

**COOPERAZIONE
ITALIANA**

ITALIAN COOPERATION

**SUMMARY OF THE ADMINISTRATIVE AND ACCOUNTING PROCEDURES FOR
NGO PROJECT MANAGEMENT**

EMERGENCY PROGRAMME PALESTINIAN REFUGEES

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UTL BEIRUT

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INTRODUCTION

Should the Embassy/Cooperation Office decide to draw up collaboration Agreements with NGOs, it will be necessary to evaluate the timing needed to carry out all the necessary procedures, as well as to comply with preliminary and final requirements related to the above mentioned Agreements. **Careful consideration should be given to the timeframe of project implementation, to ensure that this is in line with the timing set by public accountancy for accounts closure by the Embassy.**

The Embassy can commit emergency funds by the 31st December of the fiscal year and effect payments by the 31st March of the subsequent year. If funds are accredited in the last quarter of the current fiscal year, they can be transferred, in full or for the remaining part that has not been disbursed, to the subsequent fiscal year. This can happen only when it is essential to continue and finalise the intervention, project or programme, as certified by the Head of Mission.

The general chronogram of the Emergency Programme and, consequently, the programming of the NGOs' specific projects, will therefore have to take into account the timing necessary to carry out the following administrative procedures:

- a) Preliminary administrative procedures, prior to the start of the initiative;
- b) Financing stages;
- c) Final auditing of the financial statement and final tranche release.

In light of the afore mentioned, in order to define the chronogram of the initiative, the following will have to be taken into account:

- ❑ Fund disbursement date (in particular whether it falls within the derogation included in Art 1, 15-ter law 14 May 2005, n. 80)
- ❑ The “expected” timing needed to launch the initiative (drafting of guidelines, publication, timeframe of project evaluation)
- ❑ Timing needed to comply with preliminary procedures, prior to the signature of the Terms and Conditions
- ❑ Timing of final verification of the NGO financial statement and consequent final tranche release (as reported in the Terms and Conditions, the timeframe of the final release should not be inferior to 68 days, except for those cases where there are suspensions due to irregularities in the submitted financial statement).

In the specific case of the Palestinian refugee initiative, the Embassy/Cooperation Office can commit financial resources related to the above mentioned fund by the 31st December 2009 and spend them by 31st March 2010, which is the deadline for accounts closure. By that date, the Embassy/Cooperation Office will have to comply with all the contract obligations (including the final disbursement to NGOs) and, if there are residual assets, effect the relevant payment. If this is the case, it is recommended to establish the 31st January 2010 as deadline for the implementation of NGOs activities.

START OF PROJECTS

FINANCING PROCEDURE

The opening of the financing procedure is based on the following consecutive processes:

a) signature of the Letter of Appointment;

b) drawing up of Terms and Conditions.

The letter of Appointment is a unilateral document prepared by the Embassy and signed for acceptance by the NGO. It authorizes the NGO to implement the project and start proceedings for the purchase of the necessary bank guaranty. However, it does not determine the start of activities or the eligibility of expenditure; these shall apply only from the signature date of the Terms and Conditions.

Only after the signature of the Terms and Conditions, the NGO can submit all the additional documentation:

- ✚ bank guaranty;
- ✚ authorization for the processing of personal data;
- ✚ anti-mafia certificate;
- ✚ CV and declaration of exclusivity for expatriate personnel;
- ✚ project bank account details;
- ✚ delegation of power of signature and authorization to manage the local project bank account;
- ✚ copy of the MAE Certificate of Competence.

The Terms and Conditions are an official Agreement between the Embassy and the NGO regarding project implementation, payments, reports and other conditions. It represents the official start of activities and, consequently, the eligibility of expenditure and the duration of the project.

The Terms and Conditions can be signed only after Office VI has notified the Embassy/Cooperation Office that the bank guaranty and the anti-mafia certificate have been submitted. The Terms and Conditions outline the number of tranches to be used for the disbursement of funds.

The disbursement of funds is made via bank transfer to the bank account (opened under the Project title) of the implementing NGO.

The Project Manager, the Country Representative or any other person in charge of the local project bank account, will need to have the necessary act of delegation from his/her HQ. Official delegate power of signature will be provided even when one, or more than one, local representatives need to sign legal documents, such as the Terms and Conditions.

BANK GUARANTY

The NGO is committed to submit the necessary bank guaranty, as provided for by Art. 2 of the Ministry of Foreign Affairs Decree n. 337, 15 September 2004. In particular, the sum covered by the guaranty policy to guarantee the financing (the approved financing is the amount indicated in the Letter of Appointment) is equivalent to 2% of the financing. The sum covered by the guaranty policy to guarantee the advance, is equivalent to the amount of the advance (ref: art. 3 of Terms and Conditions).

