

**PROCEDURAL ACT  
OF THE ENERGY COMMUNITY SECRETARIAT**

**2023/05/ECS: On the adoption of the Handbook on the Internal, Technical and Financial Management of the EU4Energy Phase II + EU funded Project**

The Energy Community Secretariat,

Implementing the *Procedures for the Establishment and Implementation of Budget, Auditing and Inspection of the Energy Community* as amended by the Ministerial Council on 23 September 2014 and in particular Article 37 thereof,

Having regard to the Grant Contact (NDICI-GEO-NEAR/2022/437-303): EU4Energy Phase II+ (Grant Contract) signed on 30 November 2022.

Taking into account experience gained through the implementation of past EU funded projects and a need to set internal, technical and financial monitoring system as required by the Grant Contact.

**ADOPTS THE FOLLOWING PROCEDURAL ACT:**

**Article 1**

The Director of the Energy Community Secretariat adopts the Handbook on the Internal, Technical and Financial Management of the EU4Energy Phase II+ (EU4Energy Governance Phase II+).

**Article 2**

This Procedural Act enters into force on the day of its adoption .

For the Energy Community

Director

Artur Lorkowski

Done in Vienna on 29 March 2023

**The Handbook  
on the Internal, Technical and Financial Management of the  
EU4Energy Phase II+  
EU funded project<sup>1</sup>**

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<sup>1</sup> Internal, technical and financial monitoring system

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## 1. INTRODUCTION

### 1.1. Purpose of the Handbook

The present Handbook on the Internal, Technical and Financial Management of the EU4Energy Phase II+ EU funded project ("Handbook") applies to the Project awarded to the Energy Community Secretariat ("the organisation"; "EnCS") in November 2022. The document is intended to serve as an aid to all the EnCS staff who is involved in the management of the project. Its principal aims are to:

- provide guidance on internal monitoring of project implementation (technical aspects);
- provide guidance on how to handle the financial side of the project in such a way that financial reporting can be drawn up;
- promote the sound financial management of the project and ensure that the best results/products are delivered at reasonable cost.

The provisions of this Handbook are applicable from the date of its adoption until the end of the Project - that is 28 February 2027. They are subject to changes and adjustments, following experience gained throughout the project implementation.

### IMPORTANT!

Before using this document please check that it is the latest available version. If there is a later version, it will be saved following the link: [Financial Management Handbook](#).

### Version History:

<b>Version:</b>	
<b>Date:</b>	7 March 2023

### 1.2. Applicable Documents

This document should be read in conjunction with the related Grant Contract and any supporting documents, guidance notes, tools as well as Energy Community internal rules and procedures including in particular:

- The EU4Energy Phase II+ - Component 1 (Grant Contract NDICI-GEO-NEAR/2022/437-303) (incl. Annexes) concluded between the Energy Community, represented by the Energy Community Secretariat ("EnCS") and the European Union, represented by the European Commission, dated 30 November 2022;
- Staff Regulations of the Energy Community, including Travel Rules in their most recent version;
- Procedural Act of the Energy Community Secretariat 2019/08/ECS-EnC: On the adoption of the Financial Management Rules of the Energy Community, including Procurement Guidelines in their most recent version.

## 2. PERMANENT INTERNAL TECHNICAL MONITORING SYSTEM

The following rules for internal effective monitoring of Project implementation must be read together with the related Grant Contract.

Dedicated Project Management Unit with a name Project Management Unit (PMU Unit) is overseeing the development and implementation of the EU4Energy Governance Project Phase II+.

The PM Unit comprises of:

- Project Manager (team leader equivalent/Head of PMU (previously Head of Eastern Partnership Assistance Unit)
- Electricity Expert
- Senior Energy Expert based in Chisinau
- Regulatory Energy Expert based in Kyiv
- Senior Energy Expert based in Kyiv
- Senior Energy Expert based in Tbilisi
- Project Officer/Assistant/Senior Project Officer/s
- Ukraine Support Task Force
  - Ukraine Support Task Force Lead
  - Ukraine Support Task Force Deputy Lead
  - Logistics Expert
  - Energy Expert
  - Energy Officer
  - Financial Officer
  - Tracking/Logistics Officer
  - Projects Assistant
- Interns/Secondees/Locally recruited personnel (based in Vienna, Kyiv, Chisinau, or Tbilisi)

To ensure that adequate support is available for implementation of the work programmes in the Eastern partner countries, EnCS maintains three regional offices - one in Chisinau (for Moldova, one in Kyiv (for Ukraine) and one in Tbilisi (for Georgia).

