Factsheet N°6

Project implementation: delivering project outputs, achieving project objectives and bringing about the desired change

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I. Getting started: The initiation stage

After a project is approved, the initiation stage will be the mandatory first milestone to be completed. The purpose of this stage is to ensure a quick start-up of the project by, on the one hand, the submission of the necessary signed contracts and other documents and, on the other hand, the development and approval of the project Monitoring plan. The project Monitoring plan will be the document of reference throughout the project lifetime regarding the planning and follow up of the key moment in project delivery (project milestones) and the contacts between the project and the Programme Technical Assistance.
During this stage there will also be training provided for approved project partners and their respective First Level Controllers.

A. Contracting and project start-up arrangements

The initiation stage will last **no longer than 6 months**. The end of this stage will be a **compulsory milestone**, by when evidence of the production of the following 2 sets of documents needs to be provided to the JS:

1. Contracting & project start-up, including:

- Signed Subsidy Contract
- Signed Partnership Agreement
- FLC designations
- Public procurement policy
- First Steering Committee minutes
- Initiation Meeting decision list & conclusions

2. Monitoring Plan, including:

- The project milestones based on the contents of the Application Form
- A planning of the annual Programme-project contacts

Additionally, the project will be provided with the project risk strategy. The risk strategy is composed by the pre-identified Programme general risks (that concern ALL projects) and the project specific risks. The risk strategy can be fine-tuned during the initiation meeting to include any additional relevant risks and the related mitigation measures. It shall be updated whenever relevant during the project implementation and at least during each Annual Contact.

Furthermore, in case of minor operational adjustments of the application form, a modification can also incur at the end of the Initiation stage. These adjustments should only cover technical inconsistencies and be tackled through a project technical modification request.

Some of the templates related to the contracting and project start-up (i.e. the Subsidy Contract & the Partnership Agreement) will be available on the [Electronic Exchange Platform (EEP)](). Information will directly come from the approved Application Form.

The LP downloads two versions of the **Subsidy Contract**, signs them and sends them to the JS. The JS sends the signed versions to the MA and gives the green light for the signature. One co-signed version of the Subsidy Contract will be sent to the LP, the other co-signed version will be kept in the premises of JS and MA. A scanned copy of the co-signed version of the Subsidy Contract will also be uploaded in the EEP by the JS.

The project partners shall also sign the **Partnership Agreement** between the LP and PPs. A copy of the signed Partnership Agreement must be uploaded in the EEP by the LP before the end of the initiation stage.

A paper should be filled in by each partner explaining the **public procurement procedures** applicable to them. The filled in public procurement policies shall be uploaded in the EEP by the LP. Further details and explanations will be provided during the Initiation meeting.

Finally, in order to fulfil all necessary requirements to reach the milestone, projects shall also hold a **first steering committee** meeting by the end of the Initiation stage. The first steering committee meeting can also be held at the same time as the Initiation meeting. A copy of the minutes shall be uploaded in the EEP by the LP.

B. Training for approved project partners

As it is very important that all approved partners have a thorough knowledge on the Programme rules and procedures, a series of "**Seminars for approved project partners**" will be put in place after each call. These seminars will prepare partners for the initiation meeting, which will be project specific and will not cover the transversal topics in detail. The seminars will therefore take place within one month after approval and prior to the Initiation meeting.

Approved project partners will be invited to the seminar hosted in their Member State, which will cover both general information on the Programme rules as country specific rules that might apply for financial management. Participation will not be mandatory but the Programme strongly recommends partners to attend.

C. The Initiation Meeting

Following the project approval, the Joint Secretariat (JS) and the Territorial Facilitators (TF) define with the project a date for a meeting to discuss further how the project will be implemented based on the Application Form. This is the initiation meeting and is necessary to ensure that projects clearly understand Programme requirements and are quickly operational.

The initiation meeting shall **involve all project partners, their first level controllers** (if already designated), the **Joint Secretariat and the Territorial Facilitators**.

The initiation meeting shall **identify major control points and milestones**[1]. These will be based on the Application Form and shall be agreed between the Programme and the project.

D. Monitoring plan

The monitoring plan is the key document for each project related to the monitoring of the delivery of the project. The document is based on a Programme template that includes:

- the project milestones,
- the annual deadlines identified by the partners for submitting a financial claim,
- the mandatory annual deadline for submitting the annual progress report
- and the timing for the annual Programme ⬄ Project contact.

[1] A milestone is a significant moment in the project plan's schedule such as the completion of a key work package, technical stage or management stage necessary for the smooth delivery of the project.

In its monitoring plan, a project is recommended to have no more than 2 milestones per year in order to ensure a feasible management and monitoring and inform of project delivery at the most critical times to its success. These can include for example, the completion of certain deliverables or outputs, the finalisation of investments or key work packages to the project etc.

Prior to the Initiation meeting, the JS will send the template for the monitoring plan to the LP. Secondly, both the project as the JS will prepare a draft monitoring plan, including the information as outlined above. The Programme Territorial Facilitation Network will also be at hand to assist the LP in the preparation of this document.

During the initiation meeting, the project shall present its monitoring plan and work with the TA to consolidate all data in order to be able to draft the final monitoring plan. It is important for all parties around the table to come to a consensus on the key milestones and dates for the delivery of the project.

Following the outcome of the meeting, the monitoring plan should be fine-tuned and submitted by the project. The LP of the project will send the proposed monitoring plan by email to the JS. The JS will then have the possibility to ask for clarifications or modifications in case the plan does not respect the arrangements agreed upon during the meeting. The agreed final version should be uploaded (pdf version) into the EEP by the LP before the end of the initiation stage.

The project partners will be assisted during the initiation stage by the Joint Secretariat and Territorial facilitators in order to respect the deadlines.

E. Training for First level controllers

A compulsory **training for First level controllers** will be organised during the initiation stage. These seminars will take place **per Member State**. They will be organised by the different National Authorities of the 2 Seas Programme in cooperation with the JS. The purpose of these seminars is to ensure that First level controllers have strong knowledge about the Programme rules and are updated on the National rules.

II. Project management: tools and methods to guarantee a proper implementation

In line with the result-oriented approach and the performance framework adopted by the Programme, each of the projects will have to qualitatively and quantitatively contribute to the Programme performance by ensuring their proper project performance.
This chapter will set out the way in which this performance will be followed-up on on-going basis (part A) as well as the contractual obligations linked to reporting as there are the financial claims and the Annual Progress report (part B).