The two bank guaranties noted above will be issued to the "Ministry of Foreign Affairs – Directorate General for Development Cooperation".

ANTI-MAFIA CERTIFICATE

According to provisions laid down by Presidential Decree n. 252, of 3 June 1998, and its subsequent modifications and integrations, the Civil Authority responsible for the NGO needs to confirm, at the request of the DGCS, the NGO's eligibility to obtain the financing. The NGO submits the eligibility request to the DCGS which, in turn, forwards it to the relevant Civil Authority.

As laid down by art. 11 of the Presidential Decree noted above, if the Civil Authority does not provide the relevant information to the DGCS within 45 days from the request, the financing will be disbursed under condition subsequent. Art. 1 of Presidential Decree n. 252, of 03 June 1998, defines that the anti-mafia certificate is not required for regulations, acts, contracts and disbursements totalling less than 154.937,10 euro.

CURRICULUM VITAE OF EXPATRIATE PERSONNEL

The Curriculum Vitae of expatriate personnel should be submitted to the Cooperation Office prior to the signature of the Terms and Conditions to verify that it is in line with the TORs¹ enclosed to the Project.

The NGO needs to submit the declaration of exclusivity for expatriate personnel working on the project or, if this is provided for in the financial plan, declaration of share allocation to the project.

PROJECT BANK ACCOUNT

Funds will be disbursed via bank transfer to the bank account (opened under the Project title) of the implementing NGO. The Project Manager, the Country Representative or any other person in charge of the project bank account will need to receive the necessary act of delegation from his/her HQ.

A bank account must be opened, in Italy or locally, for each specific project.

It will be the NGO's responsibility, at the moment of signature of the contract, to communicate in writing the opening of the above mentioned bank account for Project activities; the written communication will provide all the necessary information to effect the transfer of funds. In particular, it will be the NGO's responsibility to ensure that the written statement confirming the opening of the bank account includes the following information:

- + Bank account holder;
- + Bank account title;
- + Bank account number;
- + Bank name;
- + Address of the relevant bank branch;
- + IBAN code, if the bank account was opened in Italy;
- + SWIFT code, if the bank account was opened abroad;

¹ The ToRs will be strictly related to the Project and provide a detailed and exhaustive breakdown of tasks related to the job profile of the expatriate under consideration. In addition, they will have to provide information on: educational qualification required and the number of years elapsed since obtaining it; other specialisations; knowledge of foreign languages; working experience relevant to the job profile; well-documented experience in cooperation activities, in particular, emergency initiatives in developing Countries or in other Countries, beneficiaries of these interventions.

DECLARATION OF START OF ACTIVITIES

As laid down by art. 5 of the Terms and Conditions, the first tranche will be released on condition that the NGO proves, through appropriate declaration, that the programmed initiatives have started. This declaration will be submitted after the signature of the Terms and Conditions, and prior to the release of the first tranche.

PROJECT MANAGEMENT

ELEGIBILITY OF EXPENDITURE

To begin with, it is necessary to clarify what is meant by eligible expenditure, as this is the only type of expenditure that can be incurred during Project implementation and will be accepted during the auditing of the financial statement.

In order to be eligible, spending must be against specific budget lines approved in the financial plan. In addition, it has to be documented by relevant expenditure records. Expenditure records will include: the supplier's name and its fiscal data; the document date; the quantity and the description of purchased items or services with respective unit and overall costs; the currency of the document and the supplier's signature for receipt. In addition to the supplier's signature, on the receipt there should be the wording "paid".

An expenditure is eligible if it fulfils the following criteria:

- ✚ it is in line with expenditure forecasts enclosed to the project proposal;
- ✚ it falls within an approved budget line;
- ✚ it is certified by relevant supporting documentation, in line with criteria laid down in the Terms and Conditions and in the guidelines;
- ✚ it has been correctly identified, on the basis of the amount, against fulfilment of criteria laid down in the Terms and Conditions and in the guidelines;
- ✚ it corresponds to a specific project activity.

Expenditure is eligible from the date of signature of the Terms and Conditions

Expenditure is eligible from the date of signature of the Terms and Conditions, and remains eligible until the date indicated in this document. According to a correct Project management procedure, it is the responsibility of the NGO, when drawing up contracts, to programme the payment of the closing balance within the timeframe noted above. Expenditure might be eligible even if incurred after the date indicated in the Terms and Conditions as deadline for the closure of activities, provided that:

- ✚ it refers to consumer-related costs or services incurred during the project implementation (eligibility period of expenditure);
- ✚ it refers to expenditure commitments made correctly by the NGO, and which reflect the NGO's willingness to honour them by the date established in the Terms and Conditions;
- ✚ it is disbursed within the timeframe available to the NGO to submit the financial statement (within 30 days from the closure of activities).

