

## **COMMODITY AID PROGRAMME COUNTERPART FUNDS**

(Executive Agreement between the Italian and Egyptian Government, signed in Cairo on 12.05.94 and amendments)

### **GUIDELINES FOR THE BENEFICIARIES**

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## **1. The financial management of the grant received**

Whenever not bounded by other specific rules and regulations stated by the Government of the Arab Republic of Egypt, the Beneficiary and its partners shall apply the following guidelines.

In every circumstance not taken into consideration by these guidelines, especially for the procurement of goods and services, the Beneficiary and its partners are allowed to apply their internal procedures and regulations, with respect to any rules and regulations stated by the Government of the Arab Republic of Egypt.

Upon project commencement, and within the first semester, the Beneficiary shall notify the Joint Management Committee (JMC), through the Italian Expert, of the adopted rules for the procurement of goods and services.

Guidelines for the Procurement of Goods and Services are subject to the Executive Agreement of the Italian-Egyptian Commodity Aid Program signed between the Parties on May 12, 1994 and amended on May 4, 2008.

### **1.1 Responsibilities and Accountabilities**

The Project Director, or the Financial Director, who is authorized to sign on behalf of the Beneficiary, shall be responsible for the procurement of goods and services within the approved project. The procurement procedures shall ensure that the Project's implementation respects the provisions of both the Project Implementing Agreement and the Guidelines which are part of it.

### **1.2 The Financial Plan**

The Project Director shall establish and maintain an adequate financial management in order to ensure a smooth and effective implementation. Therefore, the Project's Director or the Financial Director shall ensure that progress reports represent the accurate financial situation of the project at the end of each semester as well as reflect the real implementation costs. Pursuing this target requires particular attention in preparing budget estimations and allocations.

While preparing the Financial Budget, the Financial Plan and the Working Plan it is important to consider that:

1. Once the JMC approves the Project submitted through the Application Form, no modification will be allowed. However, the Beneficiary shall be able to re-plan or alter the project documentation subject to approval by the JMC.
2. The starting date of the project activities shall be accurately estimated by taking into proper consideration the time required for setting up the project management unit, selecting and hiring staff and carrying out all necessary preparatory activities.

3. The Beneficiary shall request the approval of the JMC before taking any unplanned or new activities during project implementation.
4. The Beneficiary shall promptly inform the JMC and follow the procedures stated in these Guidelines should actual disbursements exceed the planned Financial budget.
5. Running Costs (budget item no. 4) cannot exceed 20% of the total budget while the remaining funds (at least 80%) shall be allocated to the project activities (budget items from 1 to 3).
6. In principle acquisition of fixed assets is not permitted, since the purpose of the Italian Counterpart Funds is to fund current expenses with specific socio-economic requirements. However, acquisition of assets can be evaluated by the JMC if:
  - § it is a part of the main project activities, and part of the services to be rendered to the final beneficiary, provided that the assets are to be delivered to the final beneficiaries as part of the project; or
  - § it is represented by appliances for office and administration purposes; it is monitored and protected through a proper security system, and will not be resold or dismissed before the end of the project without destination approved by the JMC.
7. If the purchase of vehicles is foreseen, and funds are allocated for that purpose, the project shall strictly adhere to the number of vehicles approved. It will be forbidden to turn any budget line surplus into an increased number of vehicles without prior approval of the JMC.
8. All disbursements shall be made by cheques or bank transfers, and the use of a petty cash will be allowed for small running expenses below 3,000 EGP.
9. Based on the Audit report recommendations or one Party's advice, the JMC has the right to reject any disbursement not included in the approved Working Plan and Financial Budget.

