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Implementation and reporting manual for the Final Recipients under EmBRACE project

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1 Introduction

The purpose of the Implementation and Reporting Manual is to provide comprehensive guidance for Final Recipients (FRs) implementing Small Projects under the Subsidy Contract for the Small Project Fund “EmBRACE” (Enhancing MSEs Sustainable Growth and Competitiveness), as part of the Interreg VI-A IPA Croatia – Bosnia and Herzegovina – Montenegro 2021-2027 Programme. The manual covers all phases of project implementation, from contracting to Small Project closure, including reporting obligations and other Programme-related requirements stipulated in the Subsidy Contract.

The Project Implementation Manual and its annexes may be amended during the Small Project implementation period. Any amendments will be announced on the EmBRACE website (<https://cbchb.eu/cbc-cro-bih-mne/embrace/project-documentation/>), where the latest version will also be uploaded.

For specific questions and problems related to your Small Project, please contact the Small Project Fund Beneficiary (SPFB) for advice. You can find the contact details of the SPFB on the EmBRACE website.

2 Small Project Fund (SPF) Level Bodies

Programme

The INTERREG VI-A IPA Croatia-Bosnia and Herzegovina-Montenegro 2021-2027, a Cross-Border Cooperation Programme (hereinafter Programme) in the framework of the European Territorial Cooperation, is intended to support and develop the border areas and cross-border cooperation between Croatia, Bosnia and Herzegovina and Montenegro.

Small Project Fund (SPF)

The Small Project Fund (SPF) EmBRACE (Enhancing MSEs Sustainable Growth and Competitiveness) is a pilot project that provides financial support to micro and small entrepreneurs within the Interreg VI-A Programme IPA Croatia – Bosnia and Herzegovina – Montenegro 2021-2027 and improves the competitiveness of micro and small

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enterprises (MSEs) in the border area.

Selection Committee – SC

The SC is the body responsible for managing the selection of project parts and of the FRs that will implement them as part of the EmBRACE pilot project. The SC is to decide on the project proposals submitted in the framework of the EmBRACE pilot project.

Small Project Fund Beneficiary – SPFB

The SPFB is responsible for the sound and prudent management of the selected Small Projects. The SPFB operates the online EmBRACE [Platform](#) as the official web portal of the SPF. The SPFB is obliged to sound administrative and financial management of the SPF, including submission of the project level progress reports and final report, accompanied by the payment claims to the JS. All monetary transfers are sent by the MA to the SPFB, the SPFB's responsibility is to transfer the grant amounts verified to the FRs (MSEs). The SPFB is the HAMAG-BICRO – Hrvatska agencija za malo gospodarstvo, inovacije i investicije (Croatian Agency for SMEs, Innovations and Investments) for the EmBRACE project.

HAMAG-BICRO – Hrvatska agencija za malo gospodarstvo, inovacije i investicije

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Final Recipient –FR

The FR is a micro and small entrepreneur that has a seat or a branch operating in the Programme area that has successfully formed a partnership and whose Small Project Application has been selected for financing by the SC.

Small Project –SP

Article 2(10) of the CPR defines the SPF as '(...) an operation in an Interreg programme aimed at the selection and implementation of projects, including people-to-people actions, of limited financial volume'.

Subsidy Contract

The Subsidy Contract serves as the legal framework for project implementation, signed between each Final Recipient (FR) and the Small Project Fund Beneficiary (SPFB) regarding the Small Project Application (SPA) selected for funding. The SPFB provides the FR with a grant to finance the implementation of the Small Project (SP) within the stipulated timeframe and in accordance with the provisions of the Subsidy Contract.

3 Project implementation

After the consolidation of the application and signing of the Subsidy Contract, FRs should start a series of administrative steps to set-up an efficient management system and to secure the first payments to project.

The following steps are related to Small Project start-up and must be followed in the first months after the final consolidated application was approved by the SPFB, allowing Small Project partnership to lay the foundations for a smooth development of the Small Project.

3.1 Setting up a Project Team

Small Project partners should have a clear vision of the Small Project team management structure in advance, identify roles and allocate responsibilities to each Small Project team member. Moreover, effective management structure and internal monitoring system could identify potential risks and therefore provide an opportunity to avoid delays in Small Project implementation.

4 Communication and visibility

Communication of Small Project activities and results supports the achievement of the Small Project objectives and fosters the transfer of the Small Project results. Small Project FRs should therefore automatically strive for integrating information, communication and

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visibility measures on results and added value of support from the EU funds to their Small Projects. The language of the information and communication has to be selected according to the language of the target audience and may be either English or favourably bilingual (English and one of the local languages).

All co-funded Small Projects are expected to inform the public about the EU support received by the EmBRACE SPF Project and Programme as well as about the results and impacts of the co-funding of the Small Project.

Bear in mind that efficient communication is the key to achieving the **Small Project's aims and ensuring the transparency of the use of EU funds**. Detailed instructions regarding communication requirements are outlined in the Guidelines for Applicants (GfA) and **VISIBILITY and COMMUNICATION GUIDELINES for the Final Recipients under EmBRACE project**. All communication must be conducted in compliance with the provisions of the GFA, the Subsidy Contract (SC), and other published guidelines.

Detailed instructions regarding the technical requirements and the use of the Programme Logo, Project Logo as well as any other promotional Items can be found in separate document named **VISIBILITY and COMMUNICATION GUIDELINES for the Final Recipients under EmBRACE project**.

5 Procurement rules

All participants must comply with the applicable legal regulations on procurement rules. Detailed instructions regarding procurement procedures are provided in the dedicated **Procurement Guidelines for the Final Recipients under EmBRACE project**.

6 Reporting

Reporting is one of the tools used by the EmBRACE SPF project to monitor on a regular basis progress and performance of the Small Project, its deliverables, outputs, achievements and contributions to the Programme objectives and output and result

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indicators. Reporting is also the basis for the reimbursement of the EU contribution part of the Small Project expenditure.

The aim of the reporting process is to establish whether Small Project objectives have been achieved, what problems have been encountered, and whether the Small Project is expected to be completed on time and within the budget. If performance is adequate, the Small Project will receive payment from the EmBRACE SPF project for costs incurred, paid and reported.

Project partners/ Final Recipients (FRs) are required to submit partner reports to the SPFB in accordance with the reporting periods specified in the Subsidy Contract and Notification on Reporting Requirements for the Small Project.

Reporting periods: Partner reports cover periods of four months, in accordance with the terms set out in the GFA.

Deadline for submission: The partner report must be submitted to the SPFB within 10 calendar days from the end of the reporting period.

Final report: The deadline for submitting the final partner report is one month (30 days) from the end of the reporting period.