NON-ELIGIBLE EXPENDITURE

The following are some examples of non-eligible expenditure:

- ✚ entertainment expenses: breakfast and lunches, even if work related, bar services and caterings, flowers, tips, decorations, foodstuff for the office, inauguration of offices, visiting cards, etc.;
- ✚ additional emoluments for extraordinary work; daily allowances, reimbursement for living expenses incurred during internal transfers, leave not taken, etc., both for expatriate and local personnel not explicitly provided for by the contract and the financial plan;
- ✚ temporary recruitment of personnel, hiring of consultants, duty travels, etc., not explicitly forecasted in advance by the project document;
- ✚ grants and subsidies in addition to those explicitly forecasted ;
- ✚ phone bills, fuel, stationary, etc., for personal use.

Regarding additional emoluments for both local and expatriate personnel, the NGO will have to decide how to regulate its contract with the expatriate. Regardless of the single choice made by the NGO, it is important to establish clear contract terms to avoid any difficulty in the evaluation of expenditure/amount due during the auditing of the financial statement.

The payment of per diem and/or monitoring missions that the NGO sends from Italy to monitor or implement project activities, if useful and necessary for the project, can fall within the implementing costs of activities under the heading "personnel". This expenditure will be specified in the Financial Plan prior to the Project approval, and will not exceed the maximum amount established by the Embassy/Cooperation Office (on the basis of the total amount of the financing). It is possible to hire consultants, provided that this has been included in the financial plan.

EXPENDITURE PROCEDURES FOR GOODS, SERVICES AND WORKS

A) PROCUREMENT OF GOODS AND SERVICES WITHIN SET THRESHOLDS – FIDUCIARY CONTRACTS

The threshold for the procurement of goods and services is currently equivalent to 133.000,00 Euro², as indicated in art. 28 and art. 125 of Decree-Law 163/06.

In fiduciary contracts, the procurement of goods and services is awarded to people and businesses on the basis of a supply agreement³. Regarding the procedure for the procurement of goods and services through fiduciary contracts, Presidential Decree n.384, of 20 August 2001, defines that preliminary invitations to tender should be issued in order to obtain quotations. Invitations to tender should include the supply conditions, as well as the declaration to abide by the foreseen penalty payments and comply with current regulations.

In particular, the invitations to tender should include:

- ✚ description of services to be supplied;
- ✚ selection criteria;
- ✚ guarantees (if any);
- ✚ technical characteristics;
- ✚ quality;
- ✚ implementing modalities;
- ✚ prices;
- ✚ payment modalities;
- ✚ declaration to abide by the foreseen penalty payments and comply with current regulations.

² As from 1st January 2008, Art. 28 of Decree n. 163/2006, regulating the thresholds related to community contracts, will be modified by the entry into force of EC regulation N. 1422/2007 of 4 December 2007, whereby the threshold of 137.000,00 euro previously established will be replaced by a 133.000,00 euro threshold.

³ Art. 125, paragraph 4 of Decree n. 163/06, regulating that: "Fiduciary contracts are negotiated procedures where procurement is awarded to third parties".

EXPENDITURE UP TO 20.000 EURO

- ✚ request for 1 quotation (it is not necessary to issue invitations to tender to obtain the quotation; this can be requested verbally or by phone);
- ✚ fair price declaration (signed by the Project Manager);
- ✚ private contract or letter of order;
- ✚ declaration of regular execution;
- ✚ invoice or other receipt with "visto si liquida" by the Project Manager.

EXPENDITURE EXCEEDING 20.000 EURO

- ✚ issue of at least five invitations to tender;
- ✚ received quotations– tenders are assessed and selected on the basis of the invitation to tender. According to art. 6 of Presidential Decree n. 384/2001, "the most favourable tender of goods and services is the one that better corresponds to the conditions outlined in the invitation to tender, as formulated in art. 5, paragraph 1, of Presidential Decree n. 384/2001";
- ✚ a report certifying the selection of the most favourable quotation against criteria established in the invitation to tender;
- ✚ fair price declaration;
- ✚ private contract or order letter;
- ✚ declaration of regular execution;
- ✚ invoice or other receipt with the "visto si liquida" by the Project Manager.

B) PROCUREMENT OF WORKS WITHIN SET THRESHOLDS

Fiduciary contracts are contracts aimed at awarding to a firm works that do not exceed 200.000 Euro.

Works within set thresholds can be procured through:

1) DIRECT MANAGEMENT

2) FIDUCIARY CONTRACTS

1) WORKS IN DIRECT MANAGEMENT (< 50.000,00 Euro)

Works carried out in direct management cannot exceed a total amount of 50.000,00 euro.

2) Fiduciary Contracts (< 200.000,00 Euro)

Fiduciary contracts are allowed for amounts inferior to 200.000,00.