Part C will set out the different levels of tolerance that can be granted to a project, regarding the delivery on time, to budget and regarding the proposed outputs. In case a project exceeds the level of tolerance, the deviation will need to be addressed by means of an action or exception plan. The different types of deviations and the procedures to follow are detailed in part D.

Finally, part E of this chapter will detail how and when the performance of the project will be measured and which potential corrective measures may apply in case a project does not meet its performance target.

A. Ensuring the project on-going performance

The number of milestones and their composition will vary from project to project. In case one or more milestones are not successfully reached, measures may be put in place to ensure the project performance as well as to minimize the impact at Programme level. These measures will lead to the definition of specific **exception plans** (cf. below) depending on the level of deviation and adjustment required. An exception plan shall identify the actions required to recover from the effect of a deviation that goes above the accepted tolerance. If approved, the exception plan will replace the original plan and it will become the new baseline for the project delivery.

Project deviations that may lead to the establishment of an exception plan are those that particularly impact one or more of the following key aspects:

- Delivery to time;
- Delivery to budget;
- Delivery of outputs.

On a case by case basis, and according to the type of deviation faced by the project, the exception plan can consist in a modification of the Application Form, the Partnership Agreement or the Subsidy Contract.

An exception plan can only be put in place if the project is unable to rectify the deviations by itself within the level of tolerance accepted by the Programme.

1. Project monitoring plan

The monitoring plan is the key document for each project related to the monitoring of project delivery. The document is based on a Programme template and includes:

- the project milestones,
- the annual deadlines identified by the partners for submitting a financial claim,
- the mandatory annual deadline for submitting the Annual Progress Report
- the timing for the annual Programme ⬄ Project contact.

Throughout project implementation both **the project** and **the Technical Assistance (Joint Secretariat and Territorial Facilitators)** in charge of the follow up of the project should use the approved monitoring plan as a guiding document.

As the Monitoring plan is a tool that should correspond to the needs and reality of project implementation, the document should be updated if any deviations occur that will have an impact on the planning, the management or the delivery of the project outputs. Therefore, at each exception plan submitted by the project, a reworked Monitoring plan should be submitted. The procedure for the approval of the updated Monitoring plan is identical to the approval procedure at submission of the original plan during the Initiation stage.

The Technical Assistance (TA) will develop the necessary internal tools to ensure the follow-up, including the preventative steps, for each of the projects. There will be regular coordination moments between Joint Secretariat (JS) and Territorial Facilitator Network (TFN) to highlight potential deviations and manage actions to be undertaken. The TFN should act as main contact point for the partners in their area and be the eyes and ears on the ground to provide feedback to the Programme.

2. Milestone review

The milestone review is a necessary step that links into the monitoring plan and needs to be undertaken at each delivery of a project milestone. The timing and frequency of these reviews is therefore defined in the Monitoring plan.

The project LP should download the Milestone review report template from the EEP (generic template) and complete the first part of the document. The Milestone review report is a concise template that will be provided by the Programme, and provide all necessary details that support the successful completion of the milestone. The project is also advised to include any annexes that illustrate the achieved milestone. Once the LP has sent the document by email to the JS, the latter will evaluate the information and complete the second section of the Milestone review report which will have the format of a checklist. The finalised Milestone review report will then be uploaded in the EEP by the JS.

In case of non-delivery of a milestone, the project will have to report a deviation which might lead to an action plan or even exception plan. The main reasons for the deviation should be explained and the TA will orient the project towards the action to be undertaken.

3. Annual contact

a) Timing

An annual contact between the TA and the project should take place at least once a year throughout the duration of the project. The timing of this contact should be defined in the Monitoring plan according to the milestones identified, but in case any issues should be detected can also be adjusted following the quality assessment of the Annual Progress Report, a milestone review or other moment.

The precise date and format of the meeting should be agreed upon at least one month prior to the meeting.

b) Format

The annual contact should ideally take the form of a meeting, but in exceptional cases a teleconference or written communication can replace this meeting. The main actors in this meeting will be the JS and responsible TF for TA and the LP for the project. If needed also the other partners from the partnership could attend this contact. In order to ensure a good preparation of this annual contact, projects are recommended to organise their project management meeting prior to the contact so that most recent information is available.

The agenda of the annual contact is based on a fixed template that can be completed by the TA if necessary and that will be sent to the LP of the project at least one month prior to the meeting. The contact will cover an update on the operational level of the project, including the performance review and potential actions that should be taken accordingly.

c) Follow-up

TA will write a meeting report, including actions to be taken if necessary, and upload this into the EEP.

The LP is to ensure the follow-up of potential points for attention and to make sure that any action that was required will be implemented by the project and/or partners.

B. Project reporting: assessing the project progress

In the framework of the result oriented approach, the Programme has to set up a transparent methodology to measure its performance in order to be able to comply with the EC obligations. As **the Programme's performance is directly linked to the project performance**, there is a clear need to ensure that projects are delivering their outputs on time, according to the Application Form and with the budget attributed.
Project monitoring will therefore be based on two principles: the ongoing character and the focus on preventative assistance instead of curative measures.

Once the initiation stage is successfully completed, each project will have to ensure regular finance and activity reporting in order to demonstrate their performance. Besides these formal reporting procedures, the Programme also needs to put in place a set of animation actions which will provide an ongoing support and steer that is necessary to ensure that projects will deliver the necessary outputs.

This section will therefore detail the different reporting procedures, finance and activity, as well as the way this performance will be reviewed. Secondly, there will be a focus on the different animation actions linked to the preventative monitoring approach.

Although the preventative monitoring remains the focus of the Programme, the Programme will also need to put in place a series of **different types of interventions to be undertaken in case of deviations.**

1. Financial claims

a) Deadlines for submission of a financial claim

Each project partner shall submit a **minimum of 1 financial claims per year**.
Each project must submit a minimum of 1 and a maximum of 4 consolidated financial claims per year.
The expected schedule for financial claims should be proposed by the project as part of the Monitoring Plan during the Initiation stage.

This schedule should be defined based on the cash-flow needs of each beneficiary and in agreement with the First Level Controllers (FLCs) of the various partners as soon as FLCs are designated during the Initiation stage. However, in order to build up a reasonable budget for FLC costs, it is recommended that **applicants think about this planning already during the development phase**.

The preparation costs of all approved projects are reimbursed through a lump sum of up to 30 000 € ERDF per project and will be paid to the Lead Partner (except for beneficiaries approved under the General Block Exemption Regulation for which a different ERDF rate may apply). **In order to receive the lump sum**

payment, projects are not required to submit a financial claim: the ERDF payment covering the reimbursement of preparation costs will be automatically processed by the Programme to the Lead Partner once the signed paper version of the subsidy contract is received by the JS. The Lead Partner shall share the amount of the lump sum with other partners in line with the information indicated in the application form only once the partnership agreement is signed.

