stage budgetary revisions may become necessary.

Between the second stage and receipt of a Conditional Offer and/or Letter of Offer you will almost certainly have to address stipulations or conditions made by the Managing Authority, and these will inevitably imply modifications to the project's budget.

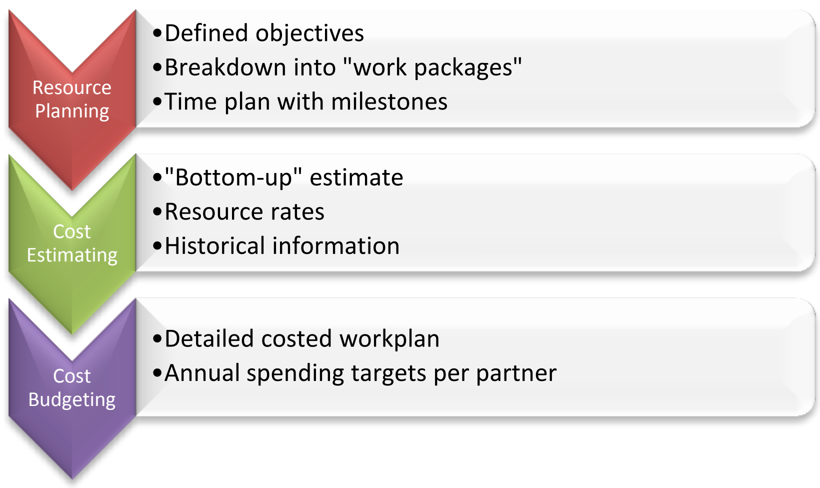
"Having received a letter of offer or contract from your funder, it is important that a project manager and the partners and/or stakeholders remind themselves of the original analysis and understanding of their cross-border context, and the needs that had been identified which the project is to address. This is particularly important as the Letter of Offer may contain within it stipulations or conditions that may affect the original scope of your project, and that you may wish to negotiate with your Managing Authority or funder."

PAT-TEIN, *Toolkit for Inter-Cultural/Cross-Border Project Management*, p.12[9]

Although it is not possible for this Toolkit to predict the nature of the specific conditions or stipulations placed by the Managing Authority on any cross-border project, these may include:

- A reduction of the total budget.
- Adding partners and/or stakeholders from an unrepresented region or sector.
- Modifying or withdrawing certain activities.

Such conditions will inevitably have more or less significant budgetary implications. In turn this will mean repeating central elements in the three key steps to budgetary planning set out in Section 1.1:



Once the full budgetary implications have been accounted for the revised budget, costed workplan and annual spending targets (for the project and each partner) have to be considered by the whole cross-border partnership. Although it is ultimately the responsibility of the Lead Partner to take the project forward, without the necessary degree of input and scrutiny from the partners there will be serious implications for the required cross-border cooperation to achieve the project's objectives. Therefore a review of the project and any budgetary revisions in light of the Letter of Offer should be undertaken by the cross-border partnership.

IMPORTANT: After this review, are all project partners satisfied with the design of the project and that any additional conditions required by the Managing Authority can be fulfilled? Have all project partners confirmed their contribution in terms of resources/finance they agreed to at the application phase? If so, then ACCEPT THE LETTER OF OFFER.

The next step prior to the project's implementation where budgetary issues need to be considered is in the formulation of the Partnership Agreement. This is normally a requirement of the Managing Authority, and the first payment to the cross-border project will be withheld until the Partnership

[9] See the PAT-TEIN *Toolkit for Inter-Cultural/Cross Border Project Management* regarding the need for a cross-border revision of the project prior to implementation.

Agreement has been submitted. Briefly, some of the broad elements included in a Partnership Agreement will be:

- Methods of functioning of the cross-border partnership
- Communication rules
- Working methods
- Conduct and regularity of meetings
- Individual partners’ roles and responsibilities
- Contribution/allocation of resources divided into the main budget categories
- Monitoring and record-keeping[10]

This is a key opportunity to formalise and obtain agreement to comply with the project’s budgetary monitoring framework, as well as with a single system for recording and claiming expenditure, which *must* be in compliance with the requirements of the Managing Authority. Ideally, a meeting should take place between the Lead Partner and those responsible for financial management in the partner organisations in order to communicate clearly what the requirements are.