Works totalling less than 40.000,00 euro

- ✚ issue of at least one invitation to tender;
- ✚ quotation;
- ✚ declaration of fair price (signed by the NGO Project Manager);
- ✚ contract;
- ✚ testing or declaration of regular execution.

Works totalling more than 40.000,00 euro

For the awarding of contract works equivalent to 40.000,00 euro, or exceeding this amount, the contracting authority identifies the economic operators who should be invited to the informal tender procedure, on the basis of generic information related to the socio-economic and technical-organisational characteristics of these operators. This information is extracted from market analysis and should comply with transparency, completion and rotating principles. At the same time, firms thus identified need to be invited to submit tenders, object of the negotiation; this should be done through a letter outlining the main features of the required service. The contracting authority negotiates the agreement for the execution of works with the firm that offered the most favourable conditions, following verification of the necessary requirements for the awarding of contracts of equal amount through public

auction or private treaty, and on the basis of the documentation submitted by the selected firm.

- ✚ issue of at least 5 invitations to tender;
- ✚ received quotations;
- ✚ a report certifying the selection of the most favourable quotation against criteria established in the invitation to tender;
- ✚ declaration of fair price (signed by the Project Manager);
- ✚ contract;
- ✚ testing or declaration of regular execution.

No supply of goods, services and works, including regular or non-regular maintenance work, which does not fall within the implementation of art. 125 of Decree 163/06, can be artificially fragmented so that they fall within the set threshold.

C) IMMEDIATE SUPPLY

Conditions for “immediate supply” apply in all those cases where, for operating requirements, there is a direct procurement of goods and services with immediate supply and **it is therefore impossible to proceed according to fiduciary contracts or direct management modalities**. In these cases, the expenditure commitment is calculated when payment is to be effected.

Goods and services that can be the object of immediate supply are procured with immediate delivery and payment (context of: needs assessment, procurement and payment).

For example:

- ✚ consumer-related costs;
- ✚ post and telecommunication charges;
- ✚ stationery;
- ✚ printers;
- ✚ materials of easy consumption;
- ✚ urgent and occasional maintenance and repair works for office equipment, furniture and cars;
- ✚ emergency supply of services by third parties involved in operating expenses.

Generally, “immediate supplies” amount to expenditure totalling not more than 5.000 Euro.

Immediate supply

- ✚ invoice, payment slip or other receipt with the “visto si liquida” (signed by the NGO Project Manager) and with the stamp certifying the fairness of the price.

INVITATION TO TENDER AND LETTER OF ORDER

Art. 5 of Presidential Decree n. 384, of 2001, defines the procedures of fiduciary agreements that can be regulated by private contract or by letter of order, prepared by the contracting authority and signed for acceptance by the suppliers of goods and services. In the private contract, the supply conditions are jointly agreed by the parties. The private contract is the optimal document to regulate the supply of services (cleaning, surveillance and maintenance services). In the letter of order, conditions are proposed by the contracting authority and accepted by the supplier. The letter of order is the optimal document for the supply of goods.

In the case of a private contract, the agreement between the parties is finalised with the signature by each party of the contract. In the case of the letter of order, the agreement is finalised with the signature of the letter by the supplier, or once a letter of response and acceptance is delivered by the supplier.

For expenditure totalling more than 20.000 euro, invitation to tenders are issued to obtain at least 5 quotations. Private contracts or letters of order should outline the specific terms and conditions that regulate the supply of goods or services. When invitations to tenders are issued, the content of private contracts and of letters of order must be the same as the content of the invitations to tender.

In all those cases where, according to local market rules and customs, the conditions for the supply of services concerning consumer-related costs are reported on standard negotiated acts, presented by the supplier through printed forms or unconditional contracts, the signature of these documents substitutes the drawing up of private contracts or letters of order. In these cases, a trusted lawyer or the Project Manager will issue a declaration certifying that the clauses included in the above mentioned documents are not against the NGO's interest.

INVITATION TO TENDER

The invitation to tender is requested whenever expenditure incurred totalled more than 20.000 euro; it is aimed to obtain at least 5 quotations.

The invitation should outline all the supplying conditions (validity of the quotation, delivery timeframe and modalities, payment terms, deadline for the submission of quotations, penalty payments, where applicable).

LETTER OF ORDER

The letter of order is a unilateral act prepared by the contracting authority and signed for acceptance by the supplier.

The **price fairness** is assessed through: market price evaluations carried out by relevant organizations; other reliable local information sources; personal knowledge of local market price standards. In the fiduciary agreement procedure, as of Art. 5 of Presidential Decree n. 384/2001, the price fairness can be clearly stated in a specific **declaration** or by applying the **appropriate stamp** on the expenditure record.