The first project consolidated financial claim can be submitted by the Lead Partner at the first available deadline following the end of the Initiation stage. **Deadlines** for claiming are **defined at Programme level** and apply to all projects. The following four annual deadlines apply:

- 31st January
- 30th April
- 31st July
- 31th October

All costs reported in the EEP, verified by the FLC, and consolidated by the LP in a financial claim beyond a deadline will be automatically included in the following claim.

Not all project partners are obliged to declare costs at each claiming deadline, however all project partners shall declare costs at least once by the submission of the first annual progress report, and at least once a year for the following implementing years.

If a project partner expects to use only 1 deadline per year to claim costs, it shall ensure that a **maximum amount of budget is claimed in that occasion** in order to justify as much as possible its annual financial targets. This is in the interest of the project since this will greatly help achieving the financial spending targets foreseen in the application form. **The financial target is part of the project performance** and will be reviewed annually.

If a project partner decides to claim only once a year, by 31st January each year, it is **required** to finalize and submit the financial claim via the EEP **before the submission of the Annual Progress Report** in order to allow the amount claimed to be included in the following Annual Progress Report. In fact, even if the Annual Progress Report to be submitted by 31st January of year N+1 covers the activities implemented between 1st January and 31st December of year N, the financial section of the annual progress report will take also into account all claims submitted by project partners (and consolidated by the Lead Partner) **before the submission of the Annual Progress Report for year N+1.**.

Project partners can decide to modify the frequency of reporting during the implementation provided that this is in line with the project work plan and enables to meet the project performance targets. This should be done in agreement with the concerned FLC and with the JS. The monitoring plan can be adapted then at the earliest convenience.

In case one or more partners do not submit the minimum required financial claims, the **MA shall be entitled to temporarily interrupt the project payments until the issue is solved**.

b) Procedure

The claiming process is **100% paperless** and organised directly through the EEP in which both the project (each project partner and their FLC) and the Technical Assistance should work directly.

Partners' claims shall always be consolidated and submitted to the Programme by the Lead Partner (in line with the LP principle). The partnership should therefore set up a series of internal deadlines between the

LP and each partner to meet the above mentioned Programme deadlines for the submission of the financial claims. As such, it is up to each partner to define also internal deadlines with its own FLC accordingly.
In order to verify the expenditure included in the partner financial claim via the EEP, each partner's FLC will need to receive detailed documentation based on standards in compliance with the relevant EU, Programme and national rules. Indeed, FLC shall still carry out **verification on 100% of the declared expenditure** even though afterwards only consolidated amounts need to be reported by the partner in the EEP.

FLC and project partners should agree the exact modalities of transmission of such a documentation that has to be verified, in time and in full, outside the EEP within the fixed Programme deadlines.

Among the obligations of each individual project partner there is the requirement to maintain either a separate accounting system or an adequate accounting code for all transactions relating to the project without prejudice to national accounting rules. Therefore, even if the declaration of the expenditure through the EEP is done in the form of consolidated amounts per budget line, each project partner is required to have an **adequate accounting system in place** to enable FLC and auditors checking in detail the claimed expenditure.

The financial claim consists of a **simplified declaration of expenditure** and has no detailed reporting on activities. However, the financial claim should still allow a general reconciliation between costs and activities. The FLC shall be able to check the link between the costs claimed and the activities carried out as well as the overall consistency of the financial claim with the Application Form.

As part of its responsibilities, the LP has the duty to keep the overall view on the project implementation. Therefore, once all available partner financial claims have been verified by the respective FLCs, the project's expenditure has to be consolidated by the LP into a project financial claim and submitted via the EEP.

In justified cases, when all or parts of the costs claimed by the partners are not considered in line with the project Application Form or with internal project rules (e.g. on the use of flexibility), the LP can either decide not to include the partner financial claim in the project financial claim, or ask the partner to revise its claim accordingly, depending on the timeframe.

The Lead Partner and its FLC are however not required to double check the eligibility of the expenditure claimed by other project partners.

Project financial claims will be enrolled into one claiming deadline depending on the date the LP will validate the consolidated claim in the Electronic Exchange Platform (EEP).

c) Templates

The financial claim consists of the following documents:

- Partner declaration of expenditure and financial claim (later: "partner financial claim")
- FLC certificate and checklist(s) (per partner)
- Project consolidated financial claim (later: "project financial claim")

The **partner financial claim** is to be created by each partner that claims costs by a given deadline. The aim of the partner financial claim is to declare all eligible expenditure incurred and paid by the project partner in order for the Programme to reimburse the corresponding ERDF.
The costs are introduced in the EEP by the partner through a list of expenditure.
The partner financial claim includes a partner declaration of expenditure that contains the global amounts of expenditure per budget line for a selected period of time and a given Work Package. The partner financial claim contains also an overall summary of the declared expenditure per budget line, work package as well as specific sections to provide evidence of the link between expenditure claimed and activities/outputs.

The **FLC certificate** and related **FLC checklist** will be filled-in by the FLC directly through the EEP. There will be 3 types of FLC checklists depending whether the FLC check is:

1. a regular administrative check on the partner financial claim,
2. an administrative on-the-spot check,
3. a physical on-the-spot check.

Further details about the tools and procedures to be implemented by the FLC will be provided separately.

Once all partner financial claims together with their respective FLC certificates and FLC checklists are submitted, the LP will consolidate the information into a **Project financial claim**.

2. Annual Progress Report

a) Submission of an Annual Progress Report

The Annual Progress Report is to be submitted once a year. The report shall cover the period from 01/01 to 31/12 of each year N, and shall be submitted by the LP via the EEP by the **31st January of each year N+1**.

The respect of this deadline is of fundamental importance for the project and the Programme. Indeed, it is via the Annual Progress Report that the project shall officially demonstrate the **compliance with the performance target** and it is only via the analysis of the latest submitted Annual Progress Report that the JS will carry out the performance review. In absence of the expected Annual Progress Report, the JS will use data from the previous Annual Progress Report to carry out the **performance review**. This indeed increases greatly the chances for a project to be considered as underperforming and be eventually subject to **corrective measures (see part C below)**.