PMU monitors the individual assignments and the implementation of the overall work programmes in Georgia, Moldova and Ukraine to ensure that any issues arising in implementation are addressed quickly and effectively and that lessons learnt are channelled into new assignments. Given the dynamic and fast moving political and economic environment in the beneficiary countries, the annual country work programmes can be reviewed as appropriate.

Each individual technical assistance assignment is based on a specific Terms of Reference (ToRs) prepared by the EnCS for activities in Georgia, Moldova and Ukraine. Once the ToRs are finalised, the EnCS will provide in-house expertise or recruit and contract any external expertise required. External expertise will be recruited in line with the EnCS own procedures for outsourced services but at the same time respecting the provisions stemming from the Grant Contract. PMU manages and supervises the provision of technical assistance under the overall guidance of the Director of the EnCS and in close cooperation with other EnCS staff as appropriate.

EnCS Director supervises the work of the PMU to ensure that the overall approved work programmes under the Project are implemented. EnCS Director also approves all draft work programmes and amendments to them, signs all the contracts within the EU4Energy Governance Project and after verification approves all the invoices for disbursement of funds.

Head of Project Management Unit is authorised to initiate the operations related to EU4Energy Governance Project and assists in verifying them, approves the ToRs, deliverables, inception, progress, interim and final reports.

Technical monitoring of project implementation is also conducted during coordination weekly calls with participation of all PM Unit staff members.

### **3. FINANCIAL RULES**

The following financial rules must be read together with the related Grant Contract and Energy Community internal rules and procedures.

#### ***3.1. General Provisions on Eligibility of Costs***

The general context, nature and amount of expenditure will be considered when assessing eligibility.

To be considered as eligible costs of the project, costs must satisfy the following general criteria, in line with Article 14 of the General Conditions applicable to European Union financed grant contracts for external actions (Annex II to the Grant Contract):

- they must be connected with the project (e.g. relevant to the project and/or be directly connected with the execution of the project);
- they must be foreseen in the estimate overall budget of the project;
- they must be reasonable and justified and they must accord with the principles of sound financial management, in particular in terms of value for money and cost-effectiveness;
- they must be generated during the contractual lifetime of the project;
- they must be actually incurred by the EnCS and be recorded in its accounts in accordance with the applicable accounting principles<sup>2</sup>;
- they must be identifiable, verifiable and be recorded in the accounting records of the EnCS. The costs should be determined according to the applicable accounting standards<sup>3</sup> and the usual cost accounting practices of the EnCS.

EnCS's accounting system permits direct reconciliation of the costs and revenue declared in respect of the project, with the corresponding accounting supporting documents. For scales of unit costs this implies that the actual "number of units" must be recorded in appropriate documents (e.g. salary slips, timesheets (as applicable) etc.).

Where applicable accounting rules do not require an invoice, there shall be an accounting document of equivalent value. This means any document produced in order to prove that the accounting entry is accurate and complies with the applicable accounting rules.

EnCS ensures to keep all supporting documents (copies or originals) of the incurred costs<sup>4</sup> related to the project. Unjustified costs will not be considered as eligible neither by the European Commission (EC) nor by the auditors. The vast majority of documents (including invoices, tickets, supporting documents, proof of payments, contracts, bids, etc.) are created, circulated and kept in

<sup>2</sup> Costs incurred should be paid before the submission of the final reports. They may be paid afterwards, provided they are listed in the final report together with the estimated date of payment. An exception is made for costs related to final reports, including expenditure verification, audit and final evaluation of the Action, which may be incurred after the implementation period of the Action.

<sup>3</sup> In line with the Procedural Act of the Energy Community Secretariat dated 16 January 2008, the Energy Community adopted the International Public Sector Accounting Standards (IPSAS).

<sup>4</sup> In case documents are missing, an explanation note shall be provided.

electronic format. There is no requirement to have all documents to be printed out and archived in paper form.