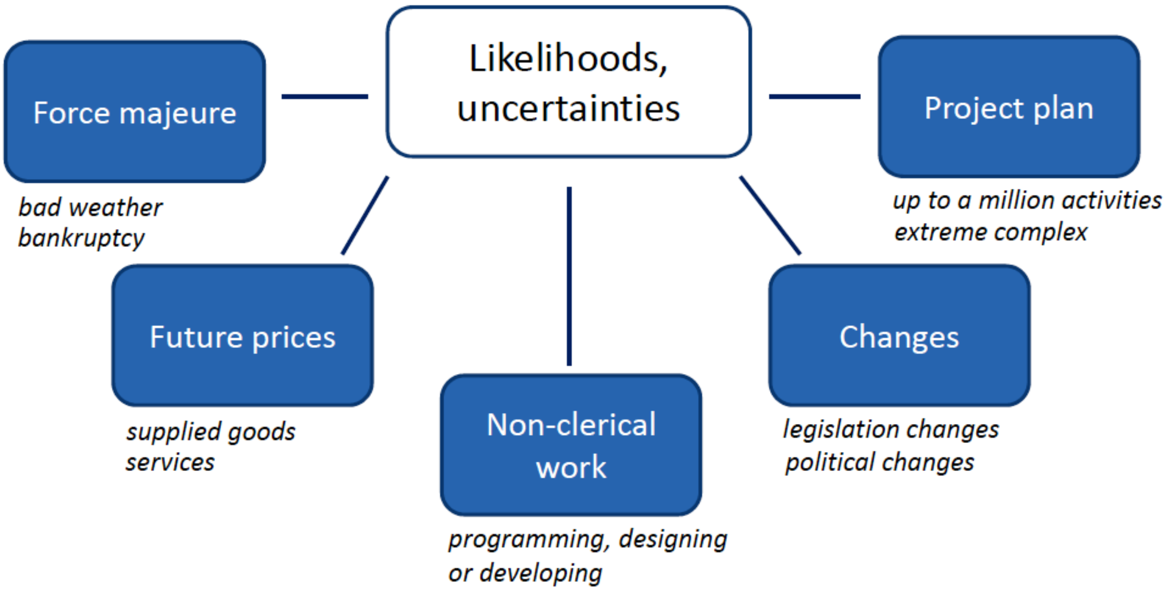
NOTE: Dealing with these issues now will contribute toward a smoother implementation of the cross-border project.

SUGGESTION: You may want to read Section 3.1 (Preparing for the final report) now as it will underline the importance of agreeing on a monitoring and record-keeping system for the project.

[10] For an example of a Partnership Agreement, see the PAT-TEIN *Toolkit for Inter-Cultural/Cross-Border Project Management*, pp.39-42.

2. Project implementation and budgetary control

It's when a cross-border project enters into implementation mode that we are confronted with the reality that planning can never be perfect. It's the inconvenient truth that there can never be exact planning![11]



The inconvenient truth is: There is no exact planning!

A whole array of unforeseen circumstances will lead to modifications of the project's implementation that will have budgetary consequences which need to be addressed. These may be minor and with little remedial action needed, but others may be more significant and require advice from the Managing Authority before making any budgetary changes that may be subsequently judged as leading to ineligible expenditure which cannot be reimbursed.

Before we proceed further, then, it may be useful to outline some essential tips to avoid financial management problems:

- **Set up separate accounts for project funds**. Or at least ensure that every partner's accounting system can clearly separate project costs. Control visits have sometimes revealed that this basic requirement is missing. When this is the case, there is no evidence for which costs have been assigned to the project or why. The probable result is that large parts of the

[11] PAT-TEIN, *Toolkit for Inter-Cultural/Cross-Border Project Management*, p.53.

expenditure involved will be judged ineligible.

- **Involve partner finance managers from the start**. Organisations have their own financial management systems and procedures. All partners need to check that these comply with programme requirements and the systems can deliver the evidence that is needed.