If a project partner expects to use only 1 deadline per year to claim costs, it shall ensure that **a maximum amount of budget is claimed in that occasion** in order to justify as much as possible its annual financial targets. If a project partner decides to claim only once a year, by 31st January each year, it is **required** to finalize and submit the financial claim via the EEP **before the submission of the Annual Progress Report** in order to allow the amount claimed to be included in the following Annual Progress Report. In fact, even if the Annual Progress Report to be submitted by 31st January of year N+1 covers the activities implemented between 1st January and 31st December of year N, the financial section of the annual progress report will take also into account all claims submitted by project partners (and consolidated by the Lead Partner) **before the submission of the Annual Progress Report for year N+1.**.

The year of submission of the first Annual Progress Report will be agreed between the partnership and the Joint Secretariat and will be included in the project Monitoring Plan. This information will depend from the date of project approval.

b) Procedure

Each year, projects shall complete an **Annual Progress Report** which reports on the main achievements of the previous year. The Annual progress report shall focus on the overall progress of the project and contain detailed information on **the deliverables, outputs and results** undertaken by the project during the reporting year, as well as a summary of the **financial state of play**.

The LP is responsible for the drafting and submitting of the Annual Progress Report with a list of all relevant annexes via the EEP, however all partners shall contribute with all relevant information needed to complete the report with pertinent and high quality information. The annexes linked to the Annual Progress report itself should be sent to the JS electronically (email, USB, CD-Rom or other).

A **summary of the financial progress** of the project will automatically be provided to the Lead Partner by the EEP and will consist in the cumulated costs claimed by the end of the reporting period. In the Annual Progress Report, the Lead Partner is required to ensure the **consistency between the financial and content information** as well as the **conformity of the progress** of the project (as reported in the report) **with its original targets** (as foreseen in the application form). In case of lack of consistency between the content and finance information, and/or in case of deviation from the original targets foreseen in the application form, the Lead Partner is required to provide thorough and detailed explanations and justifications in the Annual Progress Report.

The JS shall perform a quality assessment on the **overall progress of the project** and issue requests for clarification where appropriate. The Annual Progress Report shall also ensure a detailed traceability of the ongoing monitoring performed by the Programme.

The Annual Progress Report will be the sole official tool for the project to demonstrate the progress towards the achievement of the foreseen project performance (i.e. delivery of project outputs and results – including financial targets).

Taking into account the strict interrelation between the Programme performance and the project performance, the project Annual Progress Reports will be the main source used by the Programme to draft the Programme implementation reports and progress reports to be sent each year to the European Commission.

Therefore, failing to submit in time the Annual Progress Report or failing to reach the annual project (including financial) targets may lead to project underperformance.

The performance framework of the project is reviewed annually through the submission of the Annual Progress Report. The project's annual targets are indicated in the project Application Form (workplan and time plan).

The first performance review of a project will be done at the moment of submission of its first Annual Progress Report. The JS will evaluate the performance of the project by calculating the **average between the cumulative achievement rate of the output indicators targets of the project and the cumulative achievement rate of the spending target**.

Although a number of preventative actions will be put in place, it is still possible that projects do not manage to meet the planned targets for a given year. In case the project fails to reach these performance targets, it will receive a **first warning** from the Programme. No corrective measures will be taken. The warning can apply at any year of implementation of the project. Therefore, if a project reaches its performance target for year 1 but fails in year 2, it will receive a warning in year 2.

In case a project has already received a first warning and shows a second consecutive year of underperformance, the Programme will apply a series of corrective measures that will lead to one or more exception plans.

If a project fails to submit the Annual Progress Report by the given deadline, the Managing Authority is entitled **to interrupt any outstanding payments to project** until the Annual Progress Report is submitted to the JS.

c) Templates

The process for submitting the Annual Progress Report is 100% paperless and shall be carried out through the EEP.

The Annual Progress Report is made up of two sections:

- Progress on content
- Progress on finance

The **progress on content** shall be filled in by the LP with the support of all other partners. Detailed information shall be provided about the activities undertaken in each Work Package as well as on the achieved deliverables, outputs and results. The project is also required to explain and justify any deviation from the application form and to ensure full traceability of its progress.

The **progress on finance** does not require any additional reporting by the LP. It will be automatically provided by the EEP through the consolidation of the financial claims submitted by the project during the given reporting period and recorded in the system. However, the LP is required to ensure the consistency between the financial and content information as well as the conformity of the progress of the project (as reported in the report) with its original targets (as foreseen in the application form).

C. Anticipating and addressing issues in projects

Projects should ensure a **systematic approach to risk management**. A risk can be described as an uncertain event or set of events that can have an effect on the achievement of a project's objectives. There could be either a positive or negative impact and be realized as either a threat or opportunity. Having to deal with risks in project management is inevitable. In line with the Programme logic, projects will help deliver a change, however a change will introduce uncertainty and hence risk.

To ensure projects can anticipate and act on potential risks they may face, risks will already be **identified within the Application Form**. Once the project is approved, the **project risk strategy** will be the main tool provided by the Programme to enable sound project risk management after a successful application. Following approval and at the **initiation stage** meeting with a supported project, the project's approach to risk and risk management will be discussed.

Certain **tolerance levels** will be allowed at Programme level for a certain number of aspects regarding project implementation, which are described in more detail here below:

1. Tolerance on delivery to time

Each approved project contains a detailed planning of deliverables and outputs in the Application Form. This information is contractual in the sense that projects are obliged to deliver according to the Application Form.

Through the monitoring plan, the information provided by the Application Form is organized by the project and Programme to identify milestones that are crucial to successful project delivery. They will provide for an effective and efficient project management and Programme monitoring. These milestones represent the limits beyond which there may be an impact on the project delivery in time.

Any flexibility in time relating to the achievement of deliverables and outputs shall ensure the accomplishment of milestones sufficiently in time to enable the project delivery.

❖ Example

If a project deliverable has to be delivered two months before the end date of a work-package (which has been defined as one of the project milestones), but it is actually delivered two months later without affecting the delivery of the work-package in time, the delay stays within the Programme tolerance.

However, if there is a delay of reaching a milestone that leads to the impossibility for the project to deliver in time, a modification of the Application Form including an extension of the project duration may be necessary (exception plan to be put in place, e.g. revised Application Form to be approved by MC).

2. Tolerance on delivery to budget

The Application Form contains a detailed budget per partner and project. The budget at project level is structured per budget line and work-package. At budget line, work-package and partner's budget levels, projects have the possibility to claim **up to 20% more** than originally planned, if the increase is compensated by an equivalent decrease in the same budget table (flexibility rule - no need for modification of the Application Form). This flexibility rule does not apply to WP0 (preparation costs) as the ERDF lump sum for reimbursing preparation costs is fixed and cannot be modified.