The single currency of the Grant Contract is EUR. All financial reports should be drawn up in EUR. Rules for currency conversion in Article 15.9 of General Conditions (Annex II to the Grant Contract) shall apply. Further internal guideline of EnCS on the Foreign Currency transactions applies<sup>5</sup> according to which a foreign currency transaction should be recorded on the initial recognition in functional currency, by applying to the foreign currency amount, the exchange rate between the functional currency and the foreign currency at the date of transaction<sup>6</sup>. In line with the Energy Community's internal practice on the application of exchange rates, a rate that approximates the actual rate at the date of transaction is an average rate for a month (InforEuro Rate) as published under:

[http://ec.europa.eu/budget/contracts\\_grants/info\\_contracts/inforeuro/index\\_en.cfm](http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/index_en.cfm)

### **3.2. Non-eligible Costs**

Under no circumstances following types of costs can be considered as eligible<sup>7</sup>:

- debt and debt service charges (interest);
- provisions for losses or potential future liabilities (i.e.: provisions for contractual and moral obligations, fines, financial penalties and legal costs);
- purchases of land or buildings, except where necessary for the direct implementation of the Action and according to the conditions specified in the Special Conditions;
- currency exchange losses;
- costs declared by EnCS and covered by another project or work programme receiving a European Union grant;
- credits to third parties, unless otherwise specified in the Special Conditions to the Grant Contract;
- in-kind contributions (except for volunteers' work);
- salary costs of the personnel of national administrations;
- bonuses included in costs of staff.

Costs which could be considered as eligible according to the criteria detailed under section 3.1 become non-eligible if they are not supported by adequate documents (*please see point 3.3 for further information*)

#### **■ 3.2.1 EU logo and communication**

The EC reserves the right to reject costs relating to documents and materials which do not state the EU logo and funding disclaimer as defined in the Grant Contract and in line with the agreed Communication and Visibility Guidelines.

#### **• 3.2.2 Timely recording of costs**

Expenses must be recorded in the accounting system on the basis of adequate supporting documents at the time the costs were incurred.

<sup>5</sup> See Note on ACCOUNTING POLICY ON THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES AT THE ENERGY COMMUNITY SECRETARIAT from 02.01.2017, updated 31.01.2018

<sup>6</sup> Functional currency is the currency of the primary economic environment in which the entity operates

<sup>7</sup> In line with art 14.11 of Annex II - General Conditions applicable to European Union-financed grant contracts for external actions to the Grant Contract

### **3.3. Categories of Eligible Costs and necessary supporting documents**

The eligible direct costs for the project are those costs which, with due regard for the conditions of eligibility set out above, are identifiable as specific costs directly linked to performance of the project and which can therefore be booked to it directly.

- **3.3.1 Staff**

Costs relating to the following categories of staff are considered:

- statutory staff, having either an employment agreement until the end of the project (i.e. February 2027) or a temporary employment contract;
- other types of employment/engagement contracts concluded in line with the Energy Community Recruitment Rules, Staff Regulations and other applicable rules.

Costs relating to accident insurance charges for employed staff in line the applicable rules and regulations.

#### **List of supporting documents that must be prepared and supplied when requested:**

- Staff payroll records, and salary statements;
- HR budget of the project;
- Timesheets <sup>8</sup> {where applicable) signed by both the staff member and the project manager/director, mentioning name, function and tasks fulfilled, reference to the work programme's activities, number of hours per day/per month allocated to the project. *Timesheets are applicable only for those employees that are not involved exclusively in the project - please refer to **Annex I** for further information;*
- Employment contracts with an indication of the type of contract, the start date (and end date if applicable), signed both by the employer and the employee can serve as justifying documents;
- Supporting documents to employment contracts, like application, CVs, other supporting documents for qualifications;
- Proof of payment of the salaries;
- Proof of payment for insurance costs.

*Please note that these documents should be kept for a period of **5 years after the final balance payment is made**, in line with art 16.7 of Annex II to the Grant Contract.*

- **3.3.2 Travel costs and per diems**

Travel costs for staff taking part in the project are considered eligible, provided that they are in line with the Energy Community Travel Rules<sup>9</sup>. Costs may be claimed only for travels directly connected to specific and clearly identifiable project-related activities. Travel costs are applicable to staff members involved in the project.

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<sup>8</sup> Please refer to Annex I for further information on timesheets

<sup>9</sup> As annexed to the Energy Community Staff Regulations

Payment shall be based on actual costs, regardless the means of travel chosen (rail, bus, taxi, plane, rent-a-car, etc.). Staff is required to use the most cost-effective mode of transportation, including the carbon footprint of the transport method, relative to the purpose and duration of the travel, Travel by air shall take place by the most direct route at the lowest available price.

The travel cost for a travel should include all costs and all means for travel from the point of origin to the point of destination <sup>10</sup> (and vice versa) and may include visa fees, travel insurance and cancellation costs, when justified.