- **Secure the audit trail. All partners must keep all invoices**. Supporting documents are also needed such as timesheets for part-time staff and calculations of overhead costs. If these documents are missing, the costs involved will not be accepted.

- **Keep your filing up to date and find out what to file**. You should make sure that you always have all documents available. Commonly missing documents are contracts and evidence of public procurement procedures. If you cannot provide these documents, it will be assumed that you have not followed the rules.

- **Find out what the national public procurement thresholds are in jurisdiction**. Put basically, public procurement rules require that public organisations request offers for providing services and products. They are designed to promote a free and open market and give value for money. There are three values that generally need to be considered. Very small contracts do not need to be tendered. Larger contracts can be the subject of a limited tender, whereby a smaller number of offers are requested. Large contracts must be the subject of a full public tender with strict rules and procedures. You must respect the threshold values and the relevant rules - you cannot divide contracts into smaller jobs to get around these rules. If you award a contract for products or services, you must be able to prove that you used the right tender procedure. These documents are often missing and the most common reason is that partners say they did not know anyone else who could do the job involved. This is not an acceptable reason and the full value of the contract will probably be judged ineligible.

- **Only carry out activities in the eligible area**. In the 2014-2020 programming period there will be some flexibility on this rule and all projects should find out how their programme interprets it. Regardless of the programme interpretation, activities outside the eligible area need to be included in the application. If they are not, projects must get programme approval before carrying out these activities or they will be ineligible. This also applies, for example, to travelling to conferences and seminars outside the eligible area.

- **Avoid grey areas**. There is sometimes a temptation to bend the rules or misinterpret programme advice. Again, if in doubt, ask – and accept the guidance that is given. Programmes are understandably harsh on projects that have deliberately ignored the rules.

- **Only report real costs directly related to implementation of the project**. You must be able to demonstrate that all of the costs reported were actually incurred and paid out and were necessary for implementing the project. Any costs that do not fit these criteria will probably be treated as fraud and result in serious action.

Proper monitoring, which is the responsibility of the Lead Partner, is key to avoiding many of these pitfalls, and that is what we will address now.

2.1 Budgetary monitoring

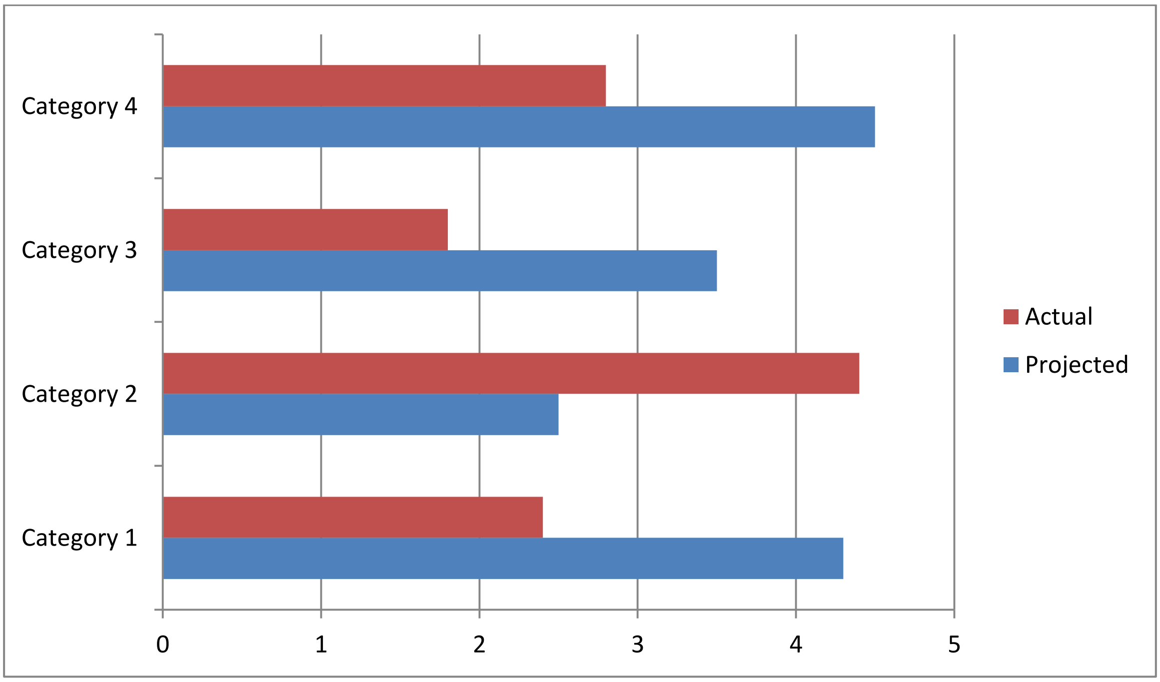
In Section 1.1.3 we looked at cost budgeting during the project planning phase, and that as part of this you should organise your budget into expenditure categories (which should offer more detail than the broad categories required by the Managing Authority), and to formulate annual budget plans for the project and for each partner, allowing you to verify planned expenditure against actual expenditure as the project progresses. These will be key tools for the monitoring process.