CONTRACT

Any service agreement⁴ between the NGO and third parties will have to be formalized through a contract, with the only exception of emergency services provided by third parties and strictly related to operating expenditure, as well as for urgent and occasional maintenance and repair works for office equipment, furniture and cars (IMMEDIATE SUPPLY).

The contract should include:

- ✚ object of the contract;
- ✚ supplier's data (name, address, etc...);
- ✚ amount;
- ✚ payment terms;
- ✚ penalty payments for delays, where applicable;
- ✚ contract start date;
- ✚ declaration of abiding by local law.

⁴ Examples of service agreements include: rent of premises, car rentals, surveillance services, office clearing services, maintenance, staff employment, constructions.

NEGOTIATED PROCEDURE

The “negotiated procedure” is the procedure by which the contracting authorities consult with the suppliers they have selected to negotiate with one of them, or more than one, the contract conditions.









The negotiated procedure can be used also in the procurement of goods and services totalling more than 133.000,00 euro and for works totalling more than 200.000,00 euro only **under exceptional circumstances**, as provided for by Art. 57 of Decree 163/06. In order for NGOs to use the above mentioned procedure, it will be necessary to have the authorization by the Embassy/Cooperation Office; these will have to monitor compliance with requirements and provisions laid down by Art. 57.

Among the specific cases provided for by Art. 57, the preconditions related to the assumption of urgency, which is highly relevant in the context of an emergency initiative, are hereafter indicated:

Art. 57, paragraph 2, provides that: “In public contracts related to works, supplies, services, the procedure is allowed: (...) whenever the extreme urgency caused by events which could not be foreseen by the contracting authorities, is not compatible with terms laid down by the open, restricted and negotiated procedure after publication of a call to tender. The circumstances that justify the extreme urgency do not have to be attributed to the contracting authorities”.

In addition, Art. 57, paragraph 6, provides that: “Whenever possible, the contracting authority selects the economic operators to be consulted on the basis of information on their financial, economic, technical and organizational characteristics; this data should result from market analysis and comply with the transparency, competition and rotating criteria. The contracting authority should select at least three economic operators, if there is such a number of eligible candidates. The selected economic operators are at the same time invited to present tenders object of the negotiation, through a letter outlining the main features of the required service. The contracting authority selects the economic

operator who offered the most favourable conditions, according to the lowest price criteria, and following verification that this economic operator complies with the necessary criteria required for the awarding of contracts of equal amount through open, restricted or negotiated procedure and after publication of a public notice”.

-  decision to award a contract⁵, duly motivated;
-  authorization from the Embassy;
-  issuing of at least three invitations to tender;
-  received quotations;
-  report certifying the selection of the most favourable quotation against criteria laid down in the invitation to tender;
-  fair price declaration (signed by the NGO Project Manager);
-  contract;
-  testing or declaration of regular execution.

⁵ Art. 57, paragraph 1, of Decree 163/2006: “1. The contracting authorities can award public contracts through negotiated procedure without prior publication of a public call to tender in the following cases, duly motivating it in the resolution or decision to award a contract”.

MOU WITH LOCAL PARTNERS

Regarding MoUs with local NGOs, it is important to highlight the difference between MoUs and service agreements, as these can be easily confused. The two documents are extremely different, just as different is their technical and accounting justification. The service agreement is a contract that the NGO draws up with third parties (economic operators with the authority to issue invoices) for the delivery of a service key to the implementation of the activity. The service agreement will have to respect the limitations and follow the procedures outlined in the administrative explanations, which are enclosed to the Guidelines.

The partnership Agreement, or MoU, refers to the awarding of specific project activities to NGOs or local authorities (non economic operators). These Agreements will therefore have to be originally included in the Project Document.

For accounting purposes, MoUs will be processed as hereafter described.

If expenditure is incurred by a local partner of the initiative officially stated in the project document, the partner is allowed, for the activities that fall within its competence, to request invoices made out in its name, provided that:

- ✚ financial statement modalities (and invoice heading) are clearly stated in the MoU;
- ✚ the partner submits the invoices to the Italian NGO that certifies and acknowledges their validity through the application of its stamp on the expenditure record;
- ✚ the NGO refunds the partner of the amount due;
- ✚ the NGO acquires and registers in its accounts the partner's expenditure and submits it to the donor.

It is the NGO's duty and responsibility to acknowledge and refund expenditure incurred by the partner, in line with the administrative procedures of the program, as well as to take care of the relevant recording of the expenditure, in line with the project budget.

VARIATIONS TO THE FINANCIAL PLAN

Art. 10 of the Terms and Conditions states that variations to the financial plan, which have not been previously authorised, are allowed provided that these variations occur within budget lines of the same sector of intervention (macro-items), so that variations do not exceed by more than 15% the original amount allocated to that specific budget line. Variations should not modify the general project plan and its objectives. Variations exceeding the amount noted above, or taking place across sectors of intervention (macro-items), will have to be authorised by the Embassy/Cooperation Office.