In case a project needs a higher reallocation of budget that exceeds the 20% flexibility, an exception plan shall be put in place (technical modification through the EEP – no need for MC approval). This should not impact on the number and nature of the foreseen outputs.

In case of major financial modification (such as higher ERDF), an exception plan shall be put in place (major modification of the Application Form - to be approved by the MC). Such type of modification can reflect a considerable change in the delivery of the project outputs.

3. Tolerance on delivery of outputs

The Programme tolerance regarding the number and nature of outputs to be delivered by the project is limited. In case one or more project outputs cannot be achieved, an exception plan has to be put in place on a case by case basis (such as major modification of the Application Form or reduction of the ERDF or interruption of the project – to be decided and approved by the MC).

D. Management of project deviations

Approved projects sign a Subsidy Contract which commits them to deliver a certain number of outputs in time and within the allocated budget (contractual framework). These are contained in the Application Form, where projects identify the **outputs and deliverables** to be produced within a certain **timeframe** and using a specific **budget**. As such, any deviation to these three contractual arrangements – if beyond the acceptable tolerance described above – can lead to exception plans.

In order to avoid as much as possible exception plans, the project and technical assistance (TA) will need to identify **milestones** linked to the delivery of the contractual arrangements to ensure a manageable follow up and intervention at the crucial stages of project delivery.

The milestone is a key moment of the project delivery. The milestones will be identified in the Monitoring plan, where projects and TA shall identify the **key moments of delivery** (milestones) the **key preventative monitoring actions** (annual contacts) and the **key administrative deadlines** (financial claims; annual progress report) in order to ensure a secured project management via an ongoing and preventative monitoring.

The definition of a series of milestones in the Monitoring plan is part of the animation actions that aim at ensuring a preventative monitoring of the project.

The **milestone review** is done by the technical assistance and it can take the form of a physical meeting, a conference call or a written contact, depending on the needs. This will allow a preventative monitoring as opposed to the curative monitoring; it will be a crucial tool for the Programme to ensure the project and Programme performance. Once the milestone is delivered, the JS shall ensure traceability, through a milestone review, of the accomplished step.

1. Treatment of the deviations

In case a project would encounter a deviation to the planned Monitoring plan, the decision to accept the deviation or to implement a « soft » or a « hard » intervention shall be taken along the following steps:

1) Identification of the deviation
2) Assessment of the deviation
3) Appreciation of the tolerance

a) Identification of the deviation

In the framework of the ongoing monitoring, the TA (JS and the territorial facilitator) shall ensure a regular project follow up.

Previous to the milestone review, an informal pre-milestone contact will take place. This can take the form of an informal email and can be useful to anticipate any problem.

At the time of a milestone review, the JS (with the help of the territorial facilitation) shall receive adequate information from the project about the delivery of the agreed outputs/deliverables in the framework of a given milestone.

In case one or more problems that impede the successful delivery (in time and budget) of one or more outputs/deliverables are identified by the JS and/or the territorial facilitator, a contact shall be established in order to allow the assessment of the deviation.

If a deviation concerns one **state aid** relevant partner, particular attention will be paid by the JS in order to identify if one of the cases mentioned in Programme Manual, Factsheet 11 State aid, IV. E. applies.

b) Assessment of the deviation

Following the identification of the deviation, the TA will assess it. The assessment aims at identifying the nature of the problem and the impact on the project delivery.

c) Appreciation of the tolerance

Once the nature of the problem is detected, the TA will evaluate if the deviation can be:

1. Accepted (no further actions to be undertaken)
2. Tackled within the scope of a « soft » intervention (an action plan shall be put in place)
3. Tackled within the scope of a « hard » intervention (exception plan to be developed)

2. Types of actions to be undertaken in case of deviations

In case of deviations three types of actions may be implemented:

1. **Acceptance of the deviation** (no further action)
2. **« soft » intervention** (action plan)
3. **« hard » intervention** (exception plans / different levels of decision according to the plan)

The deviation can be **accepted** if it will not have an adverse effect on project delivery.

The **« soft » intervention** aims at tackling deviations that need specific actions to be put in place within a determined timeframe to ensure project delivery in compliance with the contractual arrangements (outputs, time and budget). This can be done through an **action plan** agreed between the project and the TA. It can take various forms depending on the need.

The **« hard » intervention** consists in the adoption of one or more **exception plans** (technical modification, major modification or, in exceptional cases, termination of the Subsidy Contract), to be discussed and approved at the appropriate level of governance according to the nature of detected deviations.

The most appropriate action shall be identified according to the detected deviation. **The decision shall be taken at the appropriate level of governance according to the type of action.**

a) Action plan

In case the deviation can be tackled through a « soft » intervention, the TA and the project will agree an action plan that is specific to the deviation detected. In the action plan, the limit of time to resolve the deviation will be set as well as the actions to be undertaken by the project and TA. **The action plan should aim at absorbing the deviation at the latest by the time of the following performance review scheduled for the project.** For example, if a given deviation is detected in June of a year N, an action plan should be defined in order to ensure that the project can reach the target set for December of the year N.

All action plans should have this as the key aim and represent a road map leading to the absorption of the deviation within the following performance review. The types of action included in this road map shall vary accordingly.

At the end of the agreed timeframe for the action plan, the project shall inform TA about the status of the deviation. If the deviation cannot be solved at the end of the timeframe available for the action plan, a « hard » intervention can be implemented, through an exception plan.

b) Exception plan

The Programme in cooperation with the project (or unilaterally in case of failure of reaching the performance target) may decide to implement an exception plan. This can happen regardless the fact that a soft intervention has or has not taken place already.

The exception plan is a « hard » intervention which will also have an impact on one or more contractual documents (Application Form, Subsidy Contract, Partnership Agreement).

There are 3 types of exception plans and these follow a degree of importance of the deviation detected:

- Technical modifications of the application form
- Major modification of the application form
- Termination of the subsidy contract

3. Typologies of exception plans and minor project changes

a) Technical modification

Among the exception plans, the technical modification is the least structural hard intervention. It can be used to tackle deviations that do not affect negatively the performance targets of the project (unless a decrease of ERDF is foreseen – see case "d" below). The rationale of the technical modification is that the project can decide to change the "how" to reach a certain target provided that it does not change the "what" of the target (the only exception being the decrease of financial spending target in case of ERDF reduction).

