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ANNEX

to the Commission Decision approving guidelines on the closure of operational programmes from the instrument for pre-accession assistance (IPA), components II, III and IV (2007-2013)
Contents
Glossary .................................................................................................................................................. 4
1. CLOSURE GENERAL PRINCIPLES .......................................................................................... 5
2. PREPARATION FOR CLOSURE ............................................................................................... 6
2.1. Amendment of Commission Decisions on programmes ......................................................... 6
2.2. Amendment of Commission Decisions on major projects ......................................................... 6
3. ELIGIBILITY OF EXPENDITURE ............................................................................................. 6
3.1. Final date of eligibility of expenditure and applicable rules .................................................... 6
3.1.1. Specific rules for components III and IV ............................................................................ 6
3.1.2. Specific rules for component II .......................................................................................... 7
3.2. Revenue generating projects .................................................................................................... 7
3.2.1. Specific rules for component III ........................................................................................ 7
3.2.2. Specific rules for components II and IV ............................................................................. 8
3.3. Specific eligibility rules for component III ............................................................................. 8
3.3.1. Specific eligibility rules applicable to major projects and other infrastructure operations .................................................................................................................... 8
3.3.2. Specific eligibility rules applicable to financial engineering instruments .......................... 10
3.4. Specific eligibility rules for component IV .............................................................................. 12
3.4.1. Purchase of furniture, equipment, adaptation and modernization of existing infrastructure ................................................................................................................................. 12
3.4.2. Specific eligibility rules applicable to financial engineering instruments .......................... 12
3.5. Specific eligibility rules for component II ............................................................................ 12
3.6. Specific eligibility rules for the EU Trust Fund (components III and IV) ............................... 14
4. SUBMISSION OF CLOSURE DOCUMENTS ......................................................................... 14
4.1. Closure documents .................................................................................................................. 14
4.1.1. Components III and IV .................................................................................................. 14
4.1.2. Component II ................................................................................................................ 17
4.2. Deadline for submission of closure documents ....................................................................... 17
4.2.1. Components III and IV .................................................................................................. 17
4.2.2. Component II ................................................................................................................ 17
4.3. Common rules on closure ....................................................................................................... 18
4.4. Changing documents after the deadline for their submission ............................................. 19
4.5. Retention of documents ........................................................................................................ 19
5. CONTENT OF CLOSURE DOCUMENTS .......................................................................... 20
5.1. Final statement of expenditure (as integral part of the final payment application) .... 20
GLOSSARY

In the interests of clarity and readability, the following terms have been used throughout these guidelines:


The IPA Framework Agreement  The Framework Agreement between a Government of a beneficiary country and the then Commission of the European Communities on the rules for co-operation concerning EC-financial assistance to the beneficiary XXX in the framework of the assistance under the instrument for pre-accession assistance (IPA)

The Financing Agreement  Financing Agreement between the beneficiary country and the then Commission of the European Communities concerning a given multi-annual operational programme for IPA assistance under either cross-border cooperation, regional development or human resources development component in a beneficiary country

Component  as defined in Article 3 of the IPA Regulation (II: Cross-border Cooperation (‘CBC’); III: Regional Development; IV: Human Resources Development)

Programme  Operational programme as defined in the 1st subparagraph of Article 6(2) and 155(2) (component II: Article 94(1)) of the IPA Implementing Regulation

Priority  Priority Axis as defined in the 2nd subparagraph of Article 6(2) of the IPA Implementing Regulation

Operation  as defined in the 3rd subparagraph of Article 6(2) of the IPA Implementing Regulation

Beneficiary country  Country(ies) eligible for components II, III and IV as defined in Article 1 of the IPA Regulation and its Annex I. Where the guidelines refer to the Beneficiary country for any exchange of information with the Commission or to its obligations, this term, for component II, also covers the Managing authority

Participating country  For component II, the participating Member State(s) and the participating beneficiary country(ies)

EU Trust Fund  EU Regional Trust Fund in response to the Syrian crisis, the 'Madad' Fund, established by Commission Decision C(2014) 9615 (not applicable to component II and countries other than Turkey)

1. CLOSURE GENERAL PRINCIPLES

These guidelines apply to the closure of programmes under the Instrument for Pre-Accession Assistance (IPA) implemented in accordance with the IPA Regulation for the 2007-2013 programming period. Experience from the closure of Structural funds programmes was taken into account in the preparation of these guidelines.

In accordance with Article 100 of the Financing agreement programme closure implies the financial settlement of outstanding Union's budgetary commitments through one of the following actions:

• payment of the final balance due by the Commission to the competent authority of each programme;
• issuance of a recovery order by the Commission concerning sums unduly paid by it to the beneficiary country; and/or
• decommitment of the final balance of the budgetary commitment by the Commission.

It also concerns the period until which all the Commission's and the Beneficiary country’s rights and obligations remain valid in respect of assistance to operations. The closure of programmes does not prejudge the Commission's right to impose financial corrections.

Given the different structure of the relevant Financing Agreements, references to provisions in the Financing Agreement in these guidelines do not apply to component II "Cross-border", unless there is an explicit reference to provisions in the Financing Agreement applicable to component II programmes. Only the references to the IPA Regulation or the IPA Implementing Regulation reported either in the text or in the footnotes shall apply.

With regard to component II programmes subject to the transitional arrangements of Articles 99 and 100 of the IPA Implementing Regulation (Greece-Former Yugoslav Republic of Macedonia and Greece-Albania) these guidelines only apply to the Member State. The closure of the part of these programmes concerning the participating Beneficiary country is being dealt with by the Commission Directorate General Neighbourhood and Enlargement Negotiations.

These guidelines do not apply to the cross-border cooperation programmes under component II "Slovenia-Croatia" (CCI: 2007CB16IP0002) and "Hungary-Croatia" (CCI: 2007CB16IP0003), as since the accession of Croatia these programmes are considered to have been adopted under Regulation (EC) No 1083/2006. Consequently the Structural Funds Closure Guidelines apply.

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2 And also in accordance with Article 47(1) of the IPA Implementing Regulation.
3 Articles of the Financing Agreement refer to the numbering of the standard Financing Agreement (Turkey Environment), for the exact reference in each Financing Agreement see the correlation table in Appendix V.
2. PREPARATION FOR CLOSURE

2.1. Amendment of Commission Decisions on programmes

A request for an amendment of a Commission Decision concerning a programme, including the amendment of the financing plan to transfer funds between the priorities of the same programme, can be submitted up until 31 December 2017 (component II: until 31 December 2016).

However, in the view of timely preparation of the closure, for components III and IV, the Commission strongly recommends the submission of the request for an amendment by 31 December 2016, and, for component II, by 30 September 2016. The final date of eligibility of expenditure, or the deadline for submission of closure documents will not be extended because of the time necessary to process the amendment request.

2.2. Amendment of Commission Decisions on major projects

In order to ensure its timely and a thorough assessment and enough time for its implementation, a request for amendment of a Commission Decision on a major project can be submitted until 31 December 2016.

3. ELIGIBILITY OF EXPENDITURE

3.1. Final date of eligibility of expenditure and applicable rules

3.1.1. Specific rules for components III and IV

In accordance with Article 34(1) of the Financing Agreement the expenditure must have been incurred and paid by final beneficiaries by 31 December 2017. In the context of grants under IPA Component IV, final beneficiary is the body implementing an operation or a project under an operation.

Without prejudice to Article 34 of the Financing Agreement, all operations shall be completed by the time of the submission of closure documents, as listed under Article 100(5) of this Agreement. Expenditure of operations incurred and paid after 31 December 2017 shall not be eligible and shall be borne uniquely by the national budgets of the beneficiary countries. Expenditure of operations not completed by 31 December 2018 shall not be eligible and will be deducted from the statement of expenditure by the Commission.

The expenditure eligible at closure has to comply with the following principles stipulated in Article 35(1) of the Financing Agreement:

- It has been actually incurred and paid within the eligibility period relevant for the programme, as indicated in Article 34 of the Financing Agreement and is supported by receipted invoices or accounting documents of equivalent probative value;

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5 In accordance with Article 156(2) of the IPA Implementing Regulation, the Commission adopts a Decision for the revision of a programme as soon as possible after the submission of the formal request from the strategic coordinator in coordination with the national IPA coordinator of the beneficiary country.

6 In accordance with Article 93(2) of the IPA Implementing Regulation, the Commission shall adopt the revised cross-border programme by decision and a new financing agreement(s) as mentioned in Article 92 shall be concluded accordingly. Where relevant, the provisions of Article 9(3) of the IPA Regulation shall apply.

7 This paragraph does not apply to component II.

8 And also in accordance with the second subparagraph of Article 34(1) of the IPA Implementing Regulation.
• If the operations and activities giving rise to such expenditure are consistent with the operations and activities eligible for financing under one or more measures foreseen to be implemented under the relevant programme;
• If the operations and activities giving rise to such expenditure have been selected in accordance with the selection criteria and procedures foreseen in the relevant programme and the relevant Financing Agreement;
• If the rules and procedures regarding ex ante controls by the Commission have been respected;
• If the expenditure has been incurred in accordance with the principles of sound financial management and, in particular, of economy and cost-effectiveness.

The provisions of Chapter VI (Articles 34 to 43) of the Financing Agreement apply.

In addition, the expenditure eligible at closure has to be consistent with the EU policies in the meaning of Article 4(b) of the IPA Framework Agreement.

3.1.2. Specific rules for component II

In accordance with Article 89(1) of the IPA Implementing Regulation the final date for eligibility of expenditure paid is 31 December 2016.

With regard to the detailed eligibility rules for the different categories of expenditure Articles 34 to 38, 89, 94(1)(e) and 95(5) of the IPA Implementing Regulation apply.

3.2. Revenue generating projects

3.2.1. Specific rules for component III

In accordance with Article 19 of the Financing Agreement, for revenue-generating projects, the maximum eligible expenditure is the funding gap calculated for the project (meaning the eligible expenditure shall not exceed the current value of the investment cost minus the current value of the net revenue from the investment over a specific reference period for investments in infrastructure or other projects where it is possible to objectively estimate the revenues in advance).

New or additional deductions of net revenues generated by the projects subject to Article 150 of the IPA Implementing Regulation should be made at submission of closure documents at the latest, if one of the following conditions is fulfilled:

(a) Certain new sources of revenue have not been taken into account in the calculation of the funding gap and/or new sources of revenue appeared after the calculation of the funding gap.

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9 And also in accordance with Article 20(1) of the IPA Regulation.
10 Article 89(1) of the IPA Implementing Regulation refers to "31 December of the third year following the last budgetary commitment", i.e. 31 December 2013.
11 And also in accordance with Article 150 of the IPA Implementing Regulation.
12 New types of sources of revenue meaning e.g. a non-tolled road on which tolls are levied afterwards or renting out of space or services, or if there are changes in the tariffs policy which put in question the confidence which can be placed in the funding gap calculation.
13 The income of a project from already calculated sources can be higher or lower than envisaged: this would not require a recalculation of the funding gap (unless it has been underestimated on purpose, which would be considered as an irregularity).
(b) There are changes in the tariff policy which impact on the funding gap calculation;
(c) Net revenues were generated for projects for which it was objectively not possible to estimate in advance the revenue generated by the investment and therefore no funding gap had been calculated initially.

The operating structure should, under the circumstances mentioned above, recalculate the contribution these projects are entitled to. Eventually existing net revenue should be deducted by the National Authorising Officer from the expenditure declared to the Commission by the submission of the final statement of expenditure.

However, in accordance with Article 150(5) of the IPA Implementing Regulation the provisions set out above do not apply to:

(a) Operations co-financed under this component, the total cost of which is equal or less than EUR 1 million;
(b) Revenues generated throughout the economic lifetime of the co-financed investments in the case of investments in firms;
(c) Revenues generated within the framework of financing instruments which facilitate access to revolving financing through venture capital, loan and guarantee funds.

3.2.2. Specific rules for components II and IV

In accordance with Article 18 of the Financing Agreement revenue earned by an operation during the period of its co-financing shall be deducted from the amount of eligible expenditure under that operation. In this deduction, account shall be taken of the running costs of the operation and the need to ensure its sustainability. Proof of the deduction made shall be kept and declared to the Commission.

The period of co-financing shall be counted from the date of the first payment made to the operation concerned, until three years after the final payment of the IPA contribution to that operation, or the closure of the programme, whichever comes earlier.

The revenue earned includes sales, rentals, services, enrolment fees, intellectual property or other equivalent receipts.

Where applicable contributions from the private sector to the co-financing of operations, as shown in the financial tables of the programme, or as taken into account for the calculation of the total cost of the operation shall not be considered as revenues earned by the operation and are excluded therefore from the application of this article.

3.3. Specific eligibility rules for component III

3.3.1. Specific eligibility rules applicable to major projects and other infrastructure operations

In accordance with Article 53 of the Financing Agreement, a major project is deemed an operation comprising a series of works, activities or services intended, in itself, to accomplish an indivisible task of a precise economic or technical nature which has clearly identified goals and whose total cost exceeds EUR 10 million.

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14 And also in accordance with Article 35 of the IPA Implementing Regulation. For component II: in accordance with Article 6 of the Financing Agreement.
15 And in accordance with Article 157 of the IPA Implementing Regulation.
An approved major project and other infrastructure operations should be considered as eligible and functioning provided the two following conditions are met:

- The major project/other operation has been completed: activities foreseen have been actually carried out\(^{16}\) as foreseen, with regard to major projects, in the Commission Decision, and, with regard to other operations, in the Operation Identification Sheet;
- The major project/other operation is in use\(^{17}\).

At the time of the submission of closure documents (by 31 December 2018 at the latest), beneficiary countries have to ensure that all major projects/other operations included in the programme closure are functioning, meaning completed and in use, so considered as eligible.

National authorities should ensure that by the date of submission of the closure documents the co-financed major project/other operation is completed as defined above, thus enabling it to achieve the goals of the priority or priorities to which it relates and to fulfil its purpose and function. The information submitted by the Beneficiary country in the sectoral final report should enable the Commission to reach the conclusions in this respect.

The Beneficiary country may decide, exceptionally and on a case-by-case basis, provided that adequate justification exists, to include expenditure paid for non-functioning projects in the final statement of expenditure\(^{18}\). In doing so they should take into account the reasons why a project is non-functioning and it should verify that the financial impact of the project justifies this special treatment by examining if the following two conditions are met:

- The total cost of each project amounts to at least EUR 5 million; and
- The Funds’ contribution to the total expenditure of these non-functioning projects should not be more than 10% of the total allocation for the programme.