Verification process	Verification timeframe and indicative deadlines		
Preparation and submission of the Partner Report to the SPFB	10 calendar days from the end of each reporting period; 1 month in case of Final Partner Report		
Verification of expenditures and issuing the Certificate		Max. 80 calendar days from the submission of the Partner Report	
Payment deadline			100 calendar days from the submission of the Partner Report

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Partner reports consist of:

- A description of activities and costs for the reporting period through EmBRACE web platform (<https://cbchb.eu/reporting/>)
- Supporting reporting documentation through EmBRACE web platform (<https://cbchb.eu/reporting/>)

The SPFB shall issue a Certificate on the eligible and validated costs to the FR within 80 days after the submission of the Small Project Report

All FRs are obliged to report implemented activities and expenditures incurred and paid within respective reporting period by filling in the Partner Report (even if the concerned partner has no expenses incurred in a certain period). Each Partner Report refers to one partner/FR only and one reporting period only. Within 10 calendar days after the end of each reporting period (in case of final Partner Report within 1 month from the project end date) every FR fills in the Partner Report and submits it, including all supporting documents, to SPFB for the verification of expenditures.

Partner report consists of progress on activities and of expenditures related. FRs must pay special attention to the quality of the narrative part of the Partner Report (Report identification and Work plan progress).

The following elements need to be filled in:

- **Report identification**

This indicates the reporting period relevant for the Partner Report, including its start and end dates. It should also contain a summary of FRs' work in the reporting period, including any FR problems and deviations from the work plan such as the inability to perform as initially foreseen (e.g. postponement of the activities/costs), as well as a description of the FRs involvement.

- **Work plan progress**

This focuses on activities implemented throughout the reporting period. It contains a general description of FR's contributions to the activities carried out in the relevant

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reporting period, as well as each contribution to project outputs. It should also include a more detailed description of FR's contributions to Small Project activities and deliverables per each Activity.

- **Procurement**

All procurement procedures that were completed (i.e. relevant collected offers and purchase orders/contracts were signed) within the reporting period must be uploaded.

- **List of expenditures**

Financial reporting is done through the List of expenditures of the Partner Report. The cost categories must be filled in for every item added in the List of expenditures section. Partner Reports may include expenditure incurred and paid during the eligibility period of the SP, i.e., starting from the date when SP application is officially submitted until after the start date of the Small Project and not later than the end date of the reporting period concerned. In case of the Final Partner Reports all expenditure has to be incurred and paid according to the rules set in chapter 11. Project closure. All supporting documents related to the expenditure incurred and claimed by a partner must be uploaded to the platform.

- **Report annexes**

Any other attachments that the FR finds relevant for the report but aren't yet added as supporting documents for an invoice or proof of delivery of an output, can be added in the Report under other documents. Before uploading any attachments, FRs have to be sure of their relevance to the report and not duplicate any documents already provided, whether in the current report or any of the previous ones (in case a previously uploaded document will be needed, the FR will provide an indication when the document was sent.

- **Output indicators**

For each output a short description of the progress is requested. However, outputs should only be reported when they are fully completed (i.e. not during their delivery). This approach prevents the double-counting of outputs and ensures that only those that are completed are counted. When an output is reported as completed, FRs need to provide evidence on its completion. FRs must report outputs in line with the Output indicators chosen in the AF. Before reporting on indicators, the FRs should study the definition provided for each indicator carefully and understand the programme's intervention logic.

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The SPFB may ask for clarifications or request additional documentation from the FR, and they must be provided **up to 7 working days** from the request (depending on the scope and significance of the requested clarifications). The start date of deadline is the day following the day on which SPFB sent request for clarification. All official communication is done via platform or e-mail in Programme language (English).

SPFB will monitor reporting deadlines in reporting process on FRs and Small Project level and in case of delays, SPFB will provide reminder to the FR/FRs.

Any unjustified delay in reporting or in the process of supplementing the partner report may lead to a withholding of payments or financial corrections¹. The partner report is submitted to the SPFB through the EmBRACE web platform, even if the FR has had no costs during the reporting period.

SPFB may revert the Project Report to the FRs for corrections and/or clarifications. Please note that SPFB can suspend the deadlines for approval of Small Project report until all necessary clarifications are provided by FRs. After the Small Project Progress Report has been verified and approved by the SPFB, the payment of the certified amount (EU contribution) will be made to the FR.

6.1 General principles

Generally, **eligible costs** for funding are costs which meet following criteria:

- they are incurred and paid during the eligibility period of the SP, i.e. starting from the date when SP application is officially submitted until the end of the SP's implementation, with the exception of preparation costs
- they are indicated in the estimated overall budget of the Small Project,
- they are necessary for the implementation of the Small Project,
- they are identifiable, verifiable and documented (e.g. contract, invoice, order form) in the accounting records (except for flat rates and lump sums),

¹ Financial corrections as stated in Subsidy Contract

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- they comply with the requirements of applicable (national) tax and social security legislation,
- they are reasonable, justified, and comply with the principle of sound financial management,
- they are incurred in accordance with the relevant EU legislation, national legislation, and other relevant documents,
- they are not listed as an ineligible expenditure,
- they are not double funded (i.e. they are not financed from other sources under the Union Funds or other (national) Funds),
- amounts in the List of Expenditure do not exceed amounts in the approved Small Project budget (in line with the provisions of the Subsidy Contract / Addendum, if applicable / reallocations),
- a co-financing rate (as stipulated in the Subsidy Contract) is applied to each eligible cost under all expenditure categories,
- the relevant procurement rules have been observed (if applicable),
- they have been verified by the SPFB.

Please note that a list of ineligible costs is stipulated in the [GfA](#) and [Evaluation Manual](#).

Ineligible costs – examples (non-exhaustive list):

- purchases of equipment not indicated in the AF or specifically approved during Small Project implementation by the SPFB,
- equipment purchased from another FR,
- consultant fees/services between FRs,
- hiring employees of the FRs as external experts,
- interest on debt (e.g. interest for late payments),
- cost for infrastructure and works outside the programme area,
- shared costs (e.g. sharing costs among FRs for service / works or equipment procured by one of the FRs),
- costs related to fluctuation of foreign exchange rate,
- In-kind contributions (including unpaid voluntary work),

Any detected ineligible costs will be deducted from the FR Small Project costs, reducing therefore the requested EU contribution accordingly. Final eligible costs will be

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calculated based on reported eligible expenditures after adequate control (SPFB) have been performed.

6.2 VAT and customs charge

Value added tax (VAT) is eligible expenditure and must be planned in SP budget.

In line with Article 64 of CPR, VAT shall not be supported by the Programme, except:

- a) For operations the total cost of which is below EUR 5,000,000.00 (including VAT);
- b) For operations the total cost of which is at least EUR 5,000,000.00 (including VAT) and VAT is non-recoverable under national legislation;
- c) For SPFs and investments made by FRs in the context of SPFs.

In those cases, VAT is eligible, if:

- a) It is established that it is borne by the FR;
- b) It is clearly identified in the invoice.

FRs in Bosnia and Herzegovina are obliged to follow relevant national procedure for **customs charges exemption**: [Instruction on claiming customs duties and taxation payment exemption](#) in accordance with the Framework Agreement between Bosnia and Herzegovina and the Commission of the European Communities on the rules for cooperation to implement EC financial assistance to Bosnia and Herzegovina under the Instrument for Pre-Accession Assistance (IPA III)" (Official Gazette of Bosnia and Herzegovina, No 16/23).