Although they will be dealt with separately, it will be claims for expenses incurred that will feed into your monitoring process. Immediately, you will be able to monitor the quality of claims submitted in terms of adherence to required formats and eligibility of items of expenditure, as well as ability to submit them within the specified timeframe. This element of quality control will enable you to address any inconsistencies that will impact on the time taken for those claims to be subsequently submitted to the Managing Authority. **If not addressed, these issues will adversely affect the project's financial management and its overall efficiency**.

In the 2014-2020 programming period, the ability of the Lead Partner to monitor the cross-border project's ongoing financial performance will be facilitated through access to the e-Cohesion platform, which allows the exchange of information between beneficiaries and programme bodies.

"Lead partners will have access to up-to-date monitoring and financial information online."
SEUPB, *European Territorial Cooperation 2014-2020*, p.27

As information flows in from claims for expenditure, you will begin to visualise how the project is performing in terms of actual expenditure in each category against projected expenditure.

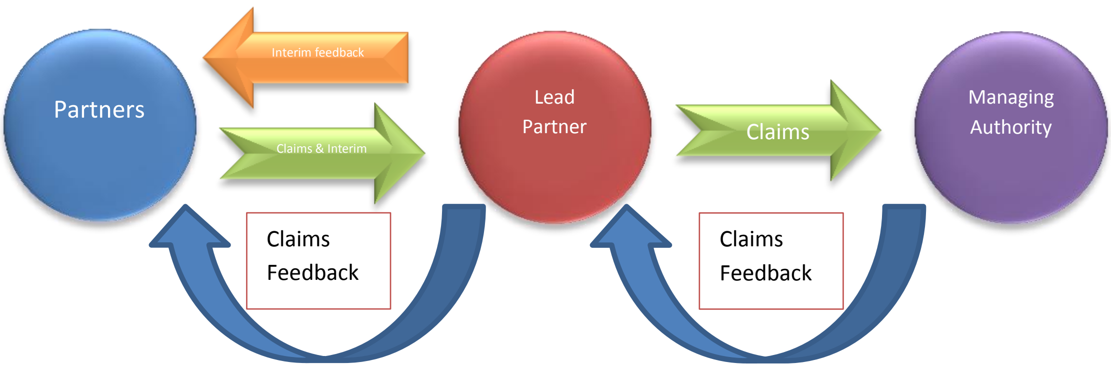


As we have already noted, the same monitoring of expenditure of each partner also has to be undertake, and with both these overviews of expenditure performance the Lead Partner will be able to identify areas of concern. In financial management terms, this is crucial since it is the responsibility of the Lead Partner to ensure that the project's budget is spent within the period of programme funding. Continued problems in this area may lead to Programme Managers to conclude that there was "over-budgeting" of the project and to the possibility of a reduction in the project's budget going forward.

Conversely, you should also be able to identify areas of expenditure that are exceeding budgetary projections. This may be an indication that the project is progressing better than expected and is ahead of schedule in some activities, and therefore not posing a risk to the budgetary envelope. Alternatively it could be indicative of excessive spending in relation to specific budget categories that needs to be addressed.