The technical modification can include therefore:

a) Changes to the content of the activities;
b) Changes to the number, nature and delivery date of deliverables;
c) Budget changes beyond the flexibility rule, within the given total ERDF if it does not impact the budget allocation per calendar year;
d) Decrease of the total ERDF;
e) Changes in the allocation of the budget per semesters if it remains within the same calendar year;
f) Changes in the allocation of the budget per calendar year in case of a decrease of the total ERDF;
g) Changes in the observer partners in case this has an impact on the content of the activities, the number, nature and delivery date of deliverables.

In case of a total ERDF decrease, the changes in the annual budget allocations can only be applied from the year during which the technical modification is implemented till the end of the project lifetime (no modification to the period prior the technical modification is possible). These changes shall be coherent and proportionate to the total ERDF decrease. However, this is unless the technical modification is performed during the last 6 months of the project, in which case modifications to annual budget allocations for the years prior the technical modification are possible to comply with the system requirements (alignment of the past budget allocations to the costs already declared).

Change in BL description
A specific type of change is the change to BL description. This is a change that could fall either under the case of a mere administrative change but it could be also a technical or a major modification. Indeed, it all depends on the nature of the change of the BL description. In most of the cases a change of BL description could be considered as either an administrative change (e.g. the change is simply a further precision of the existing description) or a technical modification (e.g. it leads to a change of an activity or a deliverable). In some specific case the change of a BL description may even lead to a change of output (e.g. it concerns the BL infrastructure and investment). Whenever a change in the BL description is needed, the LP should immediately get in contact with the Joint Secretariat to discuss the case and find the most appropriate solution.

Projects can request as many technical modifications as needed and at the latest 2 months before the end of the project implementation (in order to allow sufficient time treat the technical modification and avoid generating delays in the project's closure).

In order to avoid unnecessary administrative burden, projects are encouraged not to submit more than 1 technical modification per year. It will be up to the JS to judge on the necessity of a technical modification proposed by the LP.

The technical modification shall be done directly by the LP through the EEP, but the modification rights have to be first granted by the JS.
The JS only shall evaluate the technical modification and approve, request amendments/clarifications or reject.

Once approved, the modified AF is the new official reference for the project, the FLC and all the Programme bodies.

b) Major modification

In case of a deviation detected, the TA in cooperation with the project can decide to perform a major modification. The major modification is a more structural exception plan. It can be used to tackle deviations that cannot be dealt with through a technical modification.

The major modification can therefore include:

a. Changes to the formal partners;
b. Changes to the observer partners (if it impacts the output delivery);
c. Changes the nature of outputs;
d. Decrease to the number of outputs;
e. Changes of delivery date of outputs;
f. Changes to the project duration;
g. Changes to the budget allocation per calendar year;
h. Increase of project ERDF budget.

Although points d. to g. above are mentioned as possible elements that could be part of a major modification, due to the potential impact on the project and therefore Programme performance, the JS will pay particular attention to the provision of solid arguments for justification on a case by case basis.

Any attempt to divert rules of performance following mismanagement or unjustified delay will not represent sufficient ground for modification.

In other words, any of the following changes will need to be strongly justified as the proposed modification could be perceived as an attempt to artificially alter the performance calculation:

- Modification of the number of outputs and/or
- Modification of their delivery date(s) and/or
- Modification of budget allocation per calendar year

In this perspective, **the JS may propose the modification for rejection**.

Furthermore, any change to the nature of outputs and/or request for increased ERDF (cases "c" and "h" above) will also be examined with particular attention. Shall the JS notice an alteration of the value for money

compared to what was originally approved by the Programme, the major modification may be proposed for rejection.
It is to be noticed that when one or more cases of major modification apply, it is very likely that this will entail one or more cases of changes listed under the technical modification. For example, a change to the nature of outputs (case "c" of major modification) will most likely lead to a change in the content of activities and nature of deliverables (cases "a" and "b" of the technical modification).

The major modification shall be done directly by the LP through the EEP, but the modification rights have to be first granted by the JS.
The JS and the Monitoring Committee (MC) shall evaluate the major modification. The MC shall approve or reject the major modification. Once approved, the modified AF is the new official reference for the project, the FLC and all the Programme bodies.
A major modification can also imply changes to the subsidy contract and to the partnership agreement

c) Termination of the subsidy contract

This is the most drastic case of exception plan and last step in case none of the soft and hard interventions undertaken led to any satisfactory mitigation of the detected deviation.

Therefore, in case the project fails to deliver according to time, outputs and budget and this despite all soft and hard interventions previously undertaken, **the programme may decide to unilaterally de-programme the project** and terminate the subsidy contract. This case of exception plan leads to the freezing of any outstanding reimbursement of ERDF and can lead to a recovery procedure for part or whole ERDF previously paid to the project.