FRs in Montenegro are obliged to follow relevant national procedure for **customs charges exemption**: Rulebook on value added tax exemptions for investors and supply of certain products and services (Official Gazette of Montenegro, published 13.05.2024.). Additional information on exemption procedure in Montenegro is provided on: <https://www.gov.me/clanak/izdavanje-potvrda-za-oslobadanje-od-pdv-a-carine-i-akciza-fransiza>

Customs charges that are non-recoverable under national legislation can be eligible cost (if all other eligibility conditions are met).

6.3 Documentation for Cost Categories

Within the EmBRACE project, there are 6 cost categories:

1. Staff costs
2. Office and administrative costs
3. Travel and accommodation costs
4. External expertise and services
5. Equipment
6. Infrastructure and works

Preparation costs (Lump sum) EUR 1.500 per FR	
Cost category	Form of reimbursement
Staff costs	20 % flat rate of direct costs (real costs)
Office and administrative costs	15 % flat rate of staff costs
Travel and accommodation costs	15% flat rate of staff costs
External expertise and services costs	Real costs
Equipment costs	Real costs
Costs of infrastructure and works	Real costs

As an exception, costs may be reported and claimed before the equipment has been delivered, the service has been fully provided, or the works have been completed. Such costs shall be considered advance payments made by the FR to a supplier and are eligible up to a maximum of 50% of the amount allocated to the relevant approved budget line of the Small Project.

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The advance payment may be reported and claimed in the reporting period in which it was paid. However, only the advance payment amount, up to 50% of the amount allocated to the relevant approved budget line, may be claimed at that stage.

The remaining expenditure related to the procurement item may be reported and claimed only after the procurement has been fully completed, i.e. after the equipment has been delivered and put into operation, the service has been fully provided, or the works have been completed, as applicable. For this purpose, the FR shall submit all relevant supporting documentation, including proof of delivery/completion, final invoice(s), proof of payment, bank statement(s), and photographs of the equipment, services and/or works in compliance with the visibility requirements.

The remaining eligible expenditure, up to the amount approved under the relevant budget line, may be claimed in a subsequent progress report following completion of the procurement item, and final reimbursement by the SPFB will be made after verification that the procurement item has been fully delivered, completed and paid for in accordance with the approved Small Project and the applicable EmBRACE SPF rules.

6.3.1 Preparation costs

Preparation costs represent a special eligible expenditure that is automatically granted to the FRs who successfully sign contract with the SPFB for implementation of their SP up to an amount of total EUR 1,500 per FR as a lump sum cost related to the preparation of the SPAs.

The preparation cost total amount is EUR 1,500.00 as a lump sum for each financial recipient (FR).

The lump sum shall cover the following costs:

- Staff costs of the FR involved in developing the SP;
- Administration costs (e.g. office costs such as internet, electricity, paper, etc.);
- External services costs such as translation and consultation (e.g. external expert contracted for supporting the preparation of SP proposal);
- Travel costs for meetings and other events such as: internal preparatory meeting/s, workshops, etc.

It is not necessary to submit supporting documentation for preparation costs.

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During submission of the first progress report FRs need to indicate the costs in the budget, upon approval of the progress report alongside other costs the lump sum for preparatory cost will be transferred to the bank account of each FR.

6.3.2 Staff costs

The costs of staff are expenditures incurred connected to the personnel involved in the implementation of the SP on behalf of the FRs. The staff involved in SP implementation with a valid contract can work full-time or part-time and can do administrative and/or professional tasks. Staff costs shall be clearly connected to the SP and its activities.

Final beneficiaries are not allowed to amount staff costs less or more **than 20% flat rate of direct costs (real cost)**.

As part of the first reporting period, the following documents must be submitted for control purposes and to ensure an audit trail (at the beginning of the implementation and in case of staff changes during the project):

- **List of project staff** (in free format, signed by the company's representative or authorized person). This document should include a list of all employees of the project partner enterprise involved in project activities, with at least one employee being actively engaged in project implementation.

The list must be updated and resubmitted in case of changes in the project staff composition during the project implementation.

It is not necessary to submit supporting documentation for staff costs, except in first reporting period.

6.3.3 Office and administrative costs

Office and administrative costs are automatically calculated and can be reimbursed as a **flat rate of 15% of eligible staff costs**.

Office and administrative expenditure shall be limited to the following elements:

- Office rent;
- Insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances);

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- Utilities (e.g. electricity, heating, water);
- Office supplies;
- General accounting provided inside the FR organization;
- Archives;
- Maintenance, cleaning and repairs;
- IT systems (operating/administrative IT services of general nature, linked to the implementation of the SP);
- Communication (e.g. telephone, fax, internet, postal services, business cards);
- Bank charges for transnational financial transactions.

Cost items accounted under the office and administration cost category cannot be reimbursed under any other cost category.

It is not necessary to submit supporting documentation for Office and administrative costs.

6.3.4 Travel and accommodation costs

Travel and accommodation costs of the staff – being employed by the FRs – involved in the implementation of the SP are eligible costs if they are incurred for performing tasks directly related to the SP activities.

Travel and accommodation costs are automatically calculated as a **flat rate of 15% of the staff costs.**

Travel and accommodation costs include expenses for travel, meals, accommodation, visas, and per diems.

- Travel costs: as a general rule for travelling, the most economical way of transportation has to be used:
 - Travelling by car – it is allowed to use a private or company car only if it is the most economical way of transportation and it is proven to be a time-saving solution;
 - Travelling by rail / bus / ship / plane – as a general rule the most economical and efficient way of transport should be used. No first or business class tickets are eligible;
 - Local travel fares (bus, underground, taxi etc.);
 - Insurance fees – to cover the costs of insurance for the whole trip.

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- Accommodation and meal costs can be reimbursed if they are in a reasonable price range and if per diem does not cover them. Middle price range accommodation has to be used; 3-stars hotels are generally accepted within this category. The use of higher category accommodation has to be justified. Duration of the mission must be clearly in line with its purpose. Costs of longer duration are eligible only if it results savings made in the costs of transportation.
- Visa costs.
- Per diems (daily allowances) of the SP staff shall be defined by the employer. They must not exceed the rate set by the European Commission on the following [link](#).

Per diems can be paid to SP staff that travel abroad for the purpose of the SP. Per diems generally cover meal, accommodation and local travel expenses. In case of receiving per diem other subsistence costs are not eligible.

FRs shall prepare a description about conducted travel with supporting documents, such as signature lists and photos. It is not necessary to submit any other documentation for Travel costs (such as travel orders, offers, invoices etc.).

6.3.5 External expertise and services costs

Expenditure on external expertise and service costs are eligible costs on real cost basis including the following services and expertise provided by a public or private law body or a natural person other than the FRs' staff:

Studies or surveys: evaluations, strategies, design plans, handbooks necessary for the cooperation of the FRs;

- Events, conferences, seminars, trainings, SP meetings – the budget line shall include all costs emerging related to an SP event, including fees of lecturers / performers / trainers / experts, as well as costs like interpretation, translation of documents, rental costs, technical background, catering, travel costs of members of the target group etc. Activities closely related to the organization of events can be externalized separately based on the activity type as well (e.g. transportation, translation, rental activities etc.); travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
- Costs of supervisor of engineering, architect's site supervision: in case of SP with works

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components;

- Cost related to publicity, promotion and communication: IT systems and website development, modifications and updates; promotion, communication, publicity or information, participation in promotional events (e.g. registration fees);
- Other: intellectual property rights; provision of guarantees by a bank or other financial institution where required by EU- or national law; other specific expertise and services needed for the SP;
- Services related to SP administration and management: collection of documents of expenditure, maintenance of files, public procurement activities on level of the FRs.