In line with the Energy Community Travel Rules, exceptionally, the use of a private car (or a taxi) may be authorized. Reimbursement shall be based on the costs of public transportation<sup>11</sup>. Parking of the private car at the airport will be reimbursed at the most economical tariff in relation to the parking time<sup>12</sup>. Terminal expenses are reimbursed upon presentation of related bills. No terminal expenses shall be paid if such transportation was provided at no cost to the traveller. Where public transport is not reasonable for objective reasons<sup>13</sup>, the actual costs of a taxi will be reimbursed upon receipt presentation.

Travel expenses paid comprise the following:

- Cost of transportation, including transportation within the domicile country, to/from the airport or other point of arrival or departure of the domicile country (terminal expenses)
- Daily subsistence allowance (DSA)<sup>14</sup>
- Official communication costs (eg. Internet costs in the hotel, used for working purposes)
- Other costs in direct relation with the travel and authorized with the request for travel (e.g. excess baggage, visa costs)
- Cancellation costs, when justified

**List of supporting documents that must be prepared and supplied when requested:**

- Copy of Ticket (plane, train, bus, etc.) invoices (travel agency etc.);
- Copy of boarding passes;
- For car journeys: declaration stating the city of departure and arrival, the calculation method with unit rate and justified number of units (e.g. GOOGLEMAPS etc.)<sup>15</sup>, dates;;
- Mission Report (see Annex IV for a template) with clear identification of the activity/purpose of the trip, dates, main activities if there are no minutes, etc;
- Meeting Agenda or invitation to a meeting (see Annex IV for a template - if organised by the Project);
- Signed Attendance List (see Annex IV for a template - if organised by the Project), if available;
- Print out of the travel claim;
- Copies of invoices/receipts for transportation, like transportation within the domicile country, to/from the airport or other point of arrival or departure of the domicile country (terminal expenses), official communication costs and all other costs in direct relation with the travel and authorized with the request for travel (e.g. excess baggage, visa);

<sup>10</sup> City, where the event/mission takes place.

<sup>11</sup> Concerning terminal expenses

<sup>12</sup> In the domicile country only

<sup>13</sup> Eg. travel takes place early in the morning (before 8 AM) or late at night (after 10 PM)

<sup>14</sup> The Energy Community DSA rates at their most recent scale shall apply from: [https://ec.europa.eu/international-partnerships/documents-library\\_en?keyword=per%20diem%20rates](https://ec.europa.eu/international-partnerships/documents-library_en?keyword=per%20diem%20rates)

<sup>15</sup> The use of private car may be authorized by the Director. In this case, mileage costs based on the most recent scale under Austrian legislation (Since 1.1.2011 EUR 0.42/km <https://www.bmf.gv.at/themen/stuern/kraftfahrzeuge/kilometergeld.html>) will be reimbursed, but only up to 500 EUR in total.

- Copies of invoices/receipts for claimed cancellation costs, if applicable along with justification;
- Comparable offers for flight options, in cases where a staff member requires a booking in different timing than the one justified by the agenda of the meeting;
- Proof of payment<sup>16</sup>.

- **3.3.3 Equipment costs**

Purchase, rent or lease of equipment (new or second-hand), including the installation, maintenance and insurance costs, are considered eligible costs:

- only when specific and necessary for achieving the project's objectives. Proposed equipment purchase must always be duly justified. Procurement procedure as defined in **Annex II** shall apply;
- provided that it is written off in accordance with IPSAS17, the accounting standards applicable to the EnCS and generally accepted for items of the same kind.

#### **List of necessary supporting documents**

- copies of purchase contracts and (copy of) invoices;
- comparable *offers* as required by the applicable procurement law;
- delivery notes;
- proof of payments.

- **3.3.4 Office Costs**

##### *3.3.4.1 Office Rent*

Rental costs of premises necessary to carry out the project<sup>17</sup> will have to be supported by rental contracts concluded or equivalent documentation. In case the office is not an exclusive project office, an appropriate apportionment method to outline the allocation of costs shall be applied<sup>18</sup>.

##### *3.3.4.2 Consumables/ Office supplies*

The costs of consumables and supplies are eligible, provided that they are identifiable and exclusively used for the purpose of the project. They must be identifiable as such in the project accounts. When purchasing them, the organisation must comply with the procurement rules, outlined in **Annex II**.

##### *3.3.4.3 Other services (telephone services, electricity/heating etc.)*

All the costs need to include supporting documents and be specifically linked to the implementation of the project.