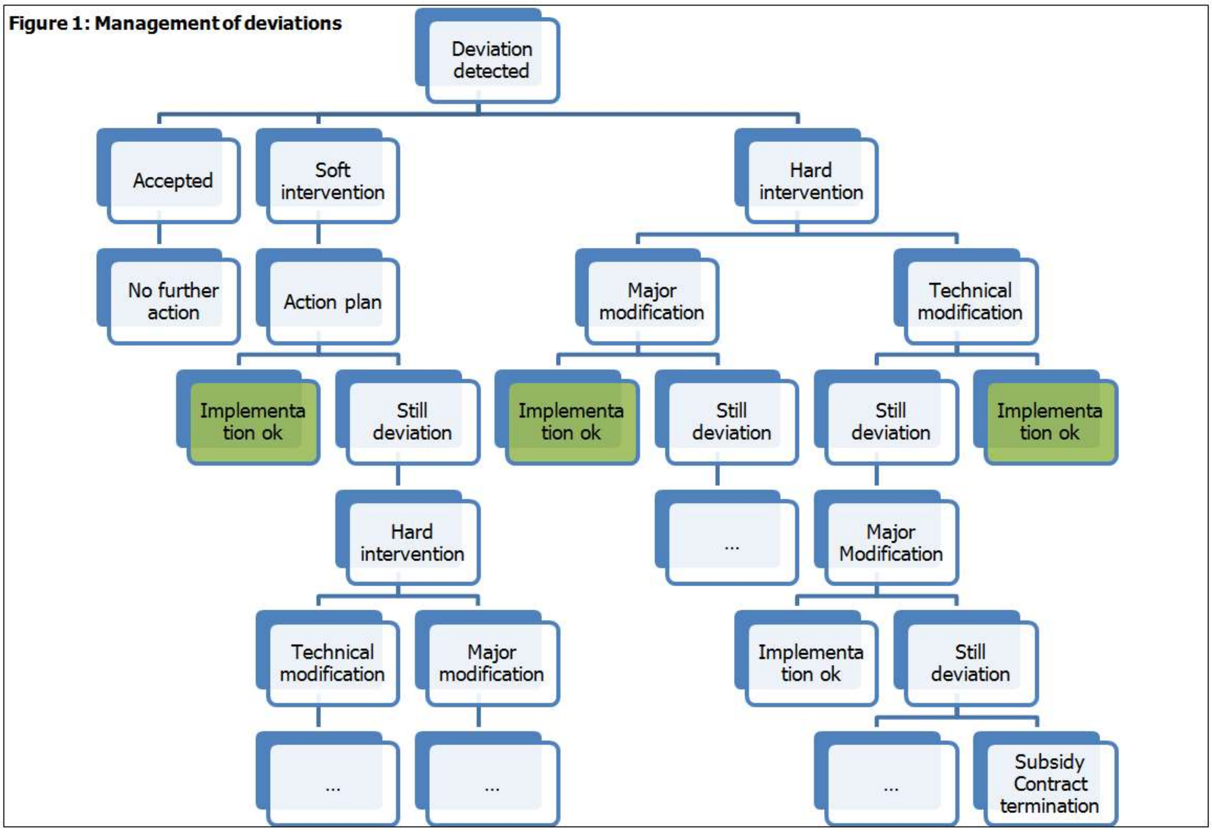
d) Minor modification

In addition to the above 3 types of exception plans, minor modifications to a project can also be undertaken. Minor modifications concern changes in administrative data (such as contact details and bank account details). In case of modification of the beneficiary's address, and if the new address is outside the Programme area, it may be necessary to go through a major modification of the Application Form in order to reassess the partnership criteria. It may concern also a change in the observer partners in case this has no impact on the activities, the number and/or the nature of the deliverables and/or outputs.
In case a minor modification to the Application Form is needed, the Lead Partner shall send a formal request to the JS by outlining the details of the requested modification. The JS will undertake the modification in the EEP basing on the LP's request and will inform the project once the modified Application Form is available.

4. Overview management of deviations

The following scheme provides with the full overview of the management of deviations:

Figure 1: Management of deviations



5. Exception plans during the initiation stage

In case of deviation at the end of the Initiation Stage (e.g. one of the deliverables cannot be provided in time), the above procedure will be relevant. If the deviation cannot be resolved through a « soft » intervention, the **Monitoring Committee will be entitled to put in place unilaterally exception plans which could ultimately lead to the termination of the subsidy contract.**

In case of minor operational adjustments of the application form, a modification can also incur at the end of the Initiation stage.

6. Exception plans during the implementation stage

Considering that the technical modification covers already many of the cases that were considered as major modification in 2007-2013 programming period of the 2 Seas Programme, in principle a project should not request more than 1 major modification during its implementation.

The project can request a major modification regardless of any deviation to the milestones. **The major modification cannot be requested in the last 6 months of the project implementation.**
Still, this timeframe relating to the last 6 months of the project implementation does not apply if the modification is requested by the Programme.

In case of deviation to the milestones, the decision to undertake « soft » or « hard » interventions will be taken by the TA in cooperation with the project. However, **at the time of the annual progress report and performance review**, if the project does not provide sufficient evidence of the compliance with the performance framework as defined in the application form and subsidy contract, **the Monitoring**

Committee will be entitled to put in place unilaterally exception plans which could lead to a financial correction based on a specific methodology detailed under "corrective measures".
The procedure for the corrective measures is reported below.

E. Performance review and corrective measures

1. Performance review

The soft and hard measures described above aim at tackling the deviations of the projects in order to avoid a project underperformance. Indeed, the performance of the project is reviewed annually through the submission of the Annual Progress Report.

If at the moment of the performance review, the project does not meet its performance target and this despite the soft and hard measures put in place to manage deviations, a series of corrective measures can apply.

The project's annual targets are listed in the project Application Form (under the workplan and time plan sections).
The first performance review of a project will be done at the moment of submission of its first Annual Progress Report.

A series of preventative measures will be put in place in order to ensure meeting the performance targets of the project. These consist of a series of animation actions organised by the TA. The animation actions will vary depending whether the project is in its initiation stage or in its implementation stage and are detailed in the in the papers "initiation stage and contracting" and "project reporting, performance review and preventative monitoring".

2. Corrective measures[2]

If despite all animations actions undertaken by the TA in cooperation with the project the latter fails to reach the performance targets it will receive a **first warning** from the Programme. This will take the form of an official communication sent by the MA/JS through the EEP. The communication will contain the analysis of the project performance and will remind of the Programme rules regarding the corrective measures in case of underperformance.

At the stage of a first warning, the Programme can propose any relevant soft and/or hard intervention in order to tackle the deviation (e.g. action plan, exception plan). No corrective measures will be taken.

The warning can apply at any year of implementation of the project. Therefore, if a project reaches its performance target for year 1 but fails in year 2, it will receive a warning in year 2.

If despite the above-mentioned actions, the project shows a second consecutive year of underperformance, the Programme may impose a series of corrective measures that will lead to an exception plan. The method described below is largely based on the method applied by the EC to calculate the Programme performance and detailed in the Delegated Regulation No 480/2014 of 3 March 2014.

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[2] The procedure described below does not apply to the TA. When needed, in the framework of TA the analysis of the performance review will be discussed in the Programme Monitoring Committee. Any follow up actions will be decided in this forum.

Depending on the level of underperformance, the following reduction of ERDF may apply:

a. **5 % of the cumulative financial target of the project at the given year in case of an achievement/absorption coefficient below 65 % but not less than 60 %,**
b. **10 % of the cumulative financial target of the project at the given year in case of an achievement/absorption coefficient for an annual achievement/absorption coefficient below 60 % but not less than 50 %,**
c. **25 % of the cumulative financial target of the project at the given year in case of an achievement/absorption coefficient for an annual achievement/absorption coefficient below 50 %.**

The underperformance is determined on the basis of the average between the cumulative achievement rates for all output indicators and the cumulative financial achievement rate (the 'achievement/absorption coefficient').