Therefore, the NGO is allowed to modify the budget without prior authorization of the Italian Cooperation Office only if:

- + variations take place within budget lines of the same sector of intervention (macro-items);
- + variations do not exceed by more than 15% the original amount allocated to that specific budget line;
- + variations do not modify the general project plan and its objectives.

In all the above mentioned cases, the NGO still has to notify any variation to the financial plan.

For variations that do not fall within the outlined criteria, the NGO needs to request and obtain the previous authorization of the Embassy/Cooperation office.

REPORTS

As laid down by art.7 of the Terms and Conditions, during the implementation phase of the intervention, the NGO will have to submit to the Embassy, through the Development Cooperation Office (UTL), an intermediate report outlining progress made in the implementation of the project, and a final report, together with the financial statement indicating expenditure incurred for the Project.

Reports will be drafted in Italian.

The **intermediate report** needs to fulfil the criteria laid down by the Development Cooperation Office (UTL). The report, outlining progress made in the implementation of the project, should describe: implemented activities, personnel involved in project management, services provided, services awarded to third parties, percentage of work performed with respect to incurred costs. In addition to the summary and the analysis of financial and administrative data, the report will document and evaluate; the implementing status of the project; activities carried out in the given timeframe; progress achieved with respect to expected and foreseen results; current project results on direct and indirect beneficiaries; visibility and current appraisal of project results.

The overall progress of activities will be presented through a chronogram that can be compared with the one enclosed to the approved project.

The **final report**, with the financial statement and the description of implemented activities, will be similar in content to the intermediate report, documenting the overall project activities. This will have to be submitted to the Embassy – Development Cooperation Office (UTL) within 30 days from the closure of activities. The above mentioned Office will prepare, by the terms noted above, the certifying statement that will allow payment of the closing balance to the NGO.

In exceptional cases, (i.e.: temporary suspension of activities due to *force majeure*), the NGO will have to submit a specific report.

EXCHANGE RATE

In Lebanon, where two currencies are used (USD and LBP) and funds are disbursed in Euro, the use of exchange rates and of the exchange value of expenditure in euro, is of particular importance. The UTL in Beirut accepts, and strongly recommends, to calculate the exchange value of expenditure incurred in dollars and in Lebanese pounds, on the basis of the real exchange rate, i.e. the exchange rate calculated according to the FIFO method (First In First Out – exchanges produced or acquired first are sold, used or disposed of first), until full coverage of the availability obtained with this exchange.

The real exchange rate has the following characteristics:

- ✚ currency exchanges should take place only between the financing currency (Euro) and the expenditure currencies (USD and LBP). Currency exchanges USD/LBP should be avoided;
- ✚ expenditure incurred in non-financing currency (USD or LBP) will be transformed into the equivalent amount until depletion of the currency availability:
- ✚ should an expenditure occur in between two exchanges, the invoice will be divided and registered using the new exchange for the amount exceeding the currency availability of the old exchange.

Examples:

- ✚ on 01.01.08 the following currency movements are carried out:
 - exchange of 1.000 EURO into 1.500 USD (real exchange rate @1.50)
 - exchange of 1.000 EURO into 2.115.000 LBP (real exchange rate @2.115)
- ✚ from 01.01.08 to 02.03.08 expenditures are incurred and registered totalling 1.450 USD and 2.000.000 LBP;
- ✚ on 03.03.08 the following currency movements are carried out:
 - exchange of 1.000 EURO into 1.600 USD (real exchange rate @1.60)
 - exchange of 1.000 EURO into 2.120.000 LBP (real exchange rate @2.120)
- ✚ on 10.03.08 two invoices need to be registered; one invoice totalling 100 USD and another invoice totalling 315.000 LBP. These invoices will be divided and registered according to currencies availability:
 - 50 USD changed @1.50 and 1.600 USD changed @1,60
 - 115.000 LBP changed @2.115 and 2.120.000 LBP changed @2.120
- ✚ the registration will be carried out as follows:
- ✚ 50 USD registered at the old exchange rate @1.50 (equiv. EURO 33,333) and 50 USD registered at the new exchange rate of @1.60 (equiv. EURO 31,250);
- 115.000 LBP registered at the old exchange rate @2.115 (equiv. 54,374) and 200.000 LBP registered at the new exchange @2120 (equiv 94,340).

INVENTORY

The inventory should include all the durable goods⁶ purchased with Project funds. The list of goods available for the Project should be included in the financial statement and should detail the following information:

- ✚ Number;
- ✚ Description of goods;
- ✚ Brand;
- ✚ Quantity;
- ✚ Destination;
- ✚ N. series;
- ✚ Placement;
- ✚ N. Inventory;
- ✚ Purchase currency;
- ✚ Amount;
- ✚ Equivalent in Euro.