Alternatively, even where one of the two conditions set out above is not fulfilled, the Beneficiary country may, in a duly justified case, decide to include expenditure for exactly one operation per priority axis with regard to each IPA programme.

By including the expenditure paid for non-functioning projects in a final statement, the Beneficiary country commits itself to complete all such non-functioning projects not later than one year after the deadline for submission of the final statement of expenditure and closure declaration, i.e. by 31 December 2019. The Beneficiary country also commits to reimburse the IPA co-financing allocated in case of non-completion of such projects by the said deadline.

The Beneficiary country has to provide, with the final report, a list of such non-functioning projects retained in the programme (see section 5.2.3 of these guidelines). Thereafter, the beneficiary country should monitor these non-functioning projects closely and report to the Commission on a six-monthly basis on projects already completed, as well as on the measures taken including milestones in order to complete the remaining projects.

Within one year of the deadline for submitting the final statement of expenditure and closure declaration for the programme concerned the beneficiary country should provide the necessary

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\(^{16}\) No further activity is required to complete the operation, works are completed or at least provisionally accepted (e.g. “taken over” according to the FIDIC terminology) in conformity with the requirements foreseen by the national legislation.

\(^{17}\) This means the project is at least in trial operation, without regard to the performance.

\(^{18}\) This possibility is not available to the financial engineering instruments to which section 3.3.2 applies.
information on the completion and operational aspect of these projects retained in the programme. In case such projects are non-functioning by this deadline, the Commission will proceed with the recovery of the funds allocated to the whole project. If the beneficiary country does not agree with the recovery, the Commission will proceed with a financial correction in accordance with Article 73 of the Financing Agreement\textsuperscript{19}.

Where a given project is not functioning at closure, but also not listed in Appendix I as a non-functioning project, the Commission will proceed with the recovery of the funds allocated to the whole project. If the Beneficiary country does not agree with the recovery, the Commission will proceed with a financial correction according to Article 73 of the Financing Agreement\textsuperscript{20}.

3.3.2. Specific eligibility rules applicable to financial engineering instruments

For the purposes of sub-section 3.2.2, the term "final recipient" refers to small and medium-sized enterprises, including micro-enterprises (SME)\textsuperscript{21} receiving repayable investments (namely through equity participations, loans, guarantees and other forms of repayable investments implemented through similar transactions, with the exception of grants) from an operation implementing any of the financial engineering instruments in the sense of the Article 57 of the Financing Agreement and Article 159 of the IPA Implementing Regulation. This term must not be confused with the terms "beneficiary" or "beneficiaries" as employed by the IPA Regulations and the Financing Agreements.

In compliance with Article 57 of the Financing Agreement\textsuperscript{22}, part of the operational programme contribution may be dedicated to support financial engineering instruments only for SMEs, such as venture capital funds, guarantee funds and loan funds.

In accordance with Article 60 of the Financing Agreement, eligible expenditure at closure is the part of the programme's contribution to the fund which has been effectively used for:

(a) any payments for investment in SMEs from each of the funds mentioned in Articles 57 and 58 of the Financing Agreement;
(b) any guarantees provided including amounts committed as guarantees by guarantee funds; and
(c) eligible management costs.

That part of the contribution of the programme to the fund which has not been used for the purposes indicated above shall be returned to the programme. The corresponding statement of expenditure shall be corrected accordingly.

Interest generated by payments from the programme to the funds, as defined in Article 57 of the Financing Agreement, shall accrue to the contribution of the programme and shall be taken into account at the closure of the programme.

Interest generated by payments from the programme to the funds and attributable to IPA contribution shall be used by the end of eligibility period for the eligible investments in final

\textsuperscript{19} And also in accordance with Article 49 and 51 of the IPA Implementing Regulation.
\textsuperscript{20} And also in accordance with Article 49 and 51 of the IPA Implementing Regulation.
\textsuperscript{22} And also in accordance with Article 159 of the IPA Implementing Regulation.
recipients. The amount of interest not used in accordance with this provision must be deducted at closure from eligible expenditure.

Resources returned to the operation from investments undertaken by the funds as defined in Article 57 of the Financing Agreement or left over after all guarantees have been honoured, which are attributable to the IPA contribution to the operation, shall be accrued to the national public contribution to the operation and shall be used exclusively for the benefit of SMEs. In the final report, the Operating structure shall provide information on the reuse of resources returned to the operation and attributable to IPA contribution specifying the competent authority which is responsible for managing these resources, the form of reuse, the purpose, the geographical area concerned and the envisaged duration.

For the expenditure to be considered eligible at closure, the operating structure must have assurance that the contribution paid to the final recipient is used for its intended purpose.

3.3.2.1. Eligibility of expenditure in case of guarantees

In case of guarantees, the amount of eligible expenditure at closure is the value of the guarantees provided, including amounts committed as guarantees.

For the purpose of this document, "guarantees provided" means those guarantees covering a multiple amount of disbursed loans which have already come to their expiry date of repayment term of the underlying loans and for which no guarantee calls were made or in respect of which, as the case may be, the guarantees have already been honoured.

"Guarantees committed" means guarantees covering a multiple amount of disbursed loans until the end date of eligibility of expenditure in respect of which the guarantees will have to or might still need to be honoured after the closure because the expiry date of repayment of the underlying loans falls after the closure. 23

3.3.2.2. Eligibility of management costs

For the purposes of sub-section 3.2.2.2, the term "management costs"24 is used as comprising any and all fees, costs, expense and other proceeds paid from the operational programme to the managers of financial engineering instruments, as reimbursement or compensation for managing the funds provided from operational programmes for effective investment in final recipients and which can be declared as eligible expenditure for reimbursement from IPA Funds in accordance with Article 59(7) of the Financing Agreement. Costs refer to items reimbursed against evidence of expenditure, fees refer to an agreed price or compensation for services rendered. For the purpose of the calculation of the eligible management costs, the costs of the capacity building, advisory services, evaluation, publicity and networking activities necessary for the efficient implementation of the financial instruments shall also be taken into account.

In accordance with the Article 59(7) of the Financing Agreement, the management costs of the financial instruments incurred until 31 December 2017 are eligible, but may not exceed any one of the following ceilings, whichever is lowest:

- 3% of the paid-up capital on a yearly average for the duration of the operation, or

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24 Term as used in Article 59(7) and (11) and Article 60(1) of the Financing Agreement.
3.4. **Specific eligibility rules for component IV**

3.4.1. **Purchase of furniture, equipment, adaptation and modernization of existing infrastructure**

Article 35(3) of the Financing Agreement\(^{25}\) provides that the purchase of furniture, equipment, adaptation and modernisation of existing infrastructure may be eligible provided that:

(i) The amount concerned for the related operations is subject to a limit of 15% of the funding for each priority axis of the operational programme,

(ii) The investments are necessary for the satisfactory implementation of the operational programme and contribute to increasing the impact of the assistance,

(iii) The assessment, carried out under the responsibility of the Operating Structure, has demonstrated that purchase is preferable to other solutions in terms of best value for money.

At the closure of the Human Resources Development operational programmes, the National Authorising Officer shall report on the related expenditure falling under the 15% ceiling at the level of each priority axis on the basis of the financial plan in force on 31 December 2015.

3.4.2. **Specific eligibility rules applicable to financial engineering instruments**

The Human Resources Development programmes may finance expenditure related to an operation comprising contributions to support financial engineering instruments. The related operations are implemented in accordance with Article 159 of the IPA Implementing Regulation\(^{26}\).

3.5. **Specific eligibility rules for component II**

With regard to specific eligibility rules, Articles 34(3) and 89 of the IPA Implementing Regulation\(^{27}\) apply.

State aid granted to enterprises shall comply with EU State aid legislation and with State aid provisions of any bilateral agreements between participating countries and the EU. In particular, with regard to State aid to enterprises in the meaning of Article 107(1) TFEU\(^{28}\) (formerly Article 87 of the Treaty) in the participating Member State(s), in accordance with Article 90(6) of the IPA Implementing Regulation, public aid granted under cross-border programmes shall observe the ceilings on State aid. In addition to the payment being made by the beneficiaries in the participating Member State(s), the public contribution corresponding should have been paid to the beneficiaries by the body granting the aid before the submission of the closure documents.

The advances paid to the beneficiaries in the participating Member State(s) by the body granting the aid should be covered by expenditure paid by beneficiaries in implementing the project and supported by receipted invoices or accounting documents of equivalent probative value at the latest on 31 December 2016.

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\(^{25}\) And also in accordance with Article 152(1)(c) of the IPA Implementing Regulation.

\(^{26}\) And also in accordance with Article 20(3) of the Financing Agreement where applicable.

\(^{27}\) And also Article 7 of the Financing Agreement.

\(^{28}\) Treaty on the Functioning of the European Union, OJ C 326 of 26 October 2012, p. 47.
At the time of the submission of the closure documents, the participating countries have to ensure that all projects included in the programme closure are functioning, meaning completed and in use, so considered as eligible.

The participating countries may decide, exceptionally and on a case-by-case basis, provided that adequate justification exists, to include expenditure paid for non-functioning projects in the final statement of expenditure. In doing so they should take into account the reasons why a project is non-functioning and it should verify that the financial impact of the project justifies this special treatment by examining if all the following conditions are met:

- the total cost of each project amounts to at least EUR 1,5 million; and
- the IPA contribution to these non-functioning projects should not be more than 10% of the total allocation for the programme.

By including the expenditure paid for non-functioning projects in a final statement, the participating countries commit to complete all such non-functioning projects not later than two years after the deadline for submission of the closure documents and to reimburse the IPA co-financing allocated in case of non-completion of such projects by the two year deadline.

The participating countries have to provide, with the final report, a list of such non-functioning projects retained in the programme (see section 5.2.3 of these guidelines). Thereafter, the participating countries should monitor these non-functioning projects closely and report to the Commission on a six-monthly basis on projects already completed, as well as on the measures taken including milestones in order to complete the remaining projects.

Within two years of the deadline for submitting the closure documents for the programme concerned the participating countries should provide the necessary information on the completion and operational aspect of these projects retained in the programme. In case such projects are non-functioning by this deadline, the Commission will proceed with the recovery of the funds allocated to the whole project. If the participating countries do not agree with the recovery, the Commission will proceed with a financial correction in accordance with Article 49 and 51 of the IPA Implementing Regulation.

With regard to component II programmes subject to the transitional arrangements of Articles 99 and 100 of the IPA Implementing Regulation, the completion of the part of a joint operation located in Greece shall be assessed against the provisions on the selection of joint operations established in Article 95 of the IPA Implementing Regulation. However, in accordance with the applicable legal framework the part of a joint operation located in the former Yugoslav Republic of Macedonia or Albania may only be completed by 31 December 2019.

In order to consider as completed as many operations implemented in Greece as possible and independently from the closure of the part of a joint operation implemented in the Beneficiary country, the following applies:

(a) Where operations in accordance with Article 95(4) of the IPA Implementing Regulation were planned to be implemented only in Greece in accordance with the application subject to the decision of the joint monitoring committee (JMC), they shall be considered as delivering a clear cross-border benefit;

(b) Where operations were planned to be implemented both in Greece and the Beneficiary country, the part of the operation implemented in Greece shall be
considered as delivering sufficient cross-border benefit, when the Beneficiary country has actually cooperated in one of the following ways: joint development, joint implementation, joint staffing or joint financing; even where the Beneficiary country has implemented in accordance with the application subject to the decision of the JMC;

(i) either only partially any of these four dimensions;

(ii) or totally one of these four dimensions and not at all any of the other three dimensions;

(c) Where operations were planned to be implemented both in Greece and the Beneficiary country, but at closure under these Guidelines the Beneficiary country has not yet fulfilled the conditions set out under points (i) or (ii) of the previous point, these operations shall be taken out from the closure until those conditions are fulfilled.

With regard to operations under point c) of the previous paragraph Greece may submit additional information on the fulfilment of the conditions set out under points (i) or (ii) of point b) as soon as made available to the Managing authority by the Beneficiary country, but not later than 30 June 2020.

Where a given project is not functioning at closure, but also not listed in Appendix I as a non-functioning project, the Commission will proceed with the recovery of the funds allocated to the whole project. If the participating countries do not agree with the recovery, the Commission will proceed with a financial correction according to Article 138 of the IPA Implementing Regulation.

3.6. Specific eligibility rules for the EU Trust Fund (components III and IV)

As per Article 60e of the Financing Agreement, in order for the "Contribution to the EU Trust Fund in response to the Syrian crisis" operation to be considered as completed and in use, a decision on the allocation of funds to individual actions has to be taken by the operational board of the EU Trust Fund up to 31 December 2017 in pursuing the objectives set out in the programme and within the respective programme area.

4. SUBMISSION OF CLOSURE DOCUMENTS

4.1. Closure documents

4.1.1. Components III and IV

In accordance with the provisions of Article 100 of the Financing Agreement, for the closure of the programme, the following documents should be submitted to the Commission by the beneficiary country in order to successfully close the IPA programme:

(1) an application for the final payment (and a final statement of expenditure) issued by the National Authorising Officer;

(2) a final report submitted by the Operating Structure;

(3) an audit opinion on the final statement of expenditure issued by the Audit authority and supported by a final activity report.

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29 For projects not functioning, see the definition given in section 3.3.1.
30 And also in accordance with Article 159a(6) of the IPA Implementing Regulation, as last amended.
31 And also in accordance with Article 45(1) of the IPA Implementing Regulation.
Article 100 of the Financing Agreement also lists a "winding up declaration on the final statement of expenditure" which is supported by a final activity report issued by the Audit authority. Article 101(1) of the Financing Agreement clarifies that the "winding up declaration" sets out the "opinion of the independent Audit authority" and covers the "final statement of expenditure submitted to the Commission by the National Authorizing Officer".

Article 103(1) of the Financing Agreement clarifies that the "final application for payment" also contains the "certificate of expenditure" and "a statement of expenditure", to be drawn up according to the model established in Annex XVI to the Financing Agreement.

Hereunder, for reasons of consistency, with regard to components III and IV, the following terms shall be used:

1. final statement of expenditure (as integral part of the final payment application);
2. sectoral final report;
3. closure declaration, supported by a final control report.