Where budgetary monitoring identifies problematic areas in the implementation of the cross-border project, actions to address them may take time to implement. Additionally, if the Lead Partner's analysis of budgetary performance coincides with the regular submissions of claims to the Managing Authority, there is no opportunity to address problems before submitting claims. Therefore, you may want to consider timing your monitoring analysis so it falls between the periods when claims are submitted to the Managing Authority. Although this will not necessarily mean that all issues are resolved before claims are submitted, it will to some degree allow the cross-border partnership to be proactive. One possibility might be for partners to agree to forward their claims and supporting documentation to you on a monthly basis.

This should in no way be seen as attempting to "hide" problems from the Managing Authority, but instead as ensuring good financial management. Indeed, the Managing Authority forms an essential part in the feedback chain that will help to achieve the best results for your cross-border project.



However, the establishment of such an interim monitoring analysis with provision of feedback to project partners should only be considered if it does not represent an excessive additional administrative burden to the partners, and that they are in a position to provide the necessary information related to actual expenditure in the interim period. The cross-border project partnership would have to consider the potential benefits to project performance in relation to the resources required to operate such a system.

NOTE: "Local authority and other lead partners who are engaging with a large number of final beneficiaries will be required to state how they are reducing the administrative burden for final beneficiaries."

SEUPB, *European Territorial Cooperation 2014-2020*, p.27

If monitoring analysis is not to be undertaken in the interim period, then the normal feedback process should operate following the submission of claims to the Managing Authority. But in order for analysis of budgetary monitoring information to have any value and for feedback to be provided efficiently, the cross-border partnership has to be put into effect through sustained consolidation.

2.2 Budgetary monitoring in the consolidation of the cross-border partnership

Financial reporting should not only be a two-way channel between the Lead Partner and the Managing Authority, or between those responsible for financial management and those for the project management within the same lead organisation. Information gleaned from budgetary monitoring has to be regularly reported to meetings of the Project Steering Committee, as well as to all partners in the cross-border project. This need again points to the necessity of fully integrating those responsible for financial management into the cross-border partnership, and avoiding the temptation to divorce financial management from the other aspects of the project's implementation.

Before dealing with some of the practical reasons why there should be direct input into regular meetings of the Project Steering Committee from those responsible for the project's financial management, it's important to see it as an important element of cross-border cooperation. As noted in the PAT-TEIN *Toolkit for Inter-Cultural/Cross-Border Project Management*, "cross-border projects will only exploit their full magnitude within an interdisciplinary setting, bringing together experts and knowledge from different disciplines and different sides of the border" (p.10). That interdisciplinarity will be undermined if those overseeing the budget are side-lined and only present in the form of spreadsheets circulated to those attending meetings.

NOTE: The quality of cooperation of a cross-border project is not only judged in terms of its external results, but also in its internal operation.

In practical terms, budgetary monitoring may allow you to identify potential problems in relation to progress in expenditure or irregularities in claims submitted by partners, and you may even deduce what the reasons for these might be. However, it is only by being present at Project Steering Committee meetings, or meetings of the entire cross-border partnership, that the genuine causes can be discussed directly with those who may be facing difficulties. Moreover, this is the ideal platform to – on a cross-border basis – find solutions to such problems, with those responsible for the project's financial management able to input into the discussion and, informed by their expertise, to assess the viability of solutions offered by others.

"Learning to work together and developing mutual understanding, which is an essential aspect of cooperation to **generate the mutual trust necessary to build and ensure the sustainable governance necessary to carry out cross-border projects.**"

PAT-TEIN, *Toolkit for Inter-Cultural/Cross-Border Project Management*, p.16

2.3 Processing claims for expenditure

One of the main responsibilities of the Lead Partner in a cross-border project is the processing of claims by project partners to forward them to the Managing Authority for verification and payment.

"[The lead beneficiary shall] ensure that expenditure presented by all beneficiaries has been incurred in implementing the operation and corresponds to the activities agreed between all the beneficiaries, and is in accordance with the document provided by the managing authority pursuant to Article 12(5)."

Article 13 (2) (c) Regulation (EU) 1299/2013

Although it is not the purpose of this Toolkit to offer detailed guidance on this aspect of the financial management of a cross-border project since such guidance will be available from the Managing Authority, it would be useful to point out some of the principal challenges that need to be overcome.