NGO-PROJECT										
EQUIPMENT AVAILABLE FOR THE PROJECT										
N	Description	Brand	Quant	Destination	N. Series	Placement	N. Inventory	Purchase currency	Amount	Equivalent in Euro

At the end of the Project, the goods listed in the inventory will be donated to the local partner identified in the project proposal. A copy of the funding report, countersigned by the beneficiary, will be enclosed in the final financial statement.

⁶ Durable goods are goods that do not wear out for consumption during the programme.

FINANCIAL STATEMENT

PRESENTATION OF THE FINANCIAL STATEMENT

Financial statements should include:

- ✚ Accompanying letter and request for tranche release;
- ✚ Summary of Financial Statement (Title page);
- ✚ Summary table of expenditures;
- ✚ Intermediate or final report;
- ✚ Book of first entry completed in chronological order and with progressive numbering;
- ✚ Statement of costs for each specific budget line;
- ✚ Expenditure records, translated into Italian and with their cover duly filled in. All expenditure records must correspond to expenditure items forecasted in the financial plan of the project. All the invoice documentation should be numbered in progressive order, with the same number clearly indicated on the completed book of first entry;
- ✚ Copy of the bank contract or certification provided by the bank on the profitable or non-profitable nature of the account;
- ✚ Bank statement, in original, certifying the received credit;
- ✚ Bank documentation (bank statements, bank movements carried out in the period, exchange statements, bank statements related to the credit interests);
- ✚ Copy of contracts and their translation;
- ✚ Receipts of currency exchange;
- ✚ Authorizations for possible variations "Programme.."; authorisations should indicate what is specifically provided for, and what has been modified;
- ✚ Supporting documentation to contracts, with a translation of their abstracts into Italian;
- ✚ Car expenses: declaration that travels were conducted only and exclusively for work-related activities;
- ✚ Phone expenses: declaration certifying that phone calls were made only and exclusively for work-related activities;

Intermediate Financial Statement

- ✚ The intermediate financial statement will have to certify, through the submission of copies of expenditure records, expenditure effectively incurred from the signature of the Terms and Conditions;
- ✚ The total amount indicated in the financial statement will correspond to 80% of the first tranche;
- ✚ In the book of first entry, only costs covered by the Italian Cooperation and not by the NGO or other financing entity, will have to be included;
- ✚ The book of first entry will include, at the bottom, active interests accrued on the Project bank account. Accrued interests will appear in the enclosed bank statements.

Final Financial Statement

As laid down by art. 7⁷ of the Terms and Conditions, the NGO is asked to submit the final financial statement within 30 days following the finalisation of the Project. Starting from that date, the Embassy commits itself to carry out the necessary evaluations within 30 days from receipt of the NGO documentation. This deadline will be suspended if the supplied documentation is incomplete or presents irregularities, and it will become once again effective from the date of the submission of the corrected documentation.

The third installment, in full and final settlement, up to a maximum of 10% of the total, is disbursed within 8 days from the date when the Embassy, after verification of the report outlining the final status of the project, its correct implementation and, where necessary its testing, certifies the administrative and accounting regularity of the corresponding financial statement.

The deadline for the finalisation of activities will not coincide with the ending of the financing (i.e. "when 100% of the programmed expenses have occurred"); it will coincide with the date indicated in the Terms and Conditions. If on that date the amount established by the financing is not fully spent, the unspent balance will be deducted from the release of the closing balance. The final balance will consist of: Project Cost (total spent and accounted for+ administrative costs + guaranty costs) – Disbursed – Active interests.

⁷ Art.7 " (.....) The submission of the report outlining the final project status and its relevant financial statement, in line with the financial plan originally proposed, will take place within 30 days following the finalisation of the project".

✚ All the documentation in original, since the starting date of the activities, will have to be submitted during the presentation of the final financial statement;

✚ A title page with an account summary will have to be enclosed to the accompanying letter indicating:

1. the disbursed subtotal;
2. the total spent and accounted for + the total administrative costs for Italy + costs related to bank guaranties (i.e. the overall Project costs);
3. the accrued active interests;
4. the final tranche release (the final tranche release will consist of the total project costs- disbursed - active interests);

✚ In the book of first entry only costs covered by the Italian Cooperation and not by NGOs or other financing entities, will have to be included;

✚ During the presentation of the final financial statement, the book of first entry will have to include, at the bottom, the active interests accrued on the Project bank account. Accrued interests will appear in the enclosed bank statements. All the accrued active interests will be deducted from the final tranche release;

✚ A report certifying the delivery of goods to the selected beneficiaries needs to be enclosed;

✚ Final project Report;

✚ Final Testing report, if works are executed

INVOICE PRESENTATION

Expenditure records should always be submitted in the original. In those cases where *“local customs do not allow for the issuing of invoices or equivalent documents, substitute documentation will have to be provided to integrate the description of expenditure incurred”* (art. 8 of Ministerial Decree n.362, of 3 March 1990).