FRs, as part of the report for real costs of external expertise and services costs, should provide the complete procurement documentation as listed in the table below.

Document	Storage location on the Platform	Examples of document and folder naming and organization.
<p>1. Requests for offers and offers from potential suppliers, if applicable (For costs between EUR 2,500.00 to EUR 20,000.00 (excluding VAT), FRs must submit 1 pro-forma (non-binding) offer. For costs over EUR 20,000.00 (excluding VAT), FRs must submit 3 pro-forma (non-binding) offers.)</p>	<p>Upload External expertise and services costs (Zip, RAR)</p> <p><i>Note: All documentation within the cost category "External Expertise and Services" should be zipped into a single main folder named "External Expertise and Services."</i></p>	<p>Folder name: For the category of external experts and services, please use the label "EES" as the initial character in the folder name.</p> <p>"EES procurement <u>short name of the cost/procurement item</u>" (and the number if there are multiple items in one report)</p> <p>Example of a folder name</p> <div style="display: flex; align-items: center; border: 1px solid black; padding: 2px;"> EES01_Catering </div> <div style="display: flex; align-items: center; border: 1px solid black; padding: 2px; margin-top: 5px;"> EES02_IT system </div> <p>Example of subfolders organization:</p> <div style="display: flex; align-items: center; border: 1px solid black; padding: 2px;"> EES01_Catering </div>
<p>2. Contract or Purchase Order The contract/purchase order should clearly</p>		

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<p>reference the project (acronym) and the program.</p>		<ul style="list-style-type: none"> <input type="checkbox"/> Request for submission of offers, if applicable <input type="checkbox"/> Received offers, if applicable <input type="checkbox"/> Contract or purchase order
<p>3. Invoice, payment/reimbursement request or an equivalent document, with a reference to EmBRACE project and Small Project (acronym) and a description of the services provided in accordance with the contract.</p>		<p>Within the main folder, please create a subfolder named "List of Expenditures"</p> <p>Example:</p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> EES01_Catering </div> <ul style="list-style-type: none"> <input type="checkbox"/> Request for submission of offers, if applicable <input type="checkbox"/> Received offers, if applicable <input type="checkbox"/> Contract or purchase order <input type="checkbox"/> List of expenditures
<p>4. Proof of payment (e.g., bank statement).</p>		<p>The subfolder should contain all invoices, payment/reimbursement requests, or equivalent documents related to the procurement for that expense.</p>
<p>5. Accounting records accounting record as proof that the project cost is separated from other account cards.</p>		<p>Example:</p> <ul style="list-style-type: none"> <input type="checkbox"/> List of expenditures <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <ul style="list-style-type: none"> Bank statement Invoice Accounting records Calculation of contributions and taxes </div>
<p>6. Calculation of contributions and taxes according to the applicable type of contract/purchase order in line with national regulation for each country, if applicable.</p>		
<p>7. In the case of travel and accommodation costs for external</p>		

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<p>experts: invoices or equivalent documents (hotel receipts, bus or plane tickets, etc.), including proof of payment (e.g., bank statements) and proof of reimbursement (costs pre-financed by the expert). Proof of their participation (e.g., signed attendance list).</p>		
<p>8. Any change to the contract must be documented and submitted as part of the reporting period in which the change occurred</p>		<p>If there has been a contract amendment, please add the annex to the folder.</p> <p>Example:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Contract or purchase order <div style="border: 1px solid black; padding: 5px; margin-left: 20px;">  Contract Annex 1 </div>
<p>9. Proof of activities carried out (e.g., studies, promotional materials, etc.; or, in the case of events: agenda, participant list, photo documentation, proof of delivery or delivery note if applicable etc.), including proof of visibility (where applicable).</p>		<p>Within the main folder, please create a subfolder named "Completion proof" where all proofs of completion should be saved.</p> <p>Example:</p> <div style="border: 1px solid black; padding: 5px; margin-left: 20px;">  EES01_Catering </div> <div style="border: 1px solid black; padding: 5px; margin-left: 20px; margin-top: 10px;"> <ul style="list-style-type: none"> <input type="checkbox"/> Request for submission of offers, if applicable <input type="checkbox"/> Received offers, if applicable <input type="checkbox"/> Contract or purchase order <input type="checkbox"/> List of expenditures <input type="checkbox"/> Completion proof </div>

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		<p>Completion proof</p> <ul style="list-style-type: none"> Photographs with visibility elements Proof of delivery Attendance list
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All costs for external experts and services incurred within a single partner report should be entered individually **in the form of the financial report**. The amount of each invoice should be entered in a separate row of financial table report. Cumulative amounts from invoices are not allowed.

6.3.6 Equipment

Purchase of new equipment is eligible only if the items are essential and directly related to the implementation of the SP, and if they are listed in the approved SP budget.

All equipment shall be other than those covered by the expenditures of cost categories 'Office and administration' and 'Infrastructure and works' and are necessary and shall exclusively be used for SP implementation, having a clear contribution to the achievement of the SP's objectives.

FRs, as part of the report for real costs of equipment costs, should provide the complete procurement documentation as listed in the table below.

Document	Storage location on the Platform	Examples of document and folder naming and organization.
1. Requests for offers and offers from potential suppliers, if		Folder name:

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<p>applicable (For costs between EUR 2,500.00 to EUR 20,000.00 (excluding VAT), FRs must submit 1 pro-forma (non-binding) offer. For costs over EUR 20,000.00 (excluding VAT), FRs must submit 3 pro-forma (non-binding) offers.)</p>	<p>Upload Equipment costs (Zip, RAR)</p> <p><i>Note: All documentation within the cost category "Equipment costs" should be zipped into a single main</i></p>	<p>For the category of equipment costs, please use the label "EQ" as the initial character in the folder name.</p> <p>"EQ procurement <u>short name of the cost/procurement item</u>" (and the number if there are multiple items in one report)</p> <p>Example of a folder name</p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> EQ01_ Lab equipment </div> <div style="border: 1px solid black; padding: 5px;"> EQ02_Machine </div> <p>Example of subfolders organization:</p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> EQ01_Machine </div> <div style="border: 1px solid black; padding: 5px;"> <ul style="list-style-type: none"> Request for submission of offers, if applicable Received offers, if applicable Contract or purchase order </div>
<p>2. Contract or Purchase Order The contract/purchase order should clearly reference the project (acronym) and the program.</p>		<p>Within the main folder, please create a subfolder named "List of Expenditures"</p> <p>Example:</p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> EQ01_Machine </div> <div style="border: 1px solid black; padding: 5px;"> <ul style="list-style-type: none"> Request for submission of offers, if applicable Received offers, if applicable Contract or purchase order List of expenditures </div>
<p>3. Invoice, payment/reimbursement request, or an equivalent document, with a reference to the EmBRACE project and Small Project (acronym) and a description of the services provided in accordance with the contract/purchase order.</p>		