#### **List of supporting documents that must be prepared and supplied when requested**

- copy(ies) of contract(s) for office rent;

<sup>16</sup> In case of lost ticket, an explanation shall be provided by the traveller

<sup>17</sup> See art 14.2 j) of Annex II - General Conditions to the Grant Contract for further information

<sup>18</sup> Which is the case in Vienna office of Energy Community Secretariat that offers office space for the personnel employed under the project

- additional supporting documents/methods necessary for the calculation of rental expenses, eg. apportionment method etc.
- copies of invoices, clearly indicating the period when the services/goods were purchased;
- proof of payment.

- **3.3.5 Other costs**

Costs arising directly:

- from requirements imposed by the Grant Contract (e.g. dissemination of information, specific evaluation of the project, audits, translations, website, visibility, etc.), including financial service costs (in particular costs of transfers where required under the contract) and
- from the realisation of specific actions or of products/results of the project (e.g. the organisation of seminars/workshops by the project team itself - where the seminar/workshop is foreseen as a product/result and where task-related costs are easily identifiable, the production of a video, the purchase of product-related consumables - paper for printing of publications, etc.)

are eligible.

Only activities which are specific and necessary for achieving the goals of the project are considered. When travel and/or subsistence costs are reimbursed to third parties (partner countries' delegates, experts, speakers, volunteers, candidates invited for interviews in the course of recruitment etc.), the rules applicable to travelling and reimbursement of delegates/speakers (Energy Community Reimbursement Rules) will be applied.

Costs which are not covered by the other categories are also considered as Other Costs. Some examples are: one-off costs for press releases and publicity, etc.

#### **3.3.5.1 Publications**

In order to be eligible for the EU funding, publications must be produced specifically for the project and comply with the Project's Visibility Strategy and the Communication and Visibility Manual for the European Union External Actions laid down and published by the European Commission<sup>19</sup>. Costs related to editing, graphic design, printing and dissemination of reports, guidelines, manuals and case studies etc. can be processed under this category. Additionally, any other costs related to other type of publications, including for the purposes of the procurement are processed under this category.

#### **List of supporting documents that must be prepared and supplied when requested:**

editing: the invoice must specify the type/name of the publication and the number of pages/words,

translations: the invoice must specify the name of the publication/document,

printing: the invoice must specify the type/name of the publication, the number of pages and the number of copies; invoice shall be accompanied by delivery note of the printed publications,

<sup>19</sup> Article 6 of the Annex II to the Grant Contract, see: [http://ec.europa.eu/International-partnerships/system/files/communication-visibility-requirements-2018\\_en.pdf](http://ec.europa.eu/International-partnerships/system/files/communication-visibility-requirements-2018_en.pdf) Communicating and raising EU visibility - Guidance for external actions - July 2022\_0.pdf (europa.eu)

final documents delivered, eg. translations, publications etc.  
proof of payment.

### 3.3.5.2 Studies, research, consulting

#### *General provisions*

Where the implementation of the project envisages procurement of services, the organisation shall comply with the procurement law, as outlined in **Annex II**.

Studies, research, consulting are subcontracted and should be in line with activities as foreseen in the work programmes. Costs are based on a verifiable estimate or, if the subcontractor is identified, on the basis of an offer. The estimate/offer will cover all planned costs (e.g. staff costs plus travel/allowance costs, etc.).

The EnCS shall award the contract to the tenderer offering best value for money, i.e., to the tender offering the best price-quality ratio or lowest price in compliance with the principles of transparency and equal treatment for potential contractors, care being taken to avoid any conflict of interests.

A contract with the selected service provider must at least indicate:

- the reference to the tender and offer;
- the reference to the Project ;
- the start/end date;
- the tasks to be implemented within a certain time schedule;
- the value of the contract;
- the payment modalities (amount or percentage and deliverables to be achieved; law applicable in case of contestation, etc.)
- date of signature of the agreement.

For the purpose of the Project, *inter alia*, the Energy Community Secretariat established a Roster (pool) of Experts to facilitate the identification and mobilization of suitable expertise in a timely manner.

The EnCS must be able to prove that it has requested offers from the minimum number of suppliers, as per procurement rules outlined in Annex II. Requests sent by electronics means, i.e. email or post may constitute these proofs.

One procedure can include several lots but it is not acceptable to launch separate procedures in order to remain under specific procurement thresholds (artificial split of contracts).

#### **List of supporting documents that must be prepared and supplied when requested:**

- terms of reference/specifications of the tendering;
- request for quotation/offer with reference to the project, activity and deadline for answering;
- quotations/offers received dated and signed;
- evaluation committee's report;
- award decision;
- contracts and invoices (copies);
- proof of deliverables and payments;