The equivalent documentation will include all the necessary data for the correct identification of expenditure as well as the supplier's data.

Records of expenditure should:

- ✚ be clearly identifiable (supplier's heading);
- ✚ be registered in the NGO's name;
- ✚ be validated with the stamp indicating the NGO name, the Project code and the AID program;
- ✚ indicate the detailed description of the supply;
- ✚ indicate the unit price;
- ✚ indicate the total price;
- ✚ bear the stamp paid (or equivalent) by the supplier, if there is no payment receipt;
- ✚ bear the "visto si liquida" stamp with the Project manager's signature

Invoice heading if there is an MoU: If expenditure is incurred by one of the local partners officially indicated in the project document, the partner is allowed, for the activities that falls within its competence, to request that invoices are made out in its name, provided that:

- a) financial statement modalities (and invoice heading) are clearly stated in the MoU;
- b) the partner submits the invoices to the Italian NGO that certifies and acknowledges their validity through the application of the NGO stamp on the expenditure record;
- c) The NGO refunds the partner of the amount due;
- d) The NGO acquires and registers in its accounts the partner's expenditure and submits it to the donor.

CONTRACTS

All contracts should:

- ✚ have an abstract translated into Italian;
- ✚ be duly recorded (i.e. put in progressive order and dated).

✚ for **contracts of expatriate personnel**, the following documents should be enclosed to the financial statement; copy of the contract, pay packet, copy of F24, boarding cards, insurance.

✚ the **contract drawn up with the Bank**, which should always be enclosed to the financial statement, will clearly indicate the profitable or non-profitable nature of the account.

Cover Letter

Each invoice should be accompanied by a cover letter, indicating:

- ✚ as heading, the NGO name and logo, the title of the initiative, the project code;
- ✚ allocation date;
- ✚ progressive invoice numbering;
- ✚ budget line;
- ✚ the amount of the invoice, with relevant equivalent in euro and the adopted exchange rate;
- ✚ payment modalities (cheque, cash, direct bank transfer);
- ✚ a summary translation into Italian; description of the expenditure.

ADDITIONAL DOCUMENTATION

The following documentation should also be enclosed to each invoice:

- ✦ fair price declaration, where necessary, issued by a trusted technician, i.e. by the Project Manager;
- ✦ certification of regular supply and/or work done;
- ✦ if payment was made by cheque, a photocopy must be enclosed;
- ✦ if payment was made by direct bank transfer, the bank account or the payment order must be enclosed;
- ✦ payment receipt.

Translation

All the enclosed documentation to the financial statement must be translated. As already mentioned, should the documentation be very extensive, a summary translation will be accepted.

DOCUMENTS TO BE ENCLOSED TO THE FINANCIAL STATEMENT

Accompanying Letter and Request for the Disbursement of the Next Tranche

The Accompanying letter should indicate the date for the submission of the financial statement and list all the enclosed documents.

With reference to the Terms and Conditions, the Accompanying letter should request the tranche release, specifying again the bank account details where the tranche should be paid.

A summary of the submitted financial statement will be enclosed to the Accompanying letter.

All the administrative documentation regarding the financial statement will be addressed to: ITALIAN EMBASSY – BEIRUT Palestinian Refugees Emergency Programme [name of contract]

Summary table of expenditure

The summary table of expenditure will be prepared using the appropriate form. The Table indicates the total spent for each budget line, as of the date indicated in the financial statement.

Narrative Budget Report

The narrative budget report highlights specific administrative and financial procedures in support of the submitted documentation. It is a technical report of expenditure incurred during project activities. In addition, the report presents a detailed analysis of expenses incurred for each budget line, with a summary of the most important issues that might not be clear to parties who have not been directly involved in the project.

Book of first entry

The book of first entry will be prepared chronologically, on the basis of the progressive numbering of expenditure records, regardless of the macro-item. Each expense allocation will include:

- ✚ Progressive numbering;
- ✚ Allocation date;
- ✚ Expenditure item;
- ✚ Description of payment;
- ✚ Amount in local currency and (if applicable) its equivalent in euro;
- ✚ Adopted exchange rate.

In the book of first entry, only costs covered by the Italian Cooperation and not by NGOs or by other financing entities, will have to be included. The book of first entry will include, at the bottom, the active interests accrued on the Project bank account.

Specifications for expenditure

Specifications for expenditure are the book of first entry summarised/categorised according to budget lines. Each budget line will correspond to a list of incurred expenses for that line during the accounted period.