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<p>4. Proof of payment (e.g., bank statement).</p>	<p><i>folder named "Equipment costs"</i></p>	<p>The subfolder should contain all invoices, payment/reimbursement requests, or equivalent documents related to the procurement for that expense.</p> <p>Example:</p> <ul style="list-style-type: none"> <input type="checkbox"/> List of expenditures <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <ul style="list-style-type: none"> Bank statement Invoice Accounting records </div>
<p>5. Accounting records accounting record as proof that the project cost is separated from other account cards.</p>		<p>If there has been a contract amendment, please add the annex to the folder.</p> <p>Example:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Contract or purchase order <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <ul style="list-style-type: none"> Contract Annex 1 </div>
<p>6. Any change to the contract must be documented and submitted as part of the reporting period in which the change occurred</p>		<p>Within the main folder, please create a subfolder named "Completion proof" where all proofs of completion should be saved.</p> <p>Example:</p> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <ul style="list-style-type: none"> EQ01_Machine </div> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <ul style="list-style-type: none"> <input type="checkbox"/> Request for submission of offers, if applicable <input type="checkbox"/> Received offers, if applicable <input type="checkbox"/> Contract or purchase order <input type="checkbox"/> List of expenditures <input type="checkbox"/> Completion proof </div>
<p>7. Proof of delivery, installation, and putting the equipment into use:</p> <ul style="list-style-type: none"> - delivery note, - photo documentation, - inventory list, - record of putting into use, - List/extract from material accounting records/inventory list/asset register, 		

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<p>- proof that the acquired equipment is labelled in accordance with the program requirements related to visibility etc.)</p>		<div style="border: 1px solid gray; padding: 5px;"> <p>📁 Completion proof</p> <div style="border: 1px solid gray; padding: 5px; margin-top: 5px;"> <p>📄 Photographs with visibility elements</p> <p>📄 Proof of delivery</p> <p>📄 Inventory list</p> </div> </div>
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All costs for equipment incurred within a single partner report should be entered individually **in the form of the financial report**. The amount of each invoice should be entered in a separate row of financial table report. Cumulative amounts from invoices are not allowed.

6.3.7 Infrastructure and works

Infrastructure and works are eligible costs on real cost basis comprising the following activities:

- Reconstruction, renovation of buildings, works and infrastructure – these costs comprise expenditure related to works needed for the alteration, reconstruction, expansion of a used building.
- These costs are only considered eligible if they are directly linked to the SP and are proven to be essential for its effective implementation.
- Small scale infrastructure – up to 10% of total budget per FR.

Important to point out that developed infrastructure cannot be sold and must be kept free of all liens and claims for 3 years.

FRs, as part of the report for real costs of Infrastructure and works, should provide the complete procurement documentation as listed in the table below.

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Document	Storage location on the Platform	Examples of document and folder naming and organization.
<p>1. Legal documents of ownership or long-term lease/use of the land and/or facility where the work is being carried out.</p>	<p>Upload Equipment costs (Zip, RAR)</p>	<p>Folder name: For the category of Infrastructure and works, please use the label "IW" as the initial character in the folder name.</p> <p>"IW procurement <u>short name of the cost/procurement item</u>" (and the number if there are multiple items in one report and <i>if they were acquired individually</i>)</p>
<p>2. Technical specifications with costs for the execution of works</p>		<p>Example of a folder name</p> <div style="border: 1px solid black; padding: 5px; display: inline-block;"> IW01_ Renovation of building </div>
<p>3. Requests for offers and offers from potential suppliers, if applicable (For costs between EUR 2,500.00 to EUR 20,000.00 (excluding VAT), FRs must submit 1 pro-forma (non-binding) offer. For costs over EUR 20,000.00 (excluding VAT), FRs must submit 3 pro-forma (non-binding) offers.)</p>		<p>Example of subfolders organization:</p> <div style="border: 1px solid black; padding: 5px; display: inline-block;"> IW01__ Renovation of building </div>
<p>4. Contract or Purchase Order The contract/purchase order should clearly reference the project (acronym) and the program.</p>		<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <ul style="list-style-type: none"> <input type="checkbox"/> Request for submission of offers, if applicable <input type="checkbox"/> Received offers, if applicable <input type="checkbox"/> Contract or purchase order <input type="checkbox"/> Technical specifications <input type="checkbox"/> Document of ownership </div>
<p>5. Invoice, payment/reimbursement request, or an</p>		<p>Within the main folder, please create a subfolder named "List of Expenditures"</p>

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<p>equivalent document, for provisional/final construction status, and a detailed description of the performed works in accordance with the contract and national legislation related to works/infrastructure (construction logs, construction book, etc.) with a reference to EmBRACE project and Small Project (acronym).</p>	<p><i>Note: All documentation within the cost category "Infrastructure and works" should be zipped into a single main folder named "Infrastructure and works "</i></p>	<p>Example:</p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> IW01__ Renovation of building </div> <div style="border: 1px solid black; padding: 5px;"> <ul style="list-style-type: none"> <input type="checkbox"/> Request for submission of offers, if applicable <input type="checkbox"/> Received offers, if applicable <input type="checkbox"/> Contract or purchase order <input type="checkbox"/> List of expenditures </div> <p>The subfolder should contain all invoices, payment/reimbursement requests, or equivalent documents related to the procurement for that expense.</p>
<p>6. Proof of payment (e.g., bank statement).</p>		<p>Example:</p> <div style="border: 1px solid black; padding: 5px;"> <ul style="list-style-type: none"> <input type="checkbox"/> List of expenditures <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <ul style="list-style-type: none"> Provisional construction project status/ Invoice Provisional construction project status/ Invoice Bank statement Invoice Accounting records </div> </div>
<p>7. Accounting records accounting record as proof that the project cost is separated from other account cards.</p>		
<p>8. Any change to the contract must be documented and submitted as part of the reporting period in which the change occurred</p>		<p>If there has been a contract amendment, please add the annex to the folder.</p> <p>Example:</p> <div style="border: 1px solid black; padding: 5px;"> <ul style="list-style-type: none"> <input type="checkbox"/> Contract or purchase order <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <ul style="list-style-type: none"> Contract Annex 1 </div> </div>
<p>9. Proof of completed works/infrastructure:</p>		<p>Within the main folder, please create a subfolder named "Completion proof"</p>

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<ul style="list-style-type: none"> - photo documentation - construction supervision reports - handover report - proof that the infrastructure and works have been completed and recorded in the fixed asset register - where applicable, after the completion of works, the occupancy permit must be submitted no later than as part of the final partner report - proof that the constructed infrastructure is labelled in accordance with the EmBRACE project requirements related to visibility 		<p>where all proofs of completion should be saved.</p> <p>Example:</p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> IW01__ Renovation of building </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <ul style="list-style-type: none"> <input type="checkbox"/> Request for submission of offers, if applicable <input type="checkbox"/> Received offers, if applicable <input type="checkbox"/> Contract or purchase order <input type="checkbox"/> List of expenditures <input type="checkbox"/> Completion proof </div> <div style="border: 1px solid black; padding: 5px;"> <ul style="list-style-type: none"> <input type="checkbox"/> Completion proof <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <ul style="list-style-type: none"> Photographs with visibility elements Handover report Asset register </div> </div>
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All costs for Infrastructure and works incurred within a single partner report should be entered individually **in the form of the financial report**. The amount of each invoice should be entered in a separate row of financial table report. Cumulative amounts from invoices are not allowed.