The different terminology used in the different provisions and documents is set out in the table below.
<table>
<thead>
<tr>
<th><strong>Article 45(1) of the IPA Implementing Regulation and actor</strong></th>
<th><strong>Articles of the Financing Agreement</strong></th>
<th><strong>Annexes to the Financing Agreement</strong></th>
<th><strong>Annexes to the Framework Agreement</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Final payment application (National Authorising Officer = NAO)</td>
<td>Application for the final payment (NAO) (Article 100(5)) Final application for payment (Article 103(1))</td>
<td>XVI. Certificate and statement of expenditure and application for final payment</td>
<td></td>
</tr>
<tr>
<td>Final statement of expenditure (NAO)</td>
<td>Final statement of expenditure (NAO) (Article 101(1))</td>
<td>XVI. Certificate and statement of expenditure and application for final payment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Conditions to be checked by the NAO in certifying the expenditure (Article 103(3) → Annex XVI)</td>
<td>XVI. Certificate and statement of expenditure and application for final payment</td>
<td></td>
</tr>
<tr>
<td>Sectoral Final Report (OS) → Article 61(1)</td>
<td>Final Report (OS) (Article 100(5))</td>
<td>XII. Annual and final report</td>
<td></td>
</tr>
<tr>
<td>Opinion on any final statement of expenditure (AA= Audit Authority) → Article 29(2)(b)</td>
<td>Audit opinion on the final statement of expenditure (Article 100(5))</td>
<td></td>
<td>E. Audit opinion on the final statement of expenditure</td>
</tr>
<tr>
<td></td>
<td>Closure declaration on the final statement of expenditure (Article 100(5)) Closure declaration sets out opinion of the AA (Article 101(1)) → Article 29 IPA</td>
<td>XVII. Final control report and closure declaration</td>
<td>E. Audit opinion on the final statement of expenditure</td>
</tr>
<tr>
<td>Final activity report (AA) → Article 29(2)(b)</td>
<td>Final activity report (Article 100(5))</td>
<td>XVII. Final control report and closure declaration</td>
<td>C. Annual Audit activity report</td>
</tr>
</tbody>
</table>
4.1.2. **Component II**

In accordance with the provisions of Article 133(1) of the IPA Implementing Regulation, for the closure of the programme, the following documents should be submitted to the Commission by the Beneficiary country in order to successfully close the IPA contribution:

1. an application for the final payment (and a final statement of expenditure) issued by Certifying authority in accordance with Article 124 of the IPA Implementing Regulation;
2. a final implementation report submitted by the Managing authority, including the information set out in Article 112 of the IPA Implementing Regulation;
3. a 'closure declaration' issued by the Audit authority in accordance with Article 105(1)(d) of the IPA Implementing Regulation, supported by a final control report.

Hereunder, for reasons of consistency, with regard to component II, the following terms shall be used:

1. final statement of expenditure (as integral part of the final payment application);
2. final report;
3. closure declaration, supported by a final control report.

### 4.2. Deadline for submission of closure documents

#### 4.2.1. Components III and IV

The sectoral final report shall be submitted by 30 June 2018 as stipulated in Article 102 of the Financing Agreement\(^{32}\).

The final statement of expenditure (as integral part of the final payment application) and the closure declaration shall be submitted by 31 December 2018\(^{33}\) as stipulated in Article 100(5) of the Financing Agreement\(^{34}\).

#### 4.2.2. Component II

The closure documents listed under point 4.1.2. shall be submitted by 31 March 2018 as stipulated in Article 133 of the IPA Implementing Regulation, including with regard to the two programmes subject to the transitional arrangements.

The final report should also cover the operations suspended due to administrative and legal proceedings. In accordance with Article 114(1)(b) of the IPA Implementing Regulation, the Commission is kept informed of the progress of administrative and legal proceedings.

The Commission shall inform the participating countries about the date of the closure of the cross-border programme within a deadline of two months\(^{35}\).

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\(^{32}\) And also in accordance with Article 169(1) of the IPA Implementing Regulation.

\(^{33}\) If by the time of the submission of the closure documents no system of electronic exchange of documents is developed for the purpose of the closure of the IPA programmes under the component II, III and IV, the submission is to be done by paper. The submission deadline refers to the date when the paper documents have been sent via the post (the date on the post office stamp makes the reference).

\(^{34}\) And also in accordance with Article 45(2) of the IPA Implementing Regulation.

\(^{35}\) See Article 133(5) of the IPA Implementing Regulation.
4.3. **Common rules on closure**

The Beneficiary countries (component II: the certifying authorities) should continue transmitting regularly interim payment claims even when the total of pre-financing and interim payments has reached 90% for components III and IV\(^{36}\) (95% for component II\(^{37}\)) of the IPA contribution to the programme.

In order to facilitate the closure, the operating structures should prepare the final statement of expenditure a reasonable time (at least nine months) before the deadline of submission of closure documents, to give the opportunity to the National Authorizing Officer and the Audit authority to finalize its work and to respect the deadline for the submission of the closure declaration.

For components III and IV, in order to ensure that the Audit authority is able to cover the expenditure declared in 2017/2018 and in view of the deadline of 31 December 2018 for the submission of the closure documents, it is recommended that the beneficiary country submits the last interim payment claim by 31 March 2018. The final application for payment shall be submitted by 31 December 2018, and no additional expenditure can be declared after 31 December 2018.

For component II, in order to ensure that the Audit authority is able to cover the expenditure declared in 2016/2017 and in view of the deadline of 31 March 2018 for the submission of the closure documents, it is recommended that the certifying authority submits the last interim payment claim by 30 September 2017. The final application for payment shall be submitted by 31 March 2018, and no additional expenditure can be declared after 31 March 2018 taking into consideration that the final date for eligibility of expenditure is 31 December 2016.

For all components, all three documents referred to in section 4.1 are part of the closure package. The Commission will automatically decommit that part of commitment for which the Commission has not received any of the closure documents referred to in section 4.1 of the guidelines by 31 December 2018 (see point (b) of Article 166(3) of Regulation (EC, Euratom) No 1605/2002\(^{38}\); for component II also in accordance with Article 137 of the IPA Implementing Regulation referring to that provision). In such a case, the closure of the programme will be carried out based on the last information available to the Commission (latest interim payment and statement of expenditure, latest admissible annual implementation report and latest admissible audit control report).

For all components, the Commission will send a letter to the beneficiary country (component II: to the Managing authority) well in advance of the deadlines for submission of the closure documents for a programme informing them of the consequences of the late submission of the closure documents. The failure to submit any of the closure documents by their respective deadline reveals a serious deficiency in the management and control system of the programme which puts at risk the IPA contribution already paid to the programme. Therefore, in case of failure to submit any of these documents, the Commission might proceed

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\(^{36}\) In accordance with Article 160(1) of the IPA Implementing Regulation.

\(^{37}\) In accordance with Article 125 of the IPA Implementing Regulation.

with a financial correction in accordance with Article 73 of the Financing Agreement and, for component II, in accordance with Article 138 of IPA Implementing Regulation.

For all components, the Commission shall inform the participating countries of its opinion on the content of the final report within a maximum of five months from the date of receipt of the report. If the Commission does not respond within the time limit laid down, the report shall be deemed accepted.

For components III and IV, the closure of a programme does not prejudice the Commission's right to carry out audits or undertake a financial correction at a later stage (see Article 100(3) of the Financing Agreement).

For component II, the closure of a programme does not prejudice the Commission's right to carry out audits or undertake a financial correction at a later stage (see Article 138 of the IPA Implementing Regulation).

4.4. Changing documents after the deadline for their submission

The Beneficiary country will not be allowed to modify any of the closure documents listed under point 4.1 above after the deadline for their submission, except for correcting clerical mistakes and in the situations described below. For this reason, it is highly recommended to submit all the documents a reasonable time before the respective deadline of 31 December 2018 (for component II: 31 March 2018), in order to still be able to make corrections before the deadline. In relation to the statement of expenditure and the application for payment of the final balance, the Beneficiary country cannot revise these documents to submit new expenditure but can revise figures downwards by withdrawing expenditure.

The Commission may request that a Beneficiary country corrects the application for payment of the final balance or the statement of expenditure insofar as this involves the submission of supplementary information or the making of technical corrections where such supplementary information and corrections relate to expenditure submitted to the Commission before the deadline for submission. In this event, the Commission will give the Beneficiary country two months to carry out the correction. If the correction is not made within the two-month period, the Commission will proceed with closure on the basis of the available information.

Components II and III: With regard to the monitoring of uncompleted (non-functioning) projects after the submission of the closure documents, see section 3.3.1 and 3.5.

Component IV: With regard to projects which could not be reported as completed at the moment of the submission of the closure documents, the Beneficiary country should send to the Commission, by 31 March 2019 at the latest, a separate update document confirming their completion (including the fulfilment of the indicator values) by 31 December 2018.

4.5. Retention of documents

In accordance with Article 104(1) of the Financing Agreement, the responsible body and authorities shall keep available for the Commission all documents related to a given programme for at least three years after the closure of the programme as defined in Article

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39 And also in accordance with Article 49 and 51 of the IPA Implementing Regulation.
40 And also in accordance with Article 47(2) of the IPA Implementing Regulation.
41 And also in accordance with Article 48 of the IPA Implementing Regulation.

For component II also in accordance with Article 9 of the Financing Agreement and Article 134(1) of the IPA Implementing Regulation.
100(1) of the Financing Agreement. The Commission will inform the Beneficiary country about the date of the closure of the programme. The documents to be kept available also include the documents related to the authorization of payment applications, of the accounting and payment of such applications and of the treatment of advances, guarantees and debts. This period shall be interrupted in the case of legal proceedings, financial corrections or at the duly substantiated request of the Commission.

As for the contribution to the EU Trust Fund, the operating structure shall not be obliged to retain other documents with regard to the trust fund contribution to the EU Trust Fund then those produced by the operating structure.

For component II, in accordance with Article 134(1) of the IPA Implementing Regulation, the three years period is without prejudice to the rules governing State aid under Article 107(1) TFEU (formerly Article 87 of the Treaty) in the participating Member State(s).

5. CONTENT OF CLOSURE DOCUMENTS

5.1. Final statement of expenditure (as integral part of the final payment application)

5.1.1. General principle

A final payment application also containing the final statement of expenditure should be drawn up in accordance with Article 69 of the Financing Agreement and with the template established in Annex XVI to the Financing Agreement (for component II Articles 41 and 45(1) of the IPA Implementing Regulation do not refer to a template). The final statement of expenditure shall be certified by the National Authorising Officer.

The statement of expenditure should identify the total amount of eligible expenditure incurred and paid by the final beneficiary in the implementation of the operational programme.

In accordance with the Article 60j(1) of the Financing Agreement, the final application for payment shall not cover other expenditure under the trust fund contribution to the EU Trust Fund than expenditure declared by 31 December 2015.

It should be noted that in accordance with Article 68 of the Financing Agreement the amount paid through interim payments and payment of the final balance of the programme should not be higher than the maximum amount of the IPA contribution and the subsequent maximum rate for each priority axis set out in the financing decision adopting the operational programme. In accordance with Article 17(4) of the Financing Agreement no operation shall benefit from a higher co-financing rate than the one relating to the priority axis concerned.

As set out in Section 10 of these guidelines, a flexibility of 10% per priority axis, including the technical assistance priority axis, will be applied to the declared eligible expenditure in the calculation of the final IPA contribution.

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42 And also in accordance with Article 47(1) of the IPA Implementing Regulation.
43 And also in accordance with Article 45(1) of the IPA Implementing Regulation.
44 And also in accordance with Article 44 of the IPA Implementing Regulation.
45 For component II: in accordance with Article 90(2) of the IPA Implementing Regulation.
46 And also in accordance with Article 149(3) of the IPA Implementing Regulation.
45 For component II: in accordance with Article 90(4)(5) of the IPA Implementing Regulation.
5.1.2. Preparation of the final statement of expenditure

5.1.2.1. For components III and IV

For the preparation of the final statement of expenditure, the **Operating structure** should:

(a) Analyse the final expenditure claims from final beneficiaries\(^{46}\) in relation to expenditure incurred and paid\(^{47}\) up to the end of 2017;

(b) Complete management verifications under Article 79 of the Financing Agreement\(^{48}\) to verify eligibility and regularity of expenditure;

(c) Satisfy itself that the final statement of expenditure for the programme (it is recommended that this document is provided to the National Authorising Officer at least nine months before the deadline of 31 December 2018) has been, and can be, reconciled with the records in the accounting system for the programme and that there is an adequate audit trail\(^{49}\) down to the level of the final recipient both for IPA and national funds;

(d) Verify that all errors/irregularities have been corrected in respect of:
   (i) management verifications carried out under the above-mentioned provisions;
   (ii) systems audits carried out by the Audit authority and audits of operations carried out under Article 91 of the Financing Agreement\(^{50}\);
   (iii) verifications carried out by the National Authorising Officer;
   (iv) audits by other national bodies;
   (v) audits by the European Commission;
   (vi) audits by the European Court of Auditors.

In preparation of the closure, the **National Authorising Officer** should:

(a) Draw up the application for payment of the final balance and the final statement of expenditure in accordance with Article 103 and Annex XVI of the Financing Agreement\(^ {51}\);

(b) Ensure that there is sufficient information from the Operating structure to be able to certify the accuracy, eligibility and regularity of the amounts declared;

(c) Satisfy themselves that the conditions laid down in Articles 66 and 67 of the Financing Agreement\(^ {52}\) are fulfilled;

(d) Satisfy themselves that all findings and recommendations of audits have been fully implemented;

(e) Request further information and/or undertake own verifications where necessary;

(f) Draw up the final statement on withdrawn and recovered amounts, pending recoveries and irrecoverable amounts, to be provided together with the final

\(^{46}\) As defined in Article 2(8) of the IPA Implementing Regulation and Article 15 of the Financing Agreement.

\(^{47}\) As referred to Article 40(10) of the IPA Implementing Regulation.

\(^{48}\) And also in accordance with Article 28(2)(j) of the IPA Implementing Regulation.

\(^{49}\) As referred to in Article 20 of the IPA Implementing Regulation.

\(^{50}\) And also in accordance with Article 28(2)(j) of the IPA Implementing Regulation.

\(^{51}\) And also in accordance with Articles 161(2) and 45(1) of the IPA Implementing Regulation.