The submission of claims for expenditure and supporting documentation, and verification by the Managing Authority forms part of the financial reporting mechanism. There are specific deadlines for a project to submit claims and failure to do so will mean that the expenditure claimed will be counted as ineligible.

"Financial report requirements vary but generally each partner provides information on the amount spent since the last report split according to the same budget lines as the ones in the application."

INTERACT, *Territorial Cooperation Financial Management Handbook*, p.126

The Lead Partner is responsible for collecting all project partners' claims and their reporting of totals for each budget line for the period in question, and also then needs to compile this information in order to submit a report on expenditure for the project as a whole. Several issues need to be considered here.

- It is essential that as Lead Partner you request from the project partners all the necessary financial reporting documentation (such as staff time sheets, participant attendance lists, or evidence that public procurement procedures have been followed) and claims well in advance of the deadline for submission to the Managing Authority. This is particularly important for less experienced partners as they will underestimate the time it may take to collate all the necessary information. **This also means that all partners must be made aware from the start of the project what documentation they must keep – without the necessary documentary evidence expenditure becomes ineligible!**
- As discussed in Section 1, the 2014-2020 programming period will introduce broad budget categories. This means that reporting of totals will correspond to these broader categories. However, as was suggested in Section 1, for the project's own budgetary monitoring purposes partners' reporting should use more detailed budget lines.
- If the cross-border project agrees to a system of supplying financial reporting documentation and claims for expenditure to the Lead Partner sufficiently ahead of the deadline for submission to the Managing Authority, then the Lead Partner can act as a first level of control. This will allow the identification of ineligible or problematic claims for

expenditure that require missing documentation, and for the affected partners to rectify their claims.

Unfortunately there may be times when unavoidable delays occur in the processing of claims, such as auditing by the European Commission of the Managing Authority (indeed, it may be that your own project is selected for audit, hence the need for good budgetary management and record-keeping during the implementation phase). This is something all partners should be made aware of from the outset and that they put in place contingency plans – this is especially important in respect of organisation's cash flows. However, the key here is for the cross-border partnership and, in particular, the Lead Partner to ensure that the project adopts an efficient system for submitting and processing claims, keeping the required documentation, and updating budgetary information.

2.4 You and the Managing Authority: A short note

Contact between the person responsible for the financial management of the cross-border project and the Managing Authority (or other funder) should not necessarily be limited to the periodic financial reporting requirements and processing of claims for expenditure. It is important that good channels of communication are established between the project and the Managing Authority, seeking advice and support when necessary. It is in the interests of the Managing Authority that your cross-border project fulfils all its objectives in time and within budget, and therefore it has in place support services to help you in this and which you should avail of.

It is in the nature of cross-border projects that certain challenges will arise in relation to the budget and progress in expenditure, and whilst some of them may be overcome internally others will require expert advice from the Managing Authority. It is better to seek advice early in order to resolve the problem in a way that falls within programme regulations rather than attempting a solution that will result in expenditure or activities being judged by the Managing Authority as ineligible.

NOTE: Communication of budgetary matters is not just an internal issue (within the cross-border partnership), but also an external one.

3. End of project: Keeping minds on financial matters

As partners in the cross-border project – and even many of those in the Lead organisation – rush to make sure that all the project's activities have been completed and that its results have been achieved before the period of funding comes to its end, budgetary and financial issues may not be at the forefront of their minds. At best, in many cases, they will be thinking of submitting claims for expenditure before the final deadline. However, for those responsible for the project's financial management this will perhaps be their busiest time, and it may be difficult to communicate the same sense of urgency to others.

"Project managers should be aware of the risks involved in collecting information for the final report. As activities have finished, partner organisations may already be losing interest in the project and moving on to new activities. Some key staff may already have left the organisation. It is therefore very important that the process of accumulating the necessary information starts in good time. This is particularly true when partners have only been involved in earlier stages of the project – they may already have received full payment for their activities and it can be very hard to get them to put in the time required for final reporting."

INTERACT, *Territorial Cooperation Project Management Handbook*, p.142

One person who will understand this urgency is the Project Manager, as they will be responsible for the project's final report, submission of which is normally a requirement for the closure of the project and for the final payment to be made by the Managing Authority. Part of this process involves the gathering of all the project's official records.