7 Use of Embrace Platform

Small Project reporting is an essential project management task. Small Project reporting allows the necessary monitoring of the Small Project with regard to its implementation in line with the SPA and the Contract. Both Small Project reporting and Small Project monitoring are the basis for the reimbursement of funds to the FRs. Reporting and monitoring take place at partner (FR) and Small Project level.

All Small Projects will report on the implementation of Small Project activities. For implementation and monitoring purposes all FRs have to submit their Small Project reports at the same time or in sync, to maintain consistency and fairness. This ensures that no one has a head start or delay, keeping things aligned and standardized for everyone involved.

FRs Small Project reports has to be prepared and submitted on the [EmBRACE platform](#). Therefore, FRs are obliged to report on their activities and expenditures (incurred and paid) for a given reporting period, according to the reporting schedule defined in the SPA. Each FR reports on the progress made in the relevant reporting period compared to what was planned in the SPA.

The link to the reporting section of EmBRACE platform is available [HERE](#), and at the EmBRACE website.

For technical support or any other problems related to the submitting of the reports you can contact SPFB directly via email: embrace@hamagbicro.hr.

8 Project Modifications

A Small Project should be implemented in accordance with the approved Application. However, due to unforeseen reasons, some changes may be necessary in relation to the specific elements of the Small Project implementation defined in the approved Application and Subsidy Contract. Modifications will be accepted only in duly justified cases. It is important to note that project modifications should not in any way put into question the basic purpose of a Small Project and the Selection Committee decision on

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selection of the Small Project. In all such cases, the FRs has to inform the SPFB Project Manager of the planned modification as soon as possible.

Depending on the impact of the changes on the Small Project, there are minor and major Small Project changes.

Minor changes require only the confirmation/approval of the SPFB. Some changes (minor and major) may also result in an Addendum of the Subsidy Contract.

Significant (major) modifications are to be considered as an exception, and they may be approved only in duly justified cases.

Depending on their focus the following types of modifications may occur:

- Budget modifications,
- Modifications of the work plan,
- Modification of legal and administrative elements,
- Extension of the Small Project duration,
- Modifications of the partnership.

The FRs are strongly advised to collect potential modifications from all FRs into one modification request on SP level, in order to reduce the administrative burden and avoid repeating the lengthy modification procedure for each FR modification separately. The FRs must involve all partners/FRs in the discussions in due time so that the needs of the whole partnership are reflected in the modification request.

FRs can only submit one modification in writing for the duration of the SP.

As modification requests require prior approval from SPFB, they enter into force after the approval from the SPFB. However, once approved they are valid retrospectively starting from the date when the modification request was first submitted to SPFB. In case of rejection by the SPFB, the same modification cannot be requested again.

The operation can be modified only during its implementation period and the modification should not affect the basic purpose of the operation, the grant award decision or be contrary to the equal treatment of FRs.

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Modifications will be accepted only in duly justified cases. It is important to note that Small Project modifications should not in any way put into question the basic purpose of a project and the SC decision on the selection of the project. A detailed explanation of the procedure and template for modifications will be given in the Reporting Manual.

The project may be modified only during its implementation period - modifications cannot be made retroactively after the project ended with implementation!

FRs can only submit **one modification** in writing for the duration of the SP.

8.1 Modification process

As soon as FRs becomes aware about the need for modification the FRs have to inform the SPFB. SPFB performs a preliminary screening of the requested modification in order to identify the type and nature of the modification. The SPFB then provides support and guidance through the whole modification process which is briefly outlined below.

Modification process must be implemented (started and concluded) before the FRs reporting deadline in order to allow proper reporting and monitoring which is always linked to the last approved application.

Only one (1) modification is acceptable for the entire duration of the Small Project from all FRs.

In order to implement modifications, the following steps are foreseen:

1. The FRs informs the SPFB via e-mail on the need for the modifications. Modification request form needs to be prepared including short description and justification of the changes (attaching also, if applicable, supporting documents).
2. SPFB can request additional information from FRs before approval of the modification request (via e-mail).
3. After the approval of the modification request via e-mail, FRs insert in ANNEX_Project modifications the changes and supporting documents to modify the relevant parts of the SPA and submits the modification.

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4. SPFB checks the modification of the SPA and, if needed, hands back the Small Project modification to the FRs for further clarifications and/or adjustments or accepts the modification.
5. The process is finalised, and the SPFB is notified about the decision.

8.2 Minor modifications

Minor modifications are adjustments of the Small Project, which do not have a significant impact on the Small Project objectives and/or its implementation. **The request for minor Small Project modification should be submitted to the SPFB no later than one (1) month before the project end date.**

Minor modifications are limited to the following:

- a) Modifications of administrative elements
- b) Modification of the workplan/periods
- c) Budget modifications

a) Modification of administrative elements

Administrative modifications are all changes concerning the basic information relevant to the Small Project.

For example:

- change of contact / address information of the FRs,
- change of bank account of the FRs,
- changes of legal representative(s) of the FRs,
- change of name of the FR(s) (when it does not affect their legal status),
- change of the legal status of the FR(s) (e.g. legal succession), etc.

The legal succession of the FR is considered as an administrative change and not as a partner change if it can be proved, based on the legal act, that the new legal entity is the legal successor taking over the duties and obligations of the previous one (predecessor), as well as it still fulfils the partner eligibility criteria of the relevant Call for Proposals.

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b) Modifications of the workplan/periods

Minor changes of the workplan/periods are modifications related to Small Project activities and deliverables (e.g. changes in timeline, location, quantity of deliverables, changes related to investments, etc.).

Changes in the workplan must not:

- affect the Small Project intervention logic (i.e. achievement of project main and specific objectives, quantity of project output and result indicators) and the cross-border character of the project,
- affect the quality, nature and use of the planned outputs and investments (technical / professional equipment and / or infrastructure and works),
- change the nature and intended use of equipment items.

c) Budget modifications

Budget modifications refer to reallocations among expenditure categories or budget lines within each FR budget. Budget modifications must be agreed upon in a partnership and communicated to the SPFB. Budget reallocations must be inserted in the Budget Template.

Each financial reallocation must be justified. Savings during implementation of Small Project activities may be reallocated only if there is a real need to redistribute the surplus to some other expenditure category/line.

Any budget modification should be carefully prepared by involving all FRs and clarifying their needs. This modification includes a maximum of 20% budget reallocation within the categories of real costs (external services, equipment except for infrastructure and works) for each FR budget.