\(^{52}\) And also in accordance with Articles 41 and 45(1) of the IPA Implementing Regulation.
statement of expenditure in accordance with Article 66(3)(d) and Annex III of the Financing Agreement\textsuperscript{53}.

In accordance with the Article 60f of the Financing Agreement, the Operating structure shall not carry out management verifications with respect of expenditure for the individual actions implemented by the EU Trust Fund. The Beneficiary country shall neither carry out checks with regard to the individual actions implemented by the EU Trust Fund nor notify irregularities with regard thereto. The Beneficiary country shall not organise audits with regard to the individual actions implemented by the EU Trust Fund.

In accordance with the Article 60e(3) of the Financing Agreement, at closure the National Authorising Officer shall certify in the certified statement of expenditure the total amount of the contribution for which a decision on the allocation of funds to individual actions has been taken by the operational board of the EU Trust Fund up to 31 December 2017 in pursuing the objectives set out in the programme and within the respective programme area.

5.1.2.2. For component II

In preparation for closure, in accordance with Article 103 of the IPA Implementing Regulation, the Managing authority should:

- Analyse the final expenditure claims from all beneficiaries in relation to expenditure incurred and paid up to the end of 2016;
- Verify the regularity of expenditure. For this purpose, the relevant provisions of Article 13 of Regulation (EC) No 1828/2006\textsuperscript{54} shall apply \textit{mutatis mutandis}. The Managing authority shall satisfy itself that the expenditure of each final beneficiary participating in an operation has been validated by the controller referred in Article 108 of the IPA Implementing Regulation;
- Satisfy themselves that the final statement of expenditure for the programme (to be submitted to the certifying authority well in advance of the deadline of 31 March 2018) has been, and can be, reconciled with the detailed accounting records in the accounting system for the programme and that there is an adequate audit trail\textsuperscript{55} down to the level of the final recipient both for IPA and national funds and that the supporting documents are kept available in accordance with the requirements of Article 134 of the IPA Implementing Regulation;
- Ensure that the Certifying authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;
- Draw up and, after approval by the Joint Monitoring Committee, submit to the Commission the annual and final reports on implementation referred to in Article 112 of the IPA Implementing Regulation;
- Verify in the final statement of expenditure for the programme the amounts of public contribution actually paid to beneficiaries, in accordance with Article 40(9) of the IPA Implementing Regulation;

\textsuperscript{53} And also in accordance with Article 161(1)(c) of the IPA Implementing Regulation.
\textsuperscript{55} In accordance with Article 106 of the IPA Implementing Regulation.
Verify that all errors/irregularities have been corrected, in respect of:

- management checks carried out under the above-mentioned provisions;
- systems audits carried out by the Audit authority and audits of operations carried out under Article 16 of Regulation (EC) No 1828/2006;
- verifications carried out by certifying authority;
- audits by other national bodies;
- audits by the Commission;
- audits by European Court of Auditors.

It should be noted that many of the above points are the completion of tasks which need to be carried out regularly during the implementation of programmes.

In preparation for closure, in accordance with Article 104 of the IPA Implementing Regulation, the Certifying authority should:

- Draw up the application for payment of the final balance and the final statement of expenditure in accordance with Article 124 of the IPA Implementing Regulation;
- Ensure that there is sufficient information from the Managing authority to be able to certify the accuracy, eligibility and regularity of the amounts declared;
- Satisfy themselves that the conditions under points (b) to (f) of Article 104 of the IPA Implementing Regulation are respected, namely that amounts recovered are repaid to the general budget of the European Union prior to the closure of the operational programme or, if this is not the case, that they have been taken into account in the final statement of expenditure;
- Satisfy themselves that all errors/irregularities have been corrected and findings and recommendations of audits fully implemented;
- Request further information and/or undertake own verifications where necessary;
- Draw up the final statement on withdrawn and recovered amounts, pending recoveries and irrecoverable amounts, to be provided by 31 March 2018, (mutatis mutandis in accordance with Article 20(2) and Annex XI of Regulation (EC) No 1828/2006);
- Keep an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation and repay amounts recovered to the general budget of the European Union.

In accordance with point (f) of Article 104 of the IPA Implementing Regulation, amounts recovered shall be repaid to the general budget of the European Union prior to the closure of the cross-border programme by deducting them from the next statement of expenditure.

It is important that the application for payment of the final balance and a statement of expenditure is submitted to the Audit authority well in advance (e.g. at least three months
before the deadline of 31 March 2018) to enable the Audit authority to carry out its work for the closure declaration with sufficient time.\(^{56}\)

5.1.3. **Recoveries (including after submission of closure documents) and irregularities**

5.1.3.1. For components III and IV

At closure recoveries will be treated as follows:

(a) Article 29 of the IPA Framework Agreement\(^ {57}\) is applicable. The fact that the National Authorizing Officer does not succeed in recovering all or part of the funds shall not prevent the Commission from recovering the funds from the beneficiary country;

(b) The last annual statement on recoverable amounts in accordance with Article 66(3)(d) of the Financing Agreement and with Annex III of the Financing Agreement\(^ {58}\) shall be sent to the Commission together with the final application for payment;

(c) In accordance with Article 103(6) of the Financing Agreement, the Beneficiary country shall inform the Commission of recoveries made between the submission of the final statement of expenditure and the final payment by the Commission, so that the Commission can deduct them. The Beneficiary country should also inform the Commission of recoveries carried out after the submission of the final statement of expenditure and after the closure of the programme and repay the IPA contribution to the Commission.

5.1.3.2. For component II

At closure, the final statement that needs to be sent via SFC2007 (to be drawn up *mutatis mutandis* in accordance with Annex XI to Regulation (EC) No 1828/2006) by 31 March 2018 and covering the year 2017, will be treated as follows:

(a) Without prejudice to the participating countries' responsibility for detecting and correcting irregularities and for recovering amounts unduly paid, in accordance with Article 114(2) of the IPA Implementing Regulation, the Certifying authority shall ensure that any amount paid related to an irregularity is recovered from the lead beneficiary. The final beneficiaries shall repay the lead beneficiary the amounts unduly paid in accordance with the agreement existing between them\(^ {59}\). If the lead beneficiary does not succeed in securing repayment from a final beneficiary, the participating country on whose territory the relevant final beneficiary is located shall reimburse the certifying authority the amount unduly paid to that final beneficiary;

(b) In accordance with Article 104(f) of the IPA Implementing Regulation the Certifying authority shall repay amounts recovered to the general budget of the European Union prior to the closure of the cross-border programme by deducting them from the following or final statement of expenditure;

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\(^{56}\) The final statement on withdrawn and recovered amounts, pending recoveries and irrecoverable amounts should be prepared in the beginning of 2017. In any case, it should be submitted to the Audit authority in time to allow this entity to perform necessary additional verifications.

\(^{57}\) In accordance with Article 14 of the IPA Implementing Regulation.

\(^{58}\) And also in accordance with Article 161(1)(c) of the IPA Implementing Regulation.

\(^{59}\) In accordance with Article 96(1)(a) of the IPA Implementing Regulation.
(e) The last annual statement on recoverable amounts shall be sent to the Commission together with the final application for payment and, in accordance with Article 104(g) of the IPA Implementing Regulation, shall identify:

(i) the amounts withdrawn from statements of expenditure submitted during the preceding year following cancellation of all or part of the public contribution for an operation;

(ii) the amounts recovered which have been deducted from statements of expenditure submitted during the preceding year;

(iii) a statement of amounts to be recovered as at 31 December of the preceding year classified by the year in which recovery orders were issued;

(iv) a list of amounts for which it was established during the preceding year that they cannot be recovered or which are not expected to be recovered, classified by the year in which the recovery orders were issued.

(d) The amounts indicated in Annex XI(2) to Regulation (EC) No 1828/2006 as "pending recoveries" should be included in the final payment application, however they will not be paid, but will constitute an outstanding commitment for the Commission. When proceedings have been launched for the recovery of expenditures declared, the related amounts shall be declared under pending recoveries. They shall not be declared under operations suspended for legal and administrative reasons. The Certifying authority should inform the Commission of the progress of administrative and legal proceedings linked to the pending recoveries.

(e) In accordance with Article 104 of the IPA Implementing Regulation, the Certifying authority shall inform the Commission of recoveries made between the submission of the final statement of expenditure and the final payment by the Commission, so that the Commission can deduct them. The Certifying authority should also inform the Commission of recoveries carried out after the submission of the final statement of expenditure and after the closure of the programme and repay the IPA contribution to the Commission.

For the purposes of points (i), (ii) and (iii) of point (c), aggregate amounts related to irregularities reported to the Commission under Article 28 of Regulation (EC) No 1828/2006, shall be provided for each priority axis.

For the purposes of point (iv) of point (c), any amount related to an irregularity reported to the Commission under Article 28 of Regulation (EC) No 1828/2006, shall be identified by the reference number of that irregularity or by any other adequate method.

For each amount referred to in point (iv) of point (c), the Certifying authority shall indicate whether it requests the IPA share to be borne by the general budget of the European Union.

If, within one year from the date of the submission of the statement, the Commission does not request information for the purposes of Article 114(2) of the IPA Implementing Regulation,

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Referred to under point (iii) of point (c).

Contrary to Article 95 of Regulation (EC) No 1083/2006, under IPA there is no exception to the automatic de-commitment because of operations suspended due to a legal proceeding or an administrative appeal having suspensory effect: in accordance with point (b) of Article 114(1) of the IPA Implementing Regulation, "administrative and legal proceedings" are limited only to the recovering of amounts unduly paid.

Which applies mutatis mutandis in accordance with Article 138(2) of the IPA Implementing Regulation.
inform the participating countries in writing about its intention to open an enquiry in respect of that amount or request that the participating countries continue the recovery procedure, the IPA share shall be borne by the general budget of the European Union.

The time limit of one year shall not apply in cases of suspected or established fraud.

5.2. Sectoral final report (component II: final report)

5.2.1. General principle

For components III and IV, a sectoral final report on implementation shall be submitted to the Commission and the National IPA coordinator in accordance with Article 102 of the Financing Agreement. It should have the same structure as the annual implementation report since both documents are based on the same template provided for in Annex XII to the Financing Agreement. It shall refer to the whole period of implementation and include the last sectoral annual report.

For components III and IV, in June 2018, the Beneficiary country is not required to submit the sectoral annual implementation report for the year 2017: reporting on the year 2017 will make part of the sectoral final report on implementation, in the form of a specific part of that report.

For component II, a final report on implementation shall be submitted to the Commission in accordance with Article 112 of the IPA Implementing Regulation.

For component II, in accordance with Article 112 of the IPA Implementing Regulation, the Managing authority is not required to submit by 30 June 2017 the annual implementation report for the year 2016, which will make part of the final report on implementation, in the form of a specific part of that report, to be submitted by 31 March 2018.

5.2.2. Admissibility, acceptance and deadlines

5.2.2.1. Components III and IV

The sectoral final report shall be submitted to the Commission and the national IPA coordinator at the latest six months after the final date of eligibility of expenditure (i.e. 30 June 2018), after examination by the Sectoral Monitoring Committee. A copy of the report shall also be sent to the National Authorizing Officer and to the strategic coordinator.

The sectoral final report shall be considered admissible if it contains all the appropriate information listed in the Articles mentioned in section 5.2.1 above.

The Financing Agreement does not establish a timeframe for the Commission to provide its comments to the Beneficiary country. It is therefore necessary to establish such a framework for the dialogue between the Commission and the Beneficiary country.

The national IPA coordinator and the Operating structure shall be informed by the Commission of the admissibility of the sectoral final report within 10 working days from the date of its receipt. A copy of this information shall be provided to the National Authorizing officer and the strategic coordinator.

63 And also in accordance with Article 169 of the IPA Implementing Regulation.
64 Article 112(1) of the IPA Implementing Regulation refers to “31 March of the fifth year following the last budgetary commitment”, i.e. 31 December 2013.
65 Neither does the IPA Implementing Regulation.
The Commission shall provide its opinion on the content of the admissible sectoral final report to the national IPA coordinator and to the operating structure (with copy to the strategic coordinator and the National Authorizing Officer) within five months from the date of receipt of the admissible report. The sectoral final report will only be accepted if all the comments from the Commission have been addressed.

Once the Commission has provided comments on the sectoral final report, the beneficiary will be given two months to respond and provide the necessary information. In case the beneficiary country cannot comply with this deadline, it should inform the Commission accordingly and the deadline may be extended for another two months.

In case the Beneficiary country is not able to improve the sectoral final report within the above mentioned deadline, the Commission will reject it and will carry out closure on the basis of the available documents. At the same time, the Commission may apply financial corrections in the context of Article 73 of the Financing Agreement.

The objective is to have the sectoral final report improved and accepted by the Commission within one year of the date of its receipt.

5.2.2.2. Component II

The final report shall be submitted to the Commission by the Managing authority at the latest by 31 March 2018, after examination by the Joint Monitoring Committee.

The IPA Implementing Regulation does not provide any deadline for the admissibility check of the final report. Nor does it make provision of what happens in case a report is not admissible. Taking into account that the acceptance of the final report is made against the provisions of Article 112 of that Regulation, the admissibility and acceptance can be considered as the same in the context of the closure exercise and the two terms should be used interchangeably.

Therefore, the Commission has five months from the date of the receipt of the final report to confirm its admissibility or provide comments to the participating countries in case it is not satisfied with its content and asks for it to be revised. The final report will only be accepted if all the comments from the Commission have been addressed.

The final report shall be considered admissible if it contains all the appropriate information listed in the Article 112(2) of the IPA Implementing Regulation and drawn up mutatis mutandis in accordance with the template established in Annex XVIII to Regulation (EC) No 1828/2006.

The IPA Implementing Regulation foresees the timeframe for the Commission to provide its comments to the Managing authority, but does not provide a timeframe for the response from the Managing authority. It is therefore necessary to establish a framework for the dialogue between the Commission and the Managing authority.

Once the Commission has provided comments on the final report, the Managing authority will be given two months to respond and provide the necessary information. In case the Managing authority cannot comply with this deadline, it should inform the Commission accordingly and the deadline may be extended for another two months.

66 And also in accordance with Article 49 and 51 of the IPA Implementing Regulation.
In case the Managing authority is not able to improve the final report, the Commission will reject it and will carry out closure on the basis of the available documents. At the same time, the Commission may apply financial corrections in the context of Article 99(1) of Council Regulation (EC) No 1083/2006, which, in accordance with Article 138(1) of the IPA Implementing Regulation, applies *mutatis mutandis*.