The achievement/absorption coefficient shall be calculated in the following way:

a. the cumulative value achieved for each output indicator shall be divided by the respective cumulative target values in order to obtain their cumulative achievement rate expressed as a percentage of the target
b. the average of the cumulative achievement rates for all the output indicators shall be determined. For that purpose, where a cumulative achievement rate is calculated to be in excess of 100 %, it shall count as 100 %;
c. the financial cumulative value achieved shall be divided by the respective target value in order to obtain its cumulative achievement rate expressed as a percentage of the target. For that purpose, where a cumulative achievement rate is calculated to be in excess of 100 %, it shall count as 100 %;
d. the average between the cumulative achievement rates for all the output and financial indicators will be the basis for the corrective measure to be applied.
e. It is to be noticed that in case that cumulative target values for all output indicators by a given year are zero, the performance review will be based ONLY on the financial achievement rate. The same goes in an opposite case (financial targets equal to zero).

The following example should clarify the functioning of the corrective measure:

Project WEPs 2 Seas						**Corrective measures**	
YEAR 1	Annual target	cumulative target	achieved this year	cumulative achieved	Performance		
Output A	2	2	2	2	100%		
Output B	0	0	0	0			
Output C	0	0	0	0			
Budget spending	50 000 €	50 000 €	30 000 €	30 000 €	60%		
Cumulative performance - Year 1					**80%**	**NO CORRECTIVE MEASURES**	
YEAR 2	Annual target	cumulative target	achieved this year	cumulative achieved	Performance		
Output A	10	12	7	9	67,5%		
Output B	5	5	3	3			
Output C	0	0	0	0			
Budget spending	400 000 €	450 000 €	200 000 €	230 000 €	51%		
Cumulative performance - Year 2					**59,2%**	**FIRST WARNING**	
YEAR 3	Annual target	cumulative target	achieved this year	cumulative achieved	Performance		
Output A	0	12	0	9	65,5%		
Output B	8	13	5	8			
Output C	5	5	3	3			
Budget spending	1 000 000 €	1 450 000 €	200 000 €	430 000 €	30%		
Cumulative performance - Year 3					**47,75%**	**25% ERDF cut**	**362 500 €**
YEAR 4	Annual target	cumulative target	achieved this year	cumulative achieved	Performance		
Output A	0	12	0	9	73,86%		
Output B	2	15	2	10			
Output C	5	10	5	8			
Budget spending	1 000 000 €	2 087 500 €	1 200 000 €	1 630 000 €	78%		
Cumulative performance - Year 4					**75,93%**	**NO CORRECTIVE MEASURES**	

In case of a corrective measure is applied, it is up to the project to propose a fair and coherent distribution of the ERDF reduction.

In principle, at Work Package level, the reduction should be concentrated on the Work Package(s) that failed to deliver the foreseen outputs and spending targets. The same goes at partner level, the reduction should be concentrated on the project partner(s) that were in charge of delivery the non-delivered output(s) and/or the project partner(s) responsible for the financial underperformance. As underlined above, the project is free to propose a fair and coherent distribution of the ERDF reduction.

In case the project fails to reach an agreement in the definition of a fair and coherent distribution of the ERDF reduction, the MA/JS will unilaterally apply the same percentage of cut to each of the partner's budget. This way, the cut would reflect at least the different level of weight of each partner in the project's budget. It is to be noticed that in order to reach the exact amount of cut at project level decided by the Programme, the Programme may apply a cut rounded in excess to the partner having the highest budget.

3. External factors leading to a discount in the calculation

External factors contributing to a serious failure to achieve the targets shall be considered on a case-by-case basis, and may imply specific decisions by the Monitoring Committee. The flat rate correction set out above may be reduced by up to 50 %, taking account of the extent to which the serious failure is attributed to these external factors. The reduction of the corrective measure is subject to the decision of the Programme authorities.

The following is a non-exhaustive list of cases that could be considered as force majeure:

a. Bankruptcy of one or more partner
b. Loss of one or more partners following the closure of the organisation in case of a major administrative reform
c. Unforeseen adverse macro-economic condition in the EU economy leading to strong unforeseen budgetary cut (e.g. a serious revision of the GDP growth forecast of a N year compared to the GDP growth forecasted at the time of the project's submission).
d. Unforeseen extreme fluctuation of the £/€ conversion rate
e. Unforeseen and extraordinary weather conditions delaying or preventing the delivery of one or more project outputs (notably in case of investments).

In any of the above-mentioned cases, it is up to the project to prove the existence of the external factor(s) and its/their impact on the project's implementation.

F. Complaint procedure during project implementation

Complaints against a decision of the Monitoring Committee, the Managing Authority and/or the Joint Secretariat of the Programme during project implementation are regulated as follows:

- Only the project's Lead Partner can file a complaint. Potential complaints from Project Partners have to be passed through the Lead Partner.
- The two parties involved in the complaint procedure shall do everything possible to settle amicably any dispute arising between them during project implementation and the application of the subsidy contract.
- Complaints must be submitted in writing (post or email) to the Joint Secretariat **within 3 weeks** after the notification of a decision. A party must reply to a request for an amicable settlement within 3 weeks. If no amicable agreement is reached, the dispute may, by common agreement of the parties, be submitted for conciliation to the complaint panel involving the Chair of the Monitoring Committee (at the time of the start of the complaint procedure), the Managing Authority and the Joint Secretariat.
- In the event of failure of the above procedure, each party may submit the dispute to the courts. The place of jurisdiction is, as defined in the subsidy contract, Lille (France). Further details and specific complaint forms may be published at a later stage.

Complaints related to first or second level control have to be lodged against the national authority according to the applicable national rules.

This complaint procedure is without prejudice to any mechanism or process for legal redress at national level.

III. Where to find assistance during this stage of your project?

Where to find assistance during this stage of your project?
During the project implementation, your **main contact** with the 2 Seas Programme is **the Joint Secretariat.** During your project lifetime, they follow your actions on a **day-to-day basis**. More specifically:

- They explain the Programme rules and procedures to you and provide you with tips and tricks to successfully implement your project; they provide you with advice and support in implementing your project during the different stages;
- They help you refine the work plan with milestones following the approval of the project; they determine with you the deadlines for the submission of the financial claims/ progress report and fix with you the annual project-Programme contact;
- They are in contact with you in order to anticipate/prevent any potential deviations to the project; they assist you in identifying risks and potential solutions for the delivery of each milestone;
- They monitor and evaluate the project implementation in order to secure the compliance with the approved initial planning; they assess the activity report, financial report and financial claims;

The **Territorial Facilitators** also assist you during the project implementation:

- They participate in the start-up meeting and annual project-Programme contacts;
- They assist you during the project implementation in line with your work plan;
- They assist the JS in ensuring an ongoing and preventive monitoring on the ground;
- They assist you in finding effective solutions to unexpected problems;
- They assist you in drafting the exception plans.