The FRs are responsible for coordinating the Small Project budget of the whole partnership.

Restrictions for budget modifications:

- the Small Project total budget cannot be increased during the implementation of the Small Project,

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- budget modifications cannot affect the nature and purpose of the Small Project as per approved Small Project Application,
- budget modifications of flat rates/lump sums are not allowed.

8.3 Major modifications

Major modifications are substantial deviations from the approved Small Project Application. They are considered as **exceptional cases**, which need the previous decision of the SPFB, based on thorough duly justification.

The Request for major modification must be initiated by FRs at the latest three (3) months before the project end date.

The SPFB shall give written response (via e-mail) to the request and clarify if the request is justified and inform the FRs about the procedure to be followed and the necessary documents to be submitted.

In case the request for major modification is approved by the SPFB, the Small Project Application needs to be modified accordingly. When approved change has an effect on the contents of the Subsidy contract, the Addendum to the Subsidy contract will be issued.

The following modifications are considered as major modifications:

- a. changes in the composition of the partnership,
 - b. prolongation of the Small Project implementation period²,
 - c. changes related to output/result indicators,
 - d. changes related to location of investment and/or type of investment.
- a) Changes in the composition of the partnership

The partnership is a core feature of a Small Project and, as such, it is assessed in the application phase and approved by the SC. Therefore, modifications of the partnership should be avoided, and other possible solutions should be explored before requesting a

² In duly justified cases the Small Project may request to exceed the maximum implementation period, which should be approved by the SPFB.

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partnership modification. In any case, a partnership modification requires the approval of the SPFB.

It should be noted that the concept of partnership modifications requiring the approval by SPFB refers to any change that has impacts on the legal relationships within the partnership.

Restrictions for partnership modifications:

- the change must not affect the cross-border character of the Small Project,
- the total Small Project budget cannot be increased.

In case the change in the composition of partnership cannot be avoided, the Programme has the following options for the remaining FRs:

- 1) The redistribution of the budget and activities between the remaining FRs

This option means that one or more remaining FRs partly or fully take over the role and activities of the withdrawing FR. Therefore, this also means that the budget of the withdrawing FR is reallocated among other FRs taking over tasks of the withdrawing FR.

- 2) Replacement of the withdrawing FR

This option should only be considered in exceptional cases if option A is not possible for the remaining FRs. The replacing MSE must have the necessary experience and technical, organisational and financial capacity to properly implement the Small Project. Additionally, the replacing MSE must comply with all relevant administrative, quality and eligibility criteria of the relevant Call.

In case the withdrawing FR has not yet started the implementation of its activities, tasks and the related budget, they can be fully taken over by the new FR.

If the withdrawing FR has already carried out some of the planned activities, only the remaining tasks and budget may be taken over by the new FR.

It is nevertheless to be highlighted that funds of the withdrawing FR become available for the new FR only after the official approval of the replacement by the SPFB.

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b) Prolongation of the Small Project implementation period

Prolongation of the Small Project duration can be requested only once during the Small Project's lifecycle.

The prolongation of the Small Project duration means the extension of the timeframe for the eligibility of expenditures and, if relevant, the revision of the spending forecast of the Small Project.

In exceptional and well justified cases, FRs can request a modification of the Small Project duration, which then needs to be approved by the SPFB (e.g. if, without an extension of the Small Project duration, it would not be possible to achieve the set Small Project overall and specific objectives).

c) Changes related to output/result indicators

The FRs have to assure that the Small Project intervention logic is respected as defined in the approved Small Project Application, and that the envisaged Small Project objectives, result(s) and outputs are achieved.

Modifications of the Small Project content which have impact on the achievement of project outputs or results (modifications of the quantitative or qualitative aspects of certain Small Project outputs), defined in the approved Small Project Application are considered to be major changes of the Small Project.

Requests for modification related to programme output / result indicators have to include an exhaustive justification, especially if they are decreasing the target values of Small Project outputs/results.

d) changes related to location of investment and/or type of investment

In exceptional and well justified cases, FRs can request a change related to location of investment and/or type of investment approved within Small Project Application. Such modification should not in any way put into question the basic purpose of an investment and/or achievement of Small Project main and specific objectives, and/or the cross-border character of the Small Project.

9 On the spot checks and Audits

In order to have a more direct contact between the SPFB and the FRs of Small Projects and to get a closer, more real view of the Small Project implementation, the work being carried out, the progress and the achievements, SPFB carries out on-the-spot (OTS) checks.

Only a selected number of Small Projects per each Call will be subject to on-the-spot checks (5-10 percentage of total contracted Small Projects).

On-the-spot verifications are performed by the SPFB representatives at the premises of the FR as well as in any other place where the project is being implemented. On-the-spot verifications should check the existence of the Small Project, especially with regard to defined reports. Furthermore, on-the-spot verifications should check the existence and effective functioning of an accounting system on the level of the controlled FR.

The date and time will be agreed with the FRs via e-mail. FRs should be prepared for these visits and be ready to provide all required information and documents.

In case of suspicion on irregularities SPFB also has the option of 'no notice' urgent monitoring visits without prior notice.

As a general rule, on-the-spot verifications have to be performed by SPFB on all FRs included in a SP. If a FR is selected for an on-the-spot check, an obligatory on-the-spot check is required.

The focus of the review and meetings will be on the progress of activities, their timely implementation and the related reported and validated costs, the progress towards Small Project objectives and output targets, management and communication of the Small Project, potential risks, problems, delays and their possible solutions, and a realistic forecast for the remaining implementation. It is to be based on a constructive dialogue between the SPFB and the FRs to get direct feedback on both sides about the status and perspectives of the Small project.

In case that the on-the-spot check is not done within the given deadline, the costs of the relevant Small Project report can be excluded from reimbursement. Once the on-the-spot

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check is performed, the costs can be included in the finance report which is due after the performance of the check.

9.1 Audit

As defined in the Subsidy Contract, competent auditing bodies of the EU, the auditing bodies of the participating countries, as well as SPFB may audit the use of funds by the FRs.

The audits will take place at the premises of the FRs. The FRs concerned will be notified in due time by the relevant authorities about any audit to be carried out on their reported expenditure.

The audits performed include, in general, checking of the validated and reported expenditure against the supporting documents and other relevant information at the premises of the FRs in order to verify the accuracy and validity of the related SPFB Certificate(s), checking the Small Project documentation and audit trail, the accounting of Small Project expenditure.

In the interest of a successful audit, the FRs have to make available all documents required, provide necessary information and give access to its business premises. Audits may occur at any time until the end date for the retention of documents.

10 Irregularities

According to CPR³, 'irregularity' means any breach of applicable law, resulting from an act or omission by an economic operator which has, or would have, the effect of prejudicing the budget of the Union by charging unjustified expenditure to that budget.

³ Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy; <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1060>

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Irregularities may be detected (during implementation and after Small Project closure) by any authority/person involved in SPFB management and/or implementation, whistle-blowers or other bodies and individuals, including anonymous ones.

The following mechanisms for identifying irregularities may be used:

- detailed checking of Progress Reports,
- on the spot checks and ad hoc controls,
- cross checks and follow up checks,
- notification by other grant recipients,
- local knowledge (press / public),
- national and Commission audit reviews.