The objective is to have the final report revised and accepted by the Commission within one year of the date of its receipt.

### 5.2.3. **Reporting on operations**

The Beneficiary country should confirm in the final report that the operations inserted in the final statement of expenditure are completed and are in use (see the definition in Section 3.3.1), and, for major projects, that they have been implemented in accordance with the corresponding Commission Decisions.

Moreover the Beneficiary country, as foreseen in Appendix I to these guidelines, should provide a list of all operations with the following information:

(a) their date of completion (actual or expected);

(b) the total eligible costs of these operations, including, for major projects, their sources of financing;

(c) for major projects, their key output and result indicators laid down in the Commission Decision on the major project.

The list should be provided using the template in Appendix I to these guidelines, table 1 for major projects and table 2 for other operations, including the list of non-functioning projects (see section 3.3.1). When reporting on operations in Annex I to the final statement of expenditure by 31 December 2018 (for component II: 31 March 2018), the information on the completion of operations contained in the (sectoral) final report and drawn up in accordance with the template established in Appendix I to these guidelines has to be up-dated until a new cut-off date fixed by the Beneficiary country, which is before, but close to 31 December 2018 (for component II: 31 March 2017).

The beneficiary country should provide in the (sectoral) final report information of any significant problems encountered in implementing these operations and measures taken to overcome them.

Moreover, the beneficiary country should indicate any change in the indicative list of major projects provided in the programme.

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67 In accordance with Article 62 of the IPA Implementing Regulation.
68 As indicated in the template provided in Annex VIII to the Financing Agreement.
69 The detailed guidelines concerning the concept of indicators has been included in the Working document No 2 'Indicative Guidelines on Evaluation Methods: Monitoring and Evaluation Indicators'.
   - **Output indicators** relate to activity. They are measured in physical or monetary units (e.g., length of railroad constructed, number of firms financially supported, etc.).
   - **Result indicators** relate to the direct and immediate effect on direct beneficiaries brought about by a programme. They provide information on changes to, for example, the behaviour, capacity or performance of beneficiaries. Such indicators can be of a physical (reduction in journey times, number of successful trainees, number of roads accidents, etc.) or financial (leverage of private sector resources, decrease in transportation cost, etc.) nature.
70 The non-functioning major projects and other Operations should be reported about in the parts 1.B and 2.B of the Appendix I. This is relevant for components II and III only.
71 Taking into account that such information should also be made available timely to the Audit authority.
For implemented major projects, this information should enable the Commission to assess their compliance with the Commission Decision. The Commission will assess the reasons and consequences of the eventual non-compliance of the implemented major projects with the Commission Decision (financial and/or physical implications) and will apply a financial correction (on the basis of Article 73 of the Financing Agreement).

In accordance with the second subparagraph of Article 60j(1) of the Financing Agreement, the (sectoral) final report may set out the allocation of funds to individual actions as taken by the operational board of the EU Trust Fund up to 31 December 2017 in pursuing the objectives set out in the programme and within the respective programme area.

5.2.3.1. Components II and III

With regard to operations which could not be reported as completed at the submission of the closure documents by 31 March/31 December 2018 (the "non-functioning projects"), the beneficiary country has to provide, with the final report, a list of such non-functioning projects retained in the programme, using the template of the tables 1B and 2B of the Appendix I to these guidelines.

For component III: Thereafter, the beneficiary country should report to the Commission by 30 June 2019 on projects already completed, as well as on the measures taken including milestones in order to complete the remaining projects by 31 December 2019.

Within one year of the deadline for submitting the final statement of expenditure and closure declaration for the programme concerned (i.e. by 31 December 2019) the beneficiary country should provide the necessary information on the completion and operational aspect of these projects retained in the programme.

For component II: Thereafter, the beneficiary country should report to the Commission on six monthly basis on projects already completed, as well as on the measures taken including milestones in order to complete the remaining projects by 31 March 2020.

Within two years of the deadline for submitting the final statement of expenditure and closure declaration for the programme concerned (i.e. by 31 March 2020) the beneficiary country should provide the necessary information on the completion and operational aspect of these projects retained in the programme.

5.2.3.2. Component IV

With regard to projects which could not be reported as completed at the submission of the closure documents by 31 December 2018, the Beneficiary country should send to the Commission, by 31 March 2019 at the latest, a separate update report confirming their completion by 31 December 2018.

5.2.4. Reporting on financial engineering instruments

For components III and IV, the following information has to be provided in the sectoral final report as part of the closure package:

(a) A description of the financial engineering instrument and implementation arrangements;
(b) Identification of the entities which implement the financial engineering instrument;
(c) Amounts of assistance from IPA and national co-financing paid to the financial engineering instrument;

(d) Amounts of assistance from IPA and national co-financing paid by the financial engineering instrument.

The sectoral final report should provide, by way of narrative, a summary description of the financial engineering instrument(s) and implementation arrangements. For the purpose of sectoral final reporting, the "implementation arrangements" should be interpreted in a broad sense in order to satisfy the general objective of providing a balanced overview of financial engineering instruments' performance during the 2007-2013 period.

The sectoral final report should contain the following information:

(a) the number and type of funds established during the programming period;

(b) the identity of national co-financing providers and type of national co-financing (loan, in kind contribution). Any co-investment funds should be clearly identified;

(c) date of signature and the duration of funding agreements underpinning operation;

(d) information on selection procedure for the funds' managers and final recipients;

(e) types of products offered and final recipients targeted;

(f) information on withdrawals of programme resources from FEIs;

(g) interest generated by payments from the programme and attributable to the IPA Funds;

(h) a brief overall assessment of fund performance in terms of its contribution to the achievements of the objectives of the programme and the priority concerned;

(i) information on legacy including:

(ii) value of legacy resources (residual funds and value of investments and participations at the final date of eligibility) attributable to IPA resources at 31 December 2017;

(iii) the date of winding up (as envisaged in the funding agreement) and accrual of legacy;

(iv) the information on the reuse of legacy resources attributable to the IPA Funds specifying the competent authority which is responsible for Managing legacy resources, the form of reuse, the purpose, the geographic area concerned and the envisaged duration;

(i) To the extent that financial instruments encountered particular difficulties and/or failed to reach the principal objectives contained in their respective business plans, the sectoral final report should contain a brief summary of the principal reasons for such difficulties and the nature, timing and effectiveness of any remedial action undertaken by (as appropriate) the Operating structure or fund manager.

Additional numerical information should be provided using the reporting template in Appendix II to these guidelines.
5.2.5.  **Reporting on results**

During the implementation period, the Beneficiary country (component II: the participating countries) was asked, in the context of the (sectoral) annual reports, to include, in accordance with Article 85 of the Financing Agreement\(^{72}\) detailed information on the progress made in implementing the programme. This includes information by priority axes, measures and, where relevant, operations or group of operations, in relation to their specific, verifiable targets, using the indicators referred to in the programme.

At closure, in case the reported indicators in the (sectoral) final report appear to divert significantly (i.e. by more than 25%) from the targets set in the programme, the Beneficiary country (component II: the Managing authority) should provide an explanation and a justification of why the target has not been met. That explanation should be presented in the form of a short summary of three pages at maximum.

5.2.6.  **Use of interests**

In accordance with Article 65 of the Financing Agreement\(^{73}\) any interest earned on the programme-specific euro account remains the property of the beneficiary country. It shall be posted exclusively to the operational programme concerned, being regarded as a resource of the Beneficiary country in the form of a national public contribution to the programme. Interest shall be declared to the Commission with each payment application and at the time of the submission of the final application for payment.

5.3.  **Closure declaration**

5.3.1.  **General principle**

5.3.1.1.  **Components III and IV**

In accordance with Article 101 of the Financing Agreement\(^{74}\), the closure declaration for a specific programme is prepared by the independent Audit authority and submitted to the Commission at the latest by 31 December 2018. In the closure declaration, the Audit authority expresses its opinion on the final statement of expenditure. That opinion (the ‘closure declaration’) shall be drawn up in accordance with the model established in Annex E to the Framework Agreement. It shall address the validity of the final payment application, the accuracy of the financial information and the legality and regularity of the underlying transactions covered by the final statement of expenditure, and shall be supported by a final control report. It shall be sent to the Commission and to the Competent Accrediting Officer, at the same time as the relevant final statement of expenditure submitted by the National Authorising Officer, or at least within three months of the submission of that final statement of expenditure\(^{75}\) (but in any case not later than 31 December 2018).

The closure declaration should be based on all the audit work carried out by, or under the responsibility of, the Audit authority. This work includes the audits carried out by the Audit authority after the cut-off date for carrying out of the audit work, related to the last annual

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\(^{72}\) And also in accordance with Article 169(3) of the IPA Implementing Regulation.

For component II: in accordance with Article 112(2) of the IPA Implementing Regulation.

\(^{73}\) In accordance with Article 36 of the IPA Implementing Regulation.

For component II: in accordance with Article 129 of the IPA Implementing Regulation.

\(^{74}\) And also in accordance with Article 45(1)(c) of the IPA Implementing Regulation.

\(^{75}\) In accordance with Article 101(2) of the Financing Agreement and point (b) of Article 29(2) of the IPA Implementing Regulation.
control report (i.e. 30 September 2017) until the deadline for the submission of the closure documents (31 December 2018) and the final control report (following the model established in Annex XVII to the Financing Agreement) should include the related information. The audits of operations carried out by the Audit authority in accordance with Article 91 of the Financing Agreement during this period will cover the expenditure declared in 2017 and up to the date of the submission for the closure documents (by 31 December 2018).

The basis for forming the opinion expressed in the closure declaration has to be clearly explained. The Audit authority is required to declare that the final statement of expenditure (as integral part of the application for the final payment) issued by the National Authorising Officer are free of misstatements. The Audit authority shall address in particular the following:

(a) Correct presentation and compilation of the documents;
(b) Correctness and accuracy of the calculations;
(c) Reconciliation of the final statement presented to the Commission with the statements presented to the National Authorising Officer by the bodies making part of the Operating Structure;
(d) Consistency with the financial information, including information on irregularities, provided in the sectoral final report;
(e) The legality and regularity of the underlying financial transactions, in accordance with the eligibility criteria and the applicable procurement rules;
(f) Audits carried out by the Commission services, the European Court of Auditors or the Audit authority on the National Fund and the National Authorizing Officer, the Operating structure as well as the contracting authorities, by summarizing any weakness found in the management and control systems or in the financial transaction findings. The corrective measures put in place to remedy any weakness found in the management and control systems including any financial corrections imposed should be provided;
(g) Appropriate sample of operations or financial transactions Audited in accordance with internationally accepted Audit standards, including information on the total public expenditure and the error rate, if any.

If there is a limitation in the scope of examination or if the level of irregular expenditure detected does not allow the provision of an unqualified opinion in the closure declaration, the Audit authority should give the reasons and estimate the scale of the problem and its financial impact.

5.3.1.2. Component II

In accordance with Article 105(1)(d) of the IPA Implementing Regulation the closure declaration is prepared by the independent Audit authority and submitted to the Commission at the latest by 31 March 2018.

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76 The last annual control report covering the period of 1 October 2016 to 30 September 2017 shall be submitted by 31 December 2017.
77 And also in accordance with Article 29(2)(b) of the IPA Implementing Regulation.
78 Article 105(1)(d) of the IPA Implementing Regulation refers to "31 March of the fifth year following the last budgetary commitment", i.e. 31 December 2013.
The closure declaration should be based on all the audit work carried out by, or under the responsibility of, the Audit authority. This work includes the audits carried out by the Audit authority after the cut-off date for carrying out of the audit work, related to the last annual control report (i.e. 30 June 2017) until the deadline for the submission of the closure documents (31 March 2018) and the final control report (drawn up mutatis mutandis in accordance with the model established in Annex VIII to Regulation (EC) No 1828/2006) should include the related information. This means that the Audit authority should report on the basis of the audit work carried out between 1 July 2017 and 31 March 2018. The audits of operations carried out by the Audit authority in accordance with Article 107 of the IPA Implementing Regulation during this period will cover the expenditure declared in 2017 and up to the date of the submission for the closure documents (by 31 March 2018).

This report shall be based on the systems audits and audits of operations carried out to verify the effective functioning of the management and controls system of the cross-border programme and on operations on the basis of an appropriate sample to certify expenditure declared.

In accordance with Article 105(1)(d) of the IPA Implementing Regulation, the Audit authority shall satisfy itself that the conditions laid down in Article 106 of that Regulation with regard to the audit trail are fulfilled and it shall ensure in accordance with Article 107(4) of that Regulation, that no less than 5% of the total expenditure declared by lead beneficiaries and certified to the Commission in the final statement of expenditure shall be audited before the closure of a cross-border programme.

The basis for forming the opinion expressed in the closure declaration has to be clearly explained. The Audit authority is required to declare that the final statement of expenditure (also containing the application for the final payment) issued by the certifying authority are free of misstatements.

If there is a limitation in the scope of examination or if the level of irregular expenditure detected does not allow the provision of an unqualified opinion in the closure declaration, the Audit authority should give the reasons and estimate the scale of the problem and its financial impact.

5.3.2. **Admissibility, acceptance and deadlines**

5.3.2.1. **Components III and IV**

In accordance with Article 69 of the Financing Agreement, the Commission shall inform the Beneficiary country of its opinion on the content of the closure declaration within five months of the date of its receipt; the closure declaration shall be deemed to be accepted in the absence of observations by the Commission within that five-month period.

The Financing Agreement does not establish a timeframe for the beneficiary country to react on the Commission’s comments on the closure declaration. It is therefore necessary to establish such a framework for the dialogue between the Commission and the Beneficiary country.

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79 The last annual control report covering the period of 1 July 2016 to 30 June 2017 shall be submitted by 31 December 2017.

80 And also in accordance with Articles 112(3), 133(3) and 161(2) of the IPA Implementing Regulation.

81 Neither does the IPA Implementing Regulation.
Once the Commission has provided comments on the closure declaration, the Beneficiary country will be given two months to respond and provide the necessary information. In case the Beneficiary country cannot comply with this deadline, it should inform the Commission accordingly and the deadline may be extended for another two months, except where further audit work is requested to the beneficiary country, in which case the deadline can be extended to the period considered necessary to conclude this work.