"The initial step in closing a Territorial Cooperation project is the accumulation of all official project records. These records include all accounts, papers, photographs or other documentary materials made or received by the project partnership in connection with the implementation of the project (i.e. the evidence needed for the audit trail). These records are generally kept by the partner responsible for each activity."

INTERACT, *Territorial Cooperation Project Management Handbook*, p.142

For partners with no experience of cross-border or transnational projects there may be little understanding of the volume of work closure of a project entails, especially if they have not seen what a Lead Partner often has to submit to the Managing Authority, for which there is usually a period of three months after the project's activities have come to an end. The following is not an example taken from a territorial cooperation project, and is instead a transnational project (PAT-

TEIN) that led to the *Toolkit for Inter-Cultural/Cross-Border Project Management*, but it nevertheless offers a useful visual reminder of what is involved in the closure of a project:[12]

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Much (if not all) this material is not simply for archiving and has instead a crucial financial management function. It is the documentary evidence for the cross-border project's eligible expenses needed for auditing purposes and to process final payment. So what follows are some suggestions on how to avoid the closure of your cross-border project becoming the ultimate nightmare (although we can never promise not experiencing a few bumps along the way).

3.1 Preparing for the final report: six tips

1. This may appear an exaggeration, but for those responsible for managing the cross-border project's budget, preparation for the final report should start from the moment the Letter of Offer is accepted. This document usually includes guidelines related to the documentation necessary for project closure which should serve as a starting point in informing all project partners of what is required and needs to be appropriately filed.

2. As the project moves into the implementation stage, as part of the communication process with the Managing Authority discussed in the last Section, seek updates on the requirements for the closure of the project as regulations may change.

3. Another potential risk that needs to be addressed during implementation is that project partners may begin to fail to keep all necessary records of activities. This is because not all project-related documentation may be required for the periodic processing of claims for eligible expenditure, and therefore there may be the understandable temptation by some to assume that it is not really necessary. However, the final report normally requires all such documentation, so it is important that all partners retain it until the project is officially closed and final payment has been received.

"In financial terms, programmes need confirmation that it is safe to pay out the last part of the grant and that no problems are expected in future. While projects are in the main implementation phase,

[12] For details on the Professionalizing Actors of Transfrontier Cooperation – Transfrontier Euro-Institut Network (PAT-TEIN) project visit http://pat-tein.eu/, and for information on the Transfrontier Euro-Institut Network, of which the Centre for Cross Border Studies is a partner, visit http://www.transfrontier.eu/.

programmes can afford to be somewhat flexible in terms of financial control findings. If there are problems, deductions can be made from later payments and expenditure affected by open questions can be left out until a later date. Project closure means, however, that no questions can be left open: all problems need to be finally resolved."

INTERACT, *Territorial Cooperation Project Management Handbook*, p.142

REMEMBER: Some partners may not be involved for the entire duration of the project, so it is crucial that they either keep all project-related documentation or submit it to the Lead Partner when their involvement has ceased.

4. Given the importance of the final report for the project's close, it is vital that during the budgetary monitoring of the project's implementation any problems are dealt with promptly. What may seem unimportant at the time may become critical and difficult to resolve at project closure.

5. Give all project partners advance notice of your need for all project-related documentation, specifying in what format(s) you want it, and by when. "Advance notice" does not mean weeks, but rather months (depending on the number of project partners), and if necessary send regular reminders.

6. As you receive documentation from partners, reconcile all items with their activities and budget-lines, and request any missing documents. If you put in place an efficient budgetary monitoring system, there should be no major under- or over-spends by any of the partners.

Following these suggestions should go some way to minimising the stress provoked by the preparations for the closure of the project and compiling all the information necessary for the final report.