The suspicion of irregularity can be reported to the SPFB by sending the signed and scanned in writing on the following e-mail address: nepravilnosti.eu@hamagbicro.hr or on address:

HRVATSKA AGENCIJA ZA MALO GOSPODARSTVO, INOVACIJE I INVESTICIJE (HAMAG-BICRO)

Prijava nepravilnosti Odjel za pravne poslove

Ksaver 208

10 000 Zagreb

A suspicion of irregularity can be reported through regular reporting channels or in any other way avoiding regular channels. Suspected irregularities can also be reported anonymously. Apart from informing the SPFB, anybody can also inform the Independent Service for Combating Irregularities and Fraud (ISCIF) within the Ministry of Finance of the Republic of Croatia and / or European Anti-Fraud Office (OLAF) about suspicions of fraud and irregularities affecting the financial interests of the European Union. Any available documents to support the information should be provided as well.

By signing the SC and the PA, the FRs are responsible not to take any action which may bring their own interests into conflict with those of the Union. In that way, the FRs are obliged to comply with the principle of "**zero tolerance**" in terms of fraud prevention.

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If any conflict of interests arises or may arise during the project implementation, the FRs must immediately take all necessary steps to resolve it and notify the SPFB. The FRs must ensure that any member of its staff in such situation is replaced immediately.

10.1 Follow up measures

If the irregularity is confirmed during the Small Project implementation, the financial correction may be applied to the next payment claim(s), if applicable.

If the financial correction cannot be applied on the next payment claim or the irregularity is confirmed after the final payment has been made to the Small Project, the SPFB shall request the recovery of amounts unduly paid from the FR.

The FR is obliged to ensure the recovery of the amounts unduly paid to its part of Small Project activities of the Small Project within 30 calendar days upon receipt of the request for recovery by the SPFB.

The SPFB may request the recovery of funds unduly paid of FR part of Small Project activities in case of termination of the Small Project.

In case of delay in the recovery of funds by the FR, the SPFB may claim interest, in line with Subsidy Contract.

The SPFB may verify the measures taken to resolve conflict of interests and may require additional measures to be taken, if necessary. In case the SPFB establishes that the proposed measures have not been implemented, the SPFB reserves the right to terminate the Subsidy Contract.

11 Project Closure

All Small Projects have to undergo a formal closure procedure, which typically requires the gathering and collection of both content and financial information related to the project, and co-ordination between FRs. During this process, FRs will need to demonstrate that the results and impacts of the Small Project have been achieved in comparison to the targets proposed in the Small Project Application.

Thus, attention needs to be paid to indicators and the completion of all activities they have carried out. Certain responsibilities of FRs do not stop with the finalisation of a Small

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Project, and FRs should be familiar with the specific requirements regarding ownership and record keeping after the completion of Small Projects and the submission of the Final Project Report.

11.1 Closure Process

Although the end date of a Small Project means that all Small Project activities are finished, the actual obligation of a partnership goes beyond its implementation period.

The FRs should coordinate the closure process and ensure that:

- Small Project documentation is available and organized in a way that anyone with no knowledge of the Small Project can ensure smooth control,
- Communication lines are kept between all FRs during Small Project closure,
- FRs are aware of their obligations after Small Project closure.

The final implementation period ends on the official end date of the Small Project, as indicated in the Subsidy Contract. **All Small Project costs must be incurred during the implementation period of a Small Project and paid at the latest within 30 days after the implementation end date.**

All activities and tasks must be carried out during the Small Project implementation period, therefore, during the closure phase, the Small Projects should be finalizing all activities planned within the SPA. If certain activities or outputs have not been realised, there might be financial consequences in the form of deduction of part of the EU grant, as stipulated in SC.

At the end of Small Project implementation, the outcomes, results, legacy and future of a project shall be communicated to the general public. In the closure phase, the Small Project **will be asked to develop a final communication product in the form of a success story**, such as a testimonial, story, promotional movie, etc. The idea is to showcase major changes and impacts introduced by the Small Project to the Programme area. Access to knowledge and outputs produced by the Small Project needs to be ensured on a Small Project website (if there is one), a FRs website, a designated info point or any other way that ensures a long-term impact.

11.2 Final Project Progress Report

In order to receive the final payment, FRs need to submit a Final Project Report. The FRs are responsible for the preparation and submission of the Final Project Report to the SPFB 30 calendar days from the end of final reporting period.

The final report provides a cumulative overview of the Small Project's activities and results/achievements. It also highlights how cross-border cooperation has contributed to attaining the expected results and it includes a description of the measures foreseen in order to ensure their durability.

In the Final Project Report, Small Projects will need to demonstrate that the results and outcomes of the Small project have been achieved according to SPA. The Final Project Report is an opportunity to express what changes the Small Project brought about on the local community and territory. It is also the moment to share any lessons learned from participating in a cross-border project and the effects on the participating organisations and reflect on follow-up measures for utilising Small Project outputs in the long term.

The Final Project Report has the same structure as all previous project reports. However, projects should use the Final Project Report to reflect on the entire Small Project duration and the achievements that allow the Small Project to track direct and indirect impacts.

The SPFB will monitor carefully whether the Small Project has implemented all activities and delivered all outputs as defined in the approved SPA.

In case of serious underperformance or changes done during the Small Project implementation, but not approved by the SPFB, in accordance with stipulations of SC the SPFB reserves the right to reduce the EU grant.

11.3 Retention of project documents

All supporting documents related to the Small Project must be retained for audit purposes at least for a period of three (3) years. This period starts from December 31, of the year in which the last payment by SPFB to the FR is made.

These documents shall be made available for any audit, control or verification after Small Project closure.

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They shall be kept in the form of the originals, or on commonly accepted data carriers including electronic versions of original documents or documents existing in electronic version only.

11.4 Durability

Durability of project outputs and results is crucial for ensuring territorial impact and long-term benefits which continue after the Small Project end, in order to reach the Small Project`s overall objectives. Therefore, Small Projects have to ensure that outputs obtained and results achieved are durable and suitable to be continued after Small Project closure.

This may include follow-up activities, handover to the policy level, ownership, financing through other initiatives or funds, leverage of investments, etc. In order to achieve durability, Small Projects need to adopt from the beginning a long-term, strategic perspective that leads to desired results for the target groups over an extended time frame.

The ownership of the investment in the Small Project is to be retained by the FRs.

A SP comprising investment in equipment shall repay the Programme co-financing if within three (3) years of the final payment to the FR, it is subject to any of the following:

- a. cessation or transfer of a productive activity outside the NUTS 2 Region / Programme area;
- b. a change in ownership of an item of equipment which gives a firm an undue advantage;
- c. a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.

The SPFB is obliged to conduct a durability check at least once in the period of three (3) years after the final payment. FRs are obligated to provide to SPFB all requested and needed documentation and information.

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Annexes to Implementation and reporting manual:

ANNEX 1. Financial and progress report

ANNEX 1.1. FINAL Financial and progress report

ANNEX 2. Project modification request