The final statement of expenditure should be submitted to the Audit authority well in advance (it is recommended that these documents are provided to the Audit authority at least six months before the deadline of 31 December 2018 (for component II: 31 March 2018). The closure declaration will only be accepted if all the comments from the Commission have been addressed.

The objective is to have the closure declaration revised and accepted by the Commission within one year of the date of its receipt, except for those cases that the request for further audit work requires a longer period.

The failure to submit the closure declaration reveals a serious deficiency in the management and control system of the programme which puts at risk the IPA contribution already paid to the programme. The submission of a closure declaration which does not assess properly the validity and regularity of the underlying transactions covered by the final statement of expenditure might lead to the same conclusion.

In such cases and when the closure declaration discloses irregularities or systems deficiencies not corrected before closure, the Commission may consider the possibility of launching a financial correction procedure under Article 73 of the Financing Agreement.

5.3.2.2. Component II

According to Article 133(3) of the IPA Implementing Regulation, the Commission shall inform the participating countries of its opinion on the content of the closure declaration within five months of the date of its receipt; the closure declaration shall be deemed to be accepted in the absence of observations by the Commission within that five-month period.

As with the dialogue procedure established for the final report, once the Commission has provided comments on the closure declaration, the participating countries will be given two months to respond and provide the necessary information. In case the Managing authority cannot comply with this deadline, it should inform the Commission accordingly and the deadline may be extended for another 2 months, except where further audit work is requested to the Managing authority, in which case the deadline can be extended to the period considered necessary to conclude this work. The closure declaration will only be accepted if all the comments from the Commission have been addressed.

The objective is to have the closure declaration revised and accepted by the Commission within one year of the date of its receipt, except for those cases that the request for further audit work requires a longer period.

The failure to submit the closure declaration reveals a serious deficiency in the management and control system of the programme which puts at risk the IPA contribution already paid to the programme in the meaning of point (a) of Article 99(1) of Council Regulation (EC) And also in accordance with Articles 49 and 51 of the IPA Implementing Regulation.
No 1083/2006, which, in accordance with Article 138(1) of the IPA Implementing Regulation, applies mutatis mutandis. The submission of a closure declaration which does not assess properly the validity and regularity of the underlying transactions covered by the final statement of expenditure might lead to the same conclusion.

In such cases and when the closure declaration discloses irregularities or systems deficiencies not corrected before closure, the Commission may consider the possibility of launching a financial correction procedure under Articles 99 and 100 of Council Regulation (EC) No 1083/2006, which, in accordance with Article 138(1) of the IPA Implementing Regulation, applies mutatis mutandis, and as further detailed by the Commission Decision C(2011) 7321 of 19 October 2011.

5.3.3. Preparation of the closure declaration and the final control report

5.3.3.1. Components III and IV

In preparation of the closure declaration, the Audit authority should:

(a) Verify if the work done by the Operating structure and National Authorising Officer in preparation for closure has adequately covered the points identified under point 5.1.2;

(b) Ensure that there is sufficient and reliable information from the Operating structure and National Authorising Officer to be able to provide an opinion on whether the final statement of expenditure presents fairly, in all material respects, the expenditure paid under the operational programme, that the application for payment of the final balance of the IPA contribution to the relevant programme is valid and that the underlying transactions covered by the final statement of expenditure are legal and regular;

(c) Verify that all errors/irregularities have been corrected, in respect of:
   (i) Management verifications carried out under the provisions under Article 79 of the Financing Agreement;
   (ii) Audits of operations carried out under Article 91 of the Financing Agreement;
   (iii) Audits by other national bodies;
   (iv) Audits by the European Commission;
   (v) Audits by the European Court of Auditors;

(d) Ensure that all the errors detected by the Audit authority in the context of its audit of operations are properly analysed and disclosed in accordance with Commission’s guidance on treatment of errors disclosed in annual control reports84. In particular, in the case of a systemic irregularity, the Audit authority shall extend its enquiries to cover all operations liable to be affected in accordance with Article 91(3) of the Financing Agreement;

(e) Verify whether the National Authorising Officer has complied with the requirements laid down in Articles 66 and 67 of the Financing Agreement;

(f) Verify whether the National Authorising Officer has drawn up the final statement on withdrawn and recovered amounts, pending recoveries and irrecoverable amounts in

84 EGESIF_15-0007-01 of 9 October 2015
accordance with Article 66(3)d and Annex III of the Financing Agreement. The Audit authority should check whether the data contained in the statement is supported by the information contained in the National Authorising Officer's system and contains all the irregularities subject of a financial correction until closure. The final control report should disclose the results of Audit authority's checks in this regard and its conclusion on the reliability and completeness of the National Authorising Officer's statement to be submitted under Article 66(3)(d) and Annex III of the Financing Agreement. In case the final statement on withdrawn and recovered amounts, pending recoveries and irrecoverable amounts is not considered reliable and/or incomplete by the Audit authority this will be considered a serious deficiency of the management and control system, and it might be subject to financial corrections;

(g) Verify the following with regard to the final statement of expenditure and request for final payment, in particular, the correct implementation of the deductions related to withdrawals and recoveries mentioned in the corresponding statements on withdrawn and recovered amounts, pending recoveries and irrecoverable amounts (Annex III of the Financing Agreement).

In the final control report, the Audit authority should describe the work done in regard to the aspects above-mentioned and consider the following:

If the Audit authority uses the work of another national body to carry out systems audit or audit of operations, the Audit authority should have full reliance on the quality of the work done by this body and this should be clearly mentioned in the final control report. If the Audit authority does not have such reliance, the sectoral final report should disclose the measures taken to address this problem and conclude on whether this gives the Audit authority reasonable assurance that the audit work has been performed in line with the EU and national law and with internationally accepted audit standards.

The final control report should provide information on the follow-up of irregularities.

The final control report should disclose:

– the annual total projected error rates disclosed each year in the annual control reports (or the revised error rate, if any, for the annual control report 2017) (column D of table for declared expenditure and sample audits);

– the annual total projected error rate resulting from the audits of operations carried out between 1 October 2017 and 30 September 2018 and covering the expenditure declared in 2017 and 2018 (column D);

– the quantification of the risk per year (column E) resulting from: (i) the application of the total projected error rate (as presented in the annual control report) to the population; or (ii) the application of a projected error rate or a flat rate agreed with the Commission following its assessment;

– other expenditure audited per year (column H), i.e. expenditure from complementary sample and expenditure for random sample not in the reference year and the related amount of irregular expenditure (column I);

– the sum of all financial corrections applied by the participating countries (amounts on withdrawals and recoveries disclosed by the operating structure under
Article 66(3)(d) of the Financing Agreement on the basis of the total expenditure paid by beneficiaries (column F);

- the residual risk amount for each reference year (column G), resulting from the deduction of all the financial corrections mentioned in the previous point (column F) from the quantification of the risk column E);

- the residual risk rate at closure, corresponding to the sum of the annual residual risk amounts divided by the sum of the total expenditure declared at closure. \( K = \frac{G}{A} \).

The opinion of the Audit authority in the closure declaration should be drawn up taking into account the Commission’s guidance on treatment of errors and disclosed in annual control reports. This means in particular that the Audit authority may disclose an unqualified opinion if the residual risk rate at closure is below the materiality level (2% of the expenditure declared). A qualified opinion is deemed appropriate in case this risk rate is equal or above 2%, unless the Operating Structure takes the necessary corrective measures (as foreseen in section 5.3 and 5.4 of the mentioned guidance) on the basis of that risk rate, before submission of the closure declaration to the Commission.

In accordance with Article 60b(2) of the Financing Agreement, the reports and opinions of the Audit authority shall not cover the contribution to the EU Trust Fund.

The Audit authority shall neither be responsible for verifying the effective and sound functioning of management and control systems of a body implementing contribution to the EU Trust Fund nor carry out audits of the individual actions under this operation. It shall rely on the available annual report and final annual accounts drawn up by the body implementing the contribution to the EU Trust Fund. The audit trail shall not cover expenditure for the individual actions under the EU Trust Fund.

5.3.3.2. Component II

In accordance with Article 105(1)(d),(2),(4) of the IPA Implementing Regulation, the Audit authority shall be responsible for submitting to the Commission at the latest by 31 March 2018 a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which shall be supported by a final control report. This closure declaration shall be based on all the audit work carried out by or under the responsibility of the Audit authority. The Audit authority shall ensure that the audit work takes account of internationally accepted audit standards. If weaknesses in management or control systems or the level of irregular expenditure detected do not allow the provision of an unqualified opinion in the closure declaration, the Audit authority shall give the reasons and estimate the scale of the problem and its financial impact.

At closure, the Audit authority should:

- Verify if the work done by the Managing authority and certifying authority in preparation for closure has adequately covered the points identified above;

- Ensure that there is sufficient and reliable information from the Managing authority and Certifying authority to be able to provide an opinion on whether the final statement of expenditure presents fairly, in all material respects, the expenditure paid under the operational programme, that the application for payment of the final balance of the IPA contribution to the relevant programme is valid and that the
underlying transactions covered by the final statement of expenditure are legal and regular;

- Verify that all errors/irregularities have been corrected, in respect of:
  - Management checks carried out under the provisions above-mentioned;
  - Audits of operations carried out under Article 107 of the IPA Implementing Regulation;
  - Audits by other national bodies;
  - Audits by European Commission;
  - Audits by European Court of Auditors;

- Ensure that all the errors detected by the Audit authority in the context of its audit of operations are analysed in accordance with Commission’s guidance on treatment of errors disclosed in annual control reports\(^5\). In particular, "in the case of a systemic irregularity, the participating country shall extend its enquiries to cover all operations liable to be affected";

- Verify whether the Certifying authority has complied with the conditions under points (b) to (f) of Article 104 of the IPA Implementing Regulation, namely that amounts recovered are effectively deducted prior to the closure of the operational programme;

- Verify whether the certifying authority has drawn up the final statement on withdrawn and recovered amounts, pending recoveries and irrecoverable amounts in line with Article 104(g) of the IPA Implementing Regulation. The Audit authority should check whether the data contained in the statement is supported by the information contained in the certifying authority's system and contains all the irregularities subject of a financial correction until closure. The final control report should disclose the results of Audit authority's checks in this regard and its conclusion on the reliability and completeness of the certifying authority's statement to be submitted under Article 105(1)(c) of IPA Implementing Regulation. In case the final statement on withdrawn and recovered amounts, pending recoveries and irrecoverable amounts is not considered reliable and/or incomplete by the Audit authority this will be considered a serious deficiency of the management and control system, and it might be subject to financial corrections\(^6\);

- Verify in particular the following with regard to the final statement of expenditure and request for final payment:
  - the correct presentation of the documents;
  - the correctness of the calculations;
  - the reconciliation of the final statement of expenditure with declarations made by the Managing authority;
  - compatibility with the applicable financial tables of the last decision in force;

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\(^5\) EGESIF_15-0007-01 of 9 October 2015

\(^6\) Information on withdrawn and recovered amounts should be given *mutatis mutandis* in accordance with Article 20(2) of Regulation (EC) No 1828/2006 and its Annex XI.
– correspondence with the financial information, including information on irregularities, in the final report on execution of the programme;
– the correct implementation of the deductions related to withdrawals and recoveries mentioned in the corresponding statements on withdrawn and recovered amounts, pending recoveries and irrecoverable amounts (mutatis mutandis in accordance with Annex XI of the Regulation (EC) No 1828/2006);

- Verify the presence in the statement of expenditure of additional information regarding advances paid to beneficiaries in the Member State(s), i.e. the total expenditure paid as an advance to the beneficiaries by the body granting the aid and the corresponding public contribution;

- Draw up the "table for declared expenditure and sample audits" in accordance with the template set out in Appendix III to these guidelines.

In the final control report, the Audit authority should describe the work done in regard to the aspects above-mentioned and consider the following:

If the Audit authority uses the work of another national body to carry out systems audit or audit of operations, the Audit authority should have full reliance on the quality of the work done by this body and this should be clearly mentioned in the final control report. If the Audit authority does not have such reliance, the final report should disclose the measures taken to address this problem and conclude on whether this gives the Audit authority reasonable assurance that the audit work has been performed in line with the Union and national Regulations and with internationally accepted audit standards.

The final control report should provide information on the follow-up of irregularities.

The final control report should disclose:

– The annual total projected error rates disclosed each year in the annual control reports (or the revised error rate, if any, for the annual control report 2017) (column D of table for declared expenditure and sample audits);
– The annual total projected error rate resulting from the Audits of operations carried out between 1 July 2017 and 31 March 2018 and covering the expenditure declared in 2017 and 2018 (column D);
– The quantification of the risk per year (column E) resulting from: (i) the application of the total projected error rate (as presented in the annual control report) to the population; or (ii) the application of a projected error rate or a flat rate agreed with the Commission following its assessment;
– Other expenditure audited per year (column H), i.e. expenditure from complementary sample and expenditure for random sample not in the reference year and the related amount of irregular expenditure (column I);
– The sum of all financial corrections applied by the participating countries (amounts on withdrawals and recoveries disclosed by the Managing authority under Annex XI of the Regulation (EU) No 1828/2006) on the basis of the total expenditure paid by beneficiaries (column F);
– The residual risk amount for each reference year (column G), resulting from the deduction of all the financial corrections mentioned in the previous point (column F) from the quantification of the risk column E);

– The residual risk rate at closure, corresponding to the sum of the annual residual risk amounts divided by the sum of the total expenditure declared at closure. (K= G/A).

The opinion of the Audit authority in the closure declaration should be drawn up taking into account the Commission’s guidance on treatment of errors disclosed in annual control reports. This means in particular that the Audit authority may disclose an unqualified opinion if the residual risk rate at closure is below the materiality level (2% of the expenditure declared). A qualified opinion is deemed appropriate in case this risk rate is equal or above 2%, unless the Managing authority takes the necessary corrective measures (as foreseen in section 5.3 and 5.4 of the mentioned guidance) on the basis of that risk rate, before submission of the closure declaration to the Commission.
6. **CALCULATION OF THE CEILINGS FOR TECHNICAL ASSISTANCE AT CLOSURE**

For components III and IV, in accordance with Article 155(2)(f) of the IPA Implementing Regulation technical assistance is subject to a ceiling of 6% of the IPA contribution allocated to the programme\(^87\).

For component II, in accordance with Article 94(1)(f) of the IPA Implementing Regulation technical assistance is subject to a ceiling of 10% of the IPA contribution allocated to the programme\(^88\).