3.2 Compiling the final report

It is important to remember that focus of the 2014-2020 programming period is on results of interventions, and how funded projects have contributed to the intended results at programme level. However, this does not mean that projects do not have to be efficient and demonstrate value for money. This is where the information gathered from your project's budgetary monitoring will go beyond demonstrating how much was spent by the project and by each partner, and by when, and will help to show what resources were needed for each of the project's results. This is also a likely assessment made if your cross-border project undertakes a final (*ex post*) evaluation, and such an evaluation will need access to this information.[13]

"The finance section of the final report [...] is based around the certification of all project expenditure. Financial progress reports are generally only concerned with expenditure during the reporting period but the final financial report must include certified statements from all project partners not just of individual items of expenditure but also of the overall use of the funds granted in obtaining project goals."

INTERACT, *Territorial Cooperation Project Management Handbook*, p.143

[13] See Centre for Cross Border Studies, *Toolkit for Evaluation of Cross-Border Projects*.

However, it's also important to bear in mind that the exact nature of the final report and its format will be determined by the Managing Authority, but in any case it will require close coordination between the Project Manager (normally responsible for compiling the final report) and the person(s) responsible for the cross-border project's financial management. Failure to do so may compromise the quality and accuracy of the final report, and may even result in delays to final payment by the Managing Authority.

The ability, then, to access and provide in the necessary format the financial information needed to complete the final report will depend on the quality of the budgetary monitoring systems that were put in place and of the financial management required to make them function consistently. This will also be facilitated if, as has been suggested in this Toolkit, budgetary monitoring employs more detailed budget categories than those that will be required in the 2014-2020 programming period. Investment in effort in this area may prove rewarding at project closure.

Crucially, of course, that effort will also help bring about a successful closure of the cross-border project, with all expenditure verified as eligible and final payment made by the Managing Authority.

> "If financial management in the project has been good, the closure check should be a formality that just confirms the findings of other first level control checks."
>
> INTERACT, *Territorial Cooperation Project Management Handbook*, p.144

4. Cross-Border project closed, accounts closed?

Some final brief thoughts. Although your cross-border project may have successfully closed that does not mean that all thinking about its financial management should cease. In fact, the accounting books are not actually fully without some importance even after project closure.

> "One other important issue is to be clear about the meaning of closure: it is a closure of the project's grant to the programme but does not represent the end of project requirements. Even though the programme has accepted the final report and made the final payment, the project is still subject to second level control and checks by Commission auditors and the Court of Auditors. All project records and documentation therefore need to be retained and stored."
>
> INTERACT, *Territorial Cooperation Project Management Handbook*, p.144

The precise length of time project records and documentation need to be retained by the Lead Partner will be specified by the Managing Authority, but this requirement underlines how the quality of the financial management of a cross-border project may have consequences well beyond the period of its implementation.

However, as in all other aspects of the design and implementation of a cross-border project, the period following closure should be an opportunity for drawing lessons on its financial management.[14] Some of these may be contained in your project's final evaluation report if it undertook one, but even if one was not undertaken it is important that you consider areas for improvement.

> "Learning is, or should be, the main reason why a project or organisation monitors its work or does an evaluation. By learning what works and what does not, what you are doing right and what you are doing wrong, you, as project or organisation management, are empowered to act in an informed and constructive way."
>
> CIVICUS, *Monitoring and Evaluation*, p.38

It may not be possible to reconvene your Project Steering Committee solely for this purpose, but consideration of the project's financial management should not be undertaken in isolation, either by the person(s) responsible for this aspect or by the organisation. Instead, as part of the overall assessment of the project's performance, **financial management should be considered on a cross-border basis and involving key partners and stakeholders**.

The person(s) who oversaw the financial side of the project's management will have reached their own conclusions based, in part, on the budgetary monitoring process; but project partners and principal stakeholders will also have their opinions reached from a very different perspective. Constructive discussion around these perspectives will allow you to draw lessons that would otherwise go overlooked if it were based on conclusions reached on a purely internal basis.

[14] See Section 5 of the *Toolkit for Evaluation of Cross-Border Projects*.

Another valuable source of input into the assessment of the project's financial management will be the Managing Authority or funder. Funding programmes are also keen to seek ways to improve their own processes and the delivery of programme results and, therefore, if good channels of communication were established during the project's implementation, they can provide you with feedback on your own performance in terms of financial management while also being open to your own input.

Above all, if lessons are learnt and opportunities for improvement are identified, your next cross-border project will derive the benefits.

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