The respect of these ceilings shall be ensured during the implementation of a programme, when amending an operational programme or reducing its allocations due to decommitments. However, according to the flexibility provisions outlined under point 10 and Appendix IV to these guidelines, an excess of 10% in the amount of eligible expenditure incurred and paid for technical assistance activities could be declared to the Commission.

7. **AUTOMATIC DECOMMITMENTS**

For components III and IV, in accordance with Article 13 of the Financing Agreement\(^89\) that part of the budget commitments still open on 31 December 2017 for which a final statement of expenditure has not been made by 31 December 2018 shall be automatically de-committed.

For component II, in accordance with Article 5 of the Financing Agreement\(^90\) that part of the budget commitments still open on 31 December 2017 for which a final statement of expenditure has not been made by 31 December 2018 shall be automatically de-committed.

All amounts concerning operations not declared at closure will be decommitted, except for the amounts that the National Authorising Officer (component II: certifying authority) has not been able to declare for reasons of *force majeure* (in accordance with the basic legal principle laid down in Article 205(1) of Regulation (EU, Euratom) No 966/2012\(^91\) and as defined by the European Court of Justice\(^92\)). The Beneficiary country should indicate in the final statement of expenditure the amount relating to that situation, which could not be declared at the time of submission of the closure documents.

8. **OPERATIONS SUSPENDED DUE TO LEGAL OR ADMINISTRATIVE PROCEEDINGS**

For each operation subject of administrative and legal proceedings having suspensory effects, the Beneficiary country must decide, before the deadline for submission of the closure documents for the programme, whether the operation should be (wholly or partly) withdrawn from the programme and/or replaced by another eligible operation before the deadline.

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\(87\) In exceptional, duly justified cases this ceiling may reach 10%.

\(88\) In exceptional, duly justified cases this ceiling may exceed 10%.

\(89\) And also in accordance with point (b) of Article 166(3) of Regulation (EC, Euratom) No 1605/2002.

\(90\) And also in accordance with point (b) of Article 166(3) of Regulation (EC, Euratom) No 1605/2002.


\(92\) *Force majeure* has been defined by the European Court of Justice as being subject to circumstances that are abnormal, unforeseeable, beyond the control of the one who invokes it and that could not be avoided despite all diligence (Case 296/86, McNicholl [1988] ECR-1491 and, more recently, (Joined Cases T-61/00 and T-62/00 APOL v Commission).
9. PAYMENTS SUSPENDED

The issues underlying any suspension or interruption of interim payments on-going after the submission of the closure documents (Article 72 of the Financing Agreement\(^{93}\)) will be reviewed in the context of the assessment of the closure declaration. Depending on the result of the review, the Commission shall either lift the suspension or interruption, or initiate a financial correction procedure. The payment of the final balance will be calculated by the Commission taking into account, if applicable, the financial corrections to be imposed upon the beneficiary country in accordance with Article 73 of the Financing Agreement\(^{94}\) and, for component II, in accordance with Article 138 of IPA Implementing Regulation.

10. CALCULATION OF THE FINAL CONTRIBUTION

In accordance with Article 68 of the Financing Agreement\(^{95}\), the calculation of the final IPA contribution is carried out as follows:

At the level of each priority axis,

1. The IPA contribution through payments including the final balance shall not exceed the amount resulting from applying the co-financing rate, on the basis of the last financial plan in force before the submission of the final payment claim to the Commission, to the declared eligible expenditure;

2. The IPA contribution resulting from point (1) shall not exceed, by more than 10%\(^{96}\), the maximum amount of the IPA contribution as laid down in the last financial plan in force before the submission of the final payment claim to the Commission.

At programme level the IPA contribution to be paid shall not exceed

3. the public contribution declared; and

4. the maximum amount of the IPA contribution to the operational programme on the basis of the last financial plan in force before the submission of the final payment claim to the Commission.

The application of the flexibility of 10% for the calculation of the final balance will not be limited by the application of the regulatory ceiling for technical assistance. An example of a final contribution calculation for a programme is set out in Appendix IV to these guidelines.

11. THE EURO

Article 70 of the Financing Agreement sets out the arrangements on the use of the euro in the budgetary management of the IPA Funds which are applicable at closure.

\(^{93}\) And also in accordance with Article 46 of the IPA Implementing Regulation.
\(^{94}\) And also in accordance with Article 49 and 51 of the IPA Implementing Regulation.
\(^{95}\) And also in accordance with Article 44 of the IPA Implementing Regulation.
\(^{96}\) For component II: in accordance with Article 149 of the IPA Implementing Regulation.

This flexibility is additional to the flexibility that Beneficiary countries have due to the fact that they can change the financial plans for their programmes up to the end of 2017 (component II: 2016), as set out in point 2.1 of these guidelines. It is envisaged because the financial programming for Components III and IV was actually made by priority broken down by year and because it is not possible to change financial plans contained in the programme documents for previous years. This practice, although not required under the legal framework, is similar to the 2000-2006 programming period for Structural Funds, see Commission Decision C(2009) 960 of 11 February 2009 amending the Guidelines on closure of assistance (2000-2006) from the Structural Funds, approved by the Decision C(2006) 3424 of 1 August 2006, where a 10% flexibility was in introduced for that very reason. For reasons of equal treatment this flexibility should also apply to component II programmes.
APPENDIX I

Guidelines on Closure of IPA components II, III and IV programmes 2007-2013

Summary table of completed major projects in accordance with the requirements of the Article 102 (3) (f) and (g) of the Financing Agreement (to be attached to the Sectoral final report. The operating structure shall send an update of both Tables 1 and 2 to the Commission by the time of the submission of the other two closure documents, i.e. 31 December 2018 at the latest. An update of both may be sent to the Commission by 31 March 2019, for the reason stated under chapter 4.4.

1. **List of major projects**

   **A. Major projects completed by DD/MM/2018** (cut-off date as referred to in section 5.2.3) (relevant for component III only)

<table>
<thead>
<tr>
<th>OP TITLE</th>
<th>OP CCI NUMBER</th>
<th>PRIORITY</th>
<th>PROJECT TITLE</th>
<th>DATE OF COMMISSION DECISION</th>
<th>DATE OF COMPLETION</th>
<th>TOTAL FINAL COSTS</th>
<th>TOTAL FINAL ELIGIBLE EXPENDITURE</th>
<th>EU CONTRIBUTION</th>
<th>NATIONAL PUBLIC CONTRIBUTION</th>
<th>OTHER SOURCES</th>
<th>EIB/EIF LOANS</th>
<th>KEY OUTPUT INDICATORS</th>
<th>KEY RESULT INDICATORS</th>
</tr>
</thead>
</table>

   **B. Major projects non-functioning by 31 December 2018** (relevant for component III only)

<table>
<thead>
<tr>
<th>OP TITLE</th>
<th>OP CCI NUMBER</th>
<th>PRIORITY</th>
<th>PROJECT TITLE</th>
<th>DATE OF COMMISSION DECISION</th>
<th>DATE OF COMPLETION (expected)</th>
<th>TOTAL FINAL COSTS</th>
<th>TOTAL FINAL ELIGIBLE EXPENDITURE</th>
<th>EU CONTRIBUTION</th>
<th>NATIONAL PUBLIC CONTRIBUTION</th>
<th>OTHER SOURCES</th>
<th>EIB/EIF LOANS</th>
<th>KEY OUTPUT INDICATORS</th>
<th>KEY RESULT INDICATORS</th>
</tr>
</thead>
</table>

2. **The computerised listing of all operations other than major projects by measure and the corresponding expenditure, including contribution under the IPA Regulation and national public expenditure (as per Annex I to the statement of expenditure)**

   **A. Operations completed by DD/MM/2018** (cut-off date as referred to in section 5.2.3)

<table>
<thead>
<tr>
<th>Priority axis/measure</th>
<th>Total expenditure (EURO)</th>
<th>IPA funds (EURO)</th>
<th>National public expenditure (EURO)</th>
<th>IPA co-financing rate (%)</th>
<th>Completion date (DD/MM/YYYY)</th>
</tr>
</thead>
</table>

43
### Priority axis 1: total amount spent

**Measure 1.1: total amount spent**

Operation n.XXX  
Operation n.XXY  
...  
Measure 1.2  
...  

### Priority axis 2: total

**B. Non-functioning projects (operations) by 31 December 2018/31 March 2018 (relevant for components II and III only)**

<table>
<thead>
<tr>
<th>Priority axis/measure</th>
<th>Total expenditure (EURO)</th>
<th>IPA funds (EURO)</th>
<th>National public expenditure (EURO)</th>
<th>IPA co-financing rate (%)</th>
<th>Completion date (DD/MM/YYYY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority axis 1: total amount spent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Measure 1.1: total amount spent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operation n.XXX</td>
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<td></td>
</tr>
<tr>
<td>Operation n.XXY</td>
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<tr>
<td>...</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Measure 1.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
## APPENDIX II

1. **Financial Engineering Instruments operations** implemented without Holding Fund (sections marked with * are optional)

<table>
<thead>
<tr>
<th>No.</th>
<th>Required information/data</th>
<th>Required data/information format</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>II.</td>
<td>A Description and identification of the entities which implement the financial engineering instrument (Article 102(3) of the Financing Agreement)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>II.1</td>
<td>Financial engineering instrument (name and registered place of business)</td>
<td>text</td>
<td></td>
</tr>
<tr>
<td>II.2</td>
<td>Attributable to Article 57 of the Financing Agreement</td>
<td>/////////////////////////////////////////////////////////////////////////////////////////////////////////////////////////////////////////////////////</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) financial engineering instruments for enterprises</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) urban development funds (N/A)</td>
<td>radio button O O O</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(c) funds or other incentive schemes providing loans, guarantees for repayable investments, or equivalent instruments, for energy efficiency and use of renewable energy in buildings, including in existing housing (N/A)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>II.3</td>
<td>Type of financial product offered by the financial engineering instrument to the final recipients</td>
<td>/////////////////////////////////////////////////////////////////////////////////////////////////////////////////////////////////////////////////////</td>
<td></td>
</tr>
<tr>
<td>II.3.1</td>
<td>equity</td>
<td>clicking box □</td>
<td></td>
</tr>
<tr>
<td>II.3.2</td>
<td>loan</td>
<td>clicking box □</td>
<td></td>
</tr>
<tr>
<td>II.3.3</td>
<td>guarantee</td>
<td>clicking box □</td>
<td></td>
</tr>
</tbody>
</table>
II.3.4 other product (interest rate subsidies, guarantee fee subsidies and equivalent measures) clicking box □

2. **Description** and identification of the entities which implement the financial engineering instrument (Article 102(3) of the Financing Agreement)

<table>
<thead>
<tr>
<th>II.4</th>
<th><strong>Financial engineering instrument manager</strong> (its name, legal status and registered place of business)</th>
<th>text</th>
</tr>
</thead>
<tbody>
<tr>
<td>II.5</td>
<td><strong>Procedure for selecting the financial engineering instrument manager</strong></td>
<td>Award of a public contract in accordance with applicable public procurement law</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Award of a grant (in the meaning of Article 44, second paragraph, point (b) of Council Regulation (EC) No 1083/2006)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Award of a contract directly to the EIB or the EIF</td>
</tr>
<tr>
<td>II.7</td>
<td><strong>Legal status of the financial engineering instrument</strong></td>
<td>independent legal entities governed by agreements between the co-financing partners or shareholders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>separate block of finance within a financial institution</td>
</tr>
<tr>
<td>II.6</td>
<td>Date of signature of funding agreement with the Operating structure/Managing authority</td>
<td>DD/MM/YYYY</td>
</tr>
</tbody>
</table>

3. Amounts of assistance from IPA and national **co-financing** paid to the financial engineering instrument (Article 102(3) of the Financing Agreement)
<table>
<thead>
<tr>
<th>III.1.1</th>
<th>Operational Programme</th>
<th>text (CCI n°+title)</th>
</tr>
</thead>
<tbody>
<tr>
<td>III.1.2</td>
<td>Priority axis</td>
<td>text (n°)</td>
</tr>
<tr>
<td>III.1.3</td>
<td>Contribution to the financial engineering instrument</td>
<td>%</td>
</tr>
<tr>
<td>III.2</td>
<td>Amounts of assistance to the financial engineering instrument from this specific Operational Programme</td>
<td>/////////////////////////////////////////////////////////////////////</td>
</tr>
<tr>
<td>III.2.1</td>
<td>Amounts of assistance from IPA</td>
<td>/////////////////////////////////////////////////////////////////////</td>
</tr>
<tr>
<td>III.2.1.1*</td>
<td>IPA amounts committed in the funding agreement (in EUR)</td>
<td>number (amount)</td>
</tr>
<tr>
<td>III.2.1.2</td>
<td>IPA amounts effectively paid to the financial engineering instrument (in EUR)</td>
<td>number (amount)</td>
</tr>
<tr>
<td>III.2.1.3*</td>
<td>IPA amounts committed in the funding agreement (in EUR)</td>
<td>number (amount)</td>
</tr>
<tr>
<td>III.2.1.4</td>
<td>IPA amounts effectively paid to the FEI (in EUR)</td>
<td>number (amount)</td>
</tr>
<tr>
<td>III.2.2</td>
<td>Amounts of national co-financing</td>
<td>/////////////////////////////////////////////////////////////</td>
</tr>
<tr>
<td>III.2.2.1*</td>
<td>National public co-financing committed in the funding agreement (in EUR)</td>
<td>number (amount)</td>
</tr>
<tr>
<td>III.2.2.2</td>
<td>National public co-financing effectively paid to the financial engineering instrument (in EUR)</td>
<td>number (amount)</td>
</tr>
</tbody>
</table>
### III.2.2.3\(^*\)
National private co-financing committed in the funding agreement (in EUR)

<table>
<thead>
<tr>
<th>Description</th>
<th>Number (Amount)</th>
</tr>
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</table>

### III.2.2.4
National private co-financing effectively paid to the FEI (in EUR)

<table>
<thead>
<tr>
<th>Description</th>
<th>Number (Amount)</th>
</tr>
</thead>
</table>

### III.3\(^*\)
Amounts of other assistance paid to the financial engineering instrument outside Operational Programme (in EUR)

<table>
<thead>
<tr>
<th>Description</th>
<th>Number (Amount)</th>
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</thead>
</table>

### III.3.4
Management costs paid to the financial engineering instrument (in the meaning of Article 59 (7) of the Financing Agreement) (in EUR)

<table>
<thead>
<tr>
<th>Description</th>
<th>Number (Amount)</th>
</tr>
</thead>
</table>

### IV.1
Amounts of assistance paid to the final recipients through loans (per financial product)

<table>
<thead>
<tr>
<th>Description</th>
<th>Number (Amount)</th>
</tr>
</thead>
</table>

#### IV.1.1
Name of product

<table>
<thead>
<tr>
<th>Description</th>
<th>Text</th>
</tr>
</thead>
</table>

#### IV.1.2\(^*\)
Number of final recipients supported, per type:

<table>
<thead>
<tr>
<th>Description</th>
<th>Number (Amount)</th>
</tr>
</thead>
</table>

#### IV.1.2.1\(^*\)
large enterprises

<table>
<thead>
<tr>
<th>Description</th>
<th>Number (Amount)</th>
</tr>
</thead>
</table>

#### IV.1.2.2\(^*\)
SMEs

<table>
<thead>
<tr>
<th>Description</th>
<th>Number (Amount)</th>
</tr>
</thead>
</table>

#### IV.1.2.2.1\(^*\)
out of which micro-enterprises

<table>
<thead>
<tr>
<th>Description</th>
<th>Number (Amount)</th>
</tr>
</thead>
</table>

#### IV.1.2.3\(^*\)
individuals

<table>
<thead>
<tr>
<th>Description</th>
<th>Number (Amount)</th>
</tr>
</thead>
</table>

#### IV.1.2.4\(^*\)
urban projects

<table>
<thead>
<tr>
<th>Description</th>
<th>Number (Amount)</th>
</tr>
</thead>
</table>

4. Amounts of assistance from IPA and national co-financing paid by the **financial engineering instrument** (Article 102(3) of the Financing Agreement)
<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>IV.1.2.5*</td>
<td>Other number</td>
</tr>
<tr>
<td>IV.1.3*</td>
<td>Number of loan contracts signed with final recipients number</td>
</tr>
<tr>
<td>IV.1.4*</td>
<td>Total loan amount committed in contracts signed with final recipients (in EUR) number (amount)</td>
</tr>
<tr>
<td>IV.1.4.1*</td>
<td>Total of which Operational Programme contribution number (amount)</td>
</tr>
<tr>
<td>IV.1.5</td>
<td>Total amounts of assistance for loans effectively paid to the final recipients (in EUR) number (amount)</td>
</tr>
<tr>
<td>IV.1.5.1</td>
<td>Total of which amounts of assistance from the IPA Funds (in EUR) number (amount)</td>
</tr>
<tr>
<td>IV.2</td>
<td>Amounts of assistance paid to the final recipients through guarantees (per financial product) ///////////////////////////////////////////////////</td>
</tr>
<tr>
<td>IV.2.1</td>
<td>Name of product text</td>
</tr>
<tr>
<td>IV.2.2*</td>
<td>Number of final recipients supported, per type ///////////////////////////////// number</td>
</tr>
<tr>
<td>IV.2.2.1*</td>
<td>Large enterprises number</td>
</tr>
<tr>
<td>IV.2.2.2*</td>
<td>SMEs number</td>
</tr>
<tr>
<td>IV.2.2.2.1*</td>
<td>Out of which micro-enterprises number</td>
</tr>
<tr>
<td>IV.2.2.3*</td>
<td>Individuals number</td>
</tr>
<tr>
<td>IV.2.2.4*</td>
<td>Urban projects number</td>
</tr>
<tr>
<td>IV.2.2.5*</td>
<td>Other number</td>
</tr>
<tr>
<td>IV.2.3*</td>
<td>Total amount of assistance blocked for guarantee contracts signed (in EUR) number (amount)</td>
</tr>
<tr>
<td>IV.2.4</td>
<td>Total amounts of assistance blocked for guarantee contracts for actually disbursed loans (in EUR)</td>
</tr>
<tr>
<td>IV.2.4.1</td>
<td>out of which amounts of assistance from the IPA Funds (in EUR)</td>
</tr>
<tr>
<td>IV.2.5*</td>
<td>Number of loans actually disbursed in relation to guarantees contracts</td>
</tr>
<tr>
<td>IV.2.6</td>
<td>Total value of loans actually disbursed in relation to guarantees contracts (in EUR)</td>
</tr>
<tr>
<td>IV.3</td>
<td>Amounts of assistance paid to the final recipients through equity/venture capital (per financial product)</td>
</tr>
<tr>
<td>IV.3.1</td>
<td>Name of product</td>
</tr>
<tr>
<td>IV.3.2*</td>
<td>Number of final recipients supported, per type</td>
</tr>
<tr>
<td>IV.3.2.1*</td>
<td>large enterprises</td>
</tr>
<tr>
<td>IV.3.2.2*</td>
<td>SMEs</td>
</tr>
<tr>
<td>IV.3.2.2.1*</td>
<td>out of which micro-enterprises</td>
</tr>
<tr>
<td>IV.3.2.3*</td>
<td>urban projects</td>
</tr>
<tr>
<td>IV.3.2.4*</td>
<td>other</td>
</tr>
<tr>
<td>IV.3.3*</td>
<td>Number of investments made in line with agreements signed</td>
</tr>
<tr>
<td>IV.3.4</td>
<td>Total amount of investments effectively made in line with agreements (in EUR)</td>
</tr>
<tr>
<td>IV.3.4.1</td>
<td>out of which amounts of assistance from IPA (in EUR)</td>
</tr>
<tr>
<td>IV.4</td>
<td>Amounts of assistance paid to the final recipients through other type of financial product (per financial product)</td>
</tr>
<tr>
<td>IV.4.1</td>
<td>Name of product</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>IV.4.2*</td>
<td>Number of final recipients supported, per type</td>
</tr>
<tr>
<td>IV.4.2.1*</td>
<td>large enterprises</td>
</tr>
<tr>
<td>IV.4.2.2*</td>
<td>SMEs</td>
</tr>
<tr>
<td>IV.4.2.2.1*</td>
<td>out of which micro-enterprises</td>
</tr>
<tr>
<td>IV.4.2.3*</td>
<td>individuals</td>
</tr>
<tr>
<td>IV.4.2.4*</td>
<td>urban projects</td>
</tr>
<tr>
<td>IV.4.2.5*</td>
<td>other</td>
</tr>
<tr>
<td>IV.4.3</td>
<td>Total amount effectively disbursed to the final recipients (in EUR)</td>
</tr>
<tr>
<td>IV.4.3.1</td>
<td>out of which amounts of assistance from IPA (in EUR)</td>
</tr>
<tr>
<td>IV.4.4*</td>
<td>Number of products effectively provided to the final recipients</td>
</tr>
<tr>
<td>IV.5</td>
<td>Indicators</td>
</tr>
<tr>
<td>IV.5.1*</td>
<td>Number of jobs created or safeguarded</td>
</tr>
</tbody>
</table>
### APPENDIX III

#### TABLE FOR DECLARED EXPENDITURE AND SAMPLE AUDITS

<table>
<thead>
<tr>
<th>Reference year</th>
<th>Fund</th>
<th>Reference (CCI no)</th>
<th>Programme</th>
<th>Total expenditure declared in reference year (A)</th>
<th>Amount and percentage (error rate) of irregular expenditure in random sample (B)</th>
<th>Total projected error rate (D) [%]</th>
<th>Quantification of the risk (E) [%]</th>
<th>Financial corrections applied by the MS/beneficiary country on the basis of the total expenditure paid by beneficiaries (F) [%]</th>
<th>Residual risk amount (G=E-F)</th>
<th>Other expenditure Audited (H) [%]</th>
<th>Amount of irregular expenditure in other expenditure Audited (I)</th>
<th>Total expenditure Audited cumulatively (% of total expenditure declared cumulatively (J)) = [(B)+(H)]/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>IPA</td>
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<td>2008</td>
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<td>2009</td>
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<tr>
<td>...</td>
<td>IPA</td>
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<tr>
<td>2016</td>
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<td>2017/2018</td>
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<td>TOTAL [105]</td>
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<td></td>
</tr>
</tbody>
</table>

Residual risk rate at closure (K) = (G)/A

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97 Where the random sample covers more than one Fund or programme, the information on the amount and percentage (error rate) of irregular expenditure is provided for the whole sample and cannot be provided on programme/Fund level.

98 The concept of total projected error rate is explained in section 4.4 of the Commission's guidance on sampling (COCOF_08-0021-03_EN of 04/04/2013).

99 The quantification of the risk per year (column E) results from: (i) the application of the total projected error rate (as presented in the annual Audit activity report) to the population; or (ii) the application of a projected error rate or a flat rate agreed with the Commission following its assessment.

100 The total of column (F) should be coherent with the amounts disclosed by the beneficiary country under Article 66(3)(d) of the Financing Agreement and, for component II: under Article 104(g) of Regulation (EC) No 718/2007.

101 Expenditure from complementary sample and expenditure for random sample not in the reference year (for further guidance see COCOF note no 09-0004-01-EN of 18/02/2009 on annual control reports and opinions).

102 Includes both expenditure Audited for the random sample and the other expenditure Audited.

103 Amount of expenditure Audited.

104 Percentage of expenditure Audited in relation to expenditure declared to the Commission in the reference year.

105 The annual amounts reported under column (A) should be equal to the amounts disclosed in the respective annual Audit activity report under table 9. The total of the column (A) should be the equal to the total amount presented at closure in the certificate and statement of expenditure and application for final payment.
### APPENDIX IV

**Example of Calculation of the 10% flexibility at the level of the programme and the priority axis for an IPA programme**

<table>
<thead>
<tr>
<th>Priority</th>
<th>Eligible Total</th>
<th>IPA (Fund Contribution)</th>
<th>National Counterpart</th>
<th>National Public</th>
<th>National Private (*)</th>
<th>Public/Total</th>
<th>Cofin Rate</th>
<th>Total expenditure</th>
<th>Public Contribution</th>
<th>Calculation at the level of the priority axis</th>
<th>Calculation at the level of the programme</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A = B + (z)</td>
<td>B = (x) + (y)</td>
<td>(x)</td>
<td>(y)</td>
<td>P / T</td>
<td>C=B/A</td>
<td></td>
<td>D = C<em>P or C</em>E</td>
<td>E = B*10%</td>
<td>H = min(F, H)</td>
<td>K = min(J, E)</td>
</tr>
<tr>
<td>Priority 1</td>
<td>96,000</td>
<td>81,600</td>
<td>14,400</td>
<td>14,400</td>
<td>0</td>
<td>P</td>
<td>85%</td>
<td>100,000</td>
<td>100,000</td>
<td>85,000</td>
<td>89,760</td>
</tr>
<tr>
<td>Priority 2</td>
<td>55,300</td>
<td>47,005</td>
<td>8,295</td>
<td>8,295</td>
<td>0</td>
<td>P</td>
<td>85%</td>
<td>54,000</td>
<td>54,000</td>
<td>45,900</td>
<td>51,706</td>
</tr>
<tr>
<td>Priority 3</td>
<td>61,180</td>
<td>52,003</td>
<td>9,177</td>
<td>9,177</td>
<td>0</td>
<td>P</td>
<td>85%</td>
<td>64,000</td>
<td>64,000</td>
<td>54,400</td>
<td>57,203</td>
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<tr>
<td>Programme</td>
<td>212,480</td>
<td>180,608</td>
<td>31,872</td>
<td>31,872</td>
<td>0</td>
<td></td>
<td></td>
<td>218,000</td>
<td>218,000</td>
<td>185,300</td>
<td>198,669</td>
</tr>
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</table>

(*) To be completed only when priority axes are expressed in total costs

1. The amount resulting from applying the co-financing rate, established under the latest financing plan in force, to the declared eligible expenditure
2. Capping to the maximum amount of assistance from the Funds as laid down in the decision of the Commission approving the operational programme increased by 10%
3. Capping to the public contribution declared
4. Capping to the maximum amount of assistance from each Fund to the operational programme as laid down in the decision of the Commission approving the operational programme

Final Result: 180,608
# APPENDIX V

Correlation table of references to provisions of the Financing Agreements between different IPA beneficiary countries for components III and IV

<table>
<thead>
<tr>
<th>IPA closure guidelines’ chapter</th>
<th>Articles of the Financing Agreements for component III and IV referred to in the IPA closure guidelines document (in the order of appearance)</th>
<th>Corresponding articles in the Montenegro Financing Agreement for component III programme</th>
<th>Corresponding articles in the Montenegro Financing Agreement for component IV programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Closure general principles</td>
<td>Article 100</td>
<td>Article 95</td>
<td>Article 99</td>
</tr>
<tr>
<td>3. Eligibility of expenditure</td>
<td>Article 34(1)</td>
<td>Article 33(1)</td>
<td>Article 33(1)</td>
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<td>3.1.1</td>
<td>Article 100(5)</td>
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<td>Article 19</td>
<td>Article 18</td>
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<td>3.4.1</td>
<td>Article 73</td>
<td>Article 68</td>
<td>Article 72</td>
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<td>4. Submission of closure documents</td>
<td>Article 35(3)</td>
<td>Article 34(2)</td>
<td>Article 34(3)</td>
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<td>Articles 66-67</td>
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<td>Annex VIIIa and VIIIb</td>
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<td>5.2.5</td>
<td>Article 85</td>
<td>Article 80</td>
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<td>Articles 66-67</td>
<td>Articles 61-62</td>
<td>Articles 65-66</td>
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<tr>
<td>7. Automatic decommitments</td>
<td>Article 13</td>
<td>Article 13</td>
<td>Article 13</td>
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<tr>
<td>9. Payments suspended</td>
<td>Articles 72-73</td>
<td>Articles 67-68</td>
<td>Articles 71-72</td>
</tr>
<tr>
<td>10. Calculation of the final contribution</td>
<td>Article 68</td>
<td>Article 63</td>
<td>Article 67</td>
</tr>
<tr>
<td>11. The euro</td>
<td>Article 70</td>
<td>Article 65</td>
<td>Article 69</td>
</tr>
<tr>
<td>Appendix I</td>
<td>Article 102(3)(f) and (g)</td>
<td>Article 97(3)(f) and (g)</td>
<td>101(3)(f)</td>
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<td>Appendix III</td>
<td>Article 66(3)(d)</td>
<td>61(3)(d)</td>
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