Should the funds allocated in a specific budget line not cover the actual disbursement, the following procedure shall be followed:

- § Any excess of disbursement over the planned budget in a specific budget line or budget component can be accepted without prior notification to the JMC only if the over-balance does not exceed 15% of the line-allocation for the given period and can be covered by a surplus in an other budget line under the same macro-area of the Financial Budget (1, 2, 3 and 4).
- § Any change between two or more macro-areas of the Financial Budget (1, 2, 3 and 4) is subject to the JMC approval..
- § In any other case not mentioned above, a prompt notification shall be submitted to the JMC for approval, stating the project justification for the alteration and the means to cover the increased budget line.

In every case, the Progress Report shall reflect such change in the Financial Budget and the Financial Plan.

## 1.3 Procurement procedures

The following methods shall be used for the procurement of goods and services:

A) Direct Order. It shall be used for purchasing small items up to L.E. 5,000, i.e. office supplies, stationery, etc., directly from a registered supplier on the suppliers' roster of the Beneficiary.

Direct orders might be placed exceptionally for higher amounts up to L.E. 40,000 whenever the goods or services required are sold by a sole supplier in the market, or in case of additional orders to previous orders from the same supplier, or in case of extreme emergency circumstances.

B) Competitive Limited Bidding. It shall be used for purchasing items ranged from L.E. 5,000 to L.E. 300,000 by providing at least 3 (three) quotations/bids for the requested goods.

C) Competitive Bidding. It shall be used for purchasing items ranged from L.E. 300,000 to L.E. 800,000. According to this procedure, all potential suppliers are invited, to present their bids on the requested goods. At least 5 (five) quotations/bids have to be obtained. Items specifications, including quantities, delivery terms and deadlines for receiving the offers shall be stated in the Request for Proposal.

Local Tender. It shall be used for purchasing items over L.E. 800,000. The procedure shall take place through a Public Tender, whose Notice shall be advertised in local newspapers and specialized media. The Tender shall include a full detailed technical specification form and a scoring system.

The suppliers will provide their offers in two sealed envelopes, marked "technical" and "financial". The envelopes are not opened until the first Evaluation Committee meeting. The Technical offer will be the first to be evaluated and only the suppliers whose technical offers are selected will access the second phase of financial evaluation. The best offer will be awarded according to the rules of the Tender.

After selecting the best supplier according to the scoring rules prior established in the Tender Documents, a purchase order will be issued and signed by the unit's director and the full amount will be committed in the unit's budget.

It is strictly forbidden to split a purchase order in different contracts in order to avoid the application of these procurement procedures. Any artificial partition of a purchase order will be considered for its whole amount of transaction and subjected to this Procurement procedures under the surveillance of the JMC.

## 2. Monitoring and controlling the project activities

The Project Implementing Agreement, signed between the Beneficiary and the JMC, entails that the Beneficiary shall keep an adequate management system, including a correct accounting

system. More specifically, the accounting system shall oversee: bookkeeping; archiving valid sales documents for expenditures carried out; preparing periodic reports on the activities carried out; controlling internal finances and monitoring indicators to assess project's compliance with the approved Working Plan, Financial Budget and Financial Plan.

The assessment and appraisal of the projects' performance is strictly linked with the existence and effective functioning of such internal system. Therefore, it is recommended to consider the following factors when establishing the control system:

## **2.1 Financial Operations and Controls**

The project management should maintain an adequate internal financial control to ensure that the following standards are met:

- A. Project disbursements are made in accordance with the approved Working Plan, Financial Plan and Financial Budget,
- B. Project disbursements are valid and supported by adequate documentation,
- C. Progress Reports are accurately presented, and
- D. Adequate internal accounting controls are activated to provide the Management with reasonable assurance that transactions are performed in accordance with planned budget.

## **2.2 Fixed Assets Use and Control**

The Project management shall keep a regularly updated inventory list for all assets purchased. The inventory list shall contain basic data e.g. purchase date of asset, book value, country of origin, warranty duration, etc. The Beneficiary shall also provide the JMC, through its Progress reports, with an updated list of all new assets purchased. The costs of these assets shall match with the amount of disbursements as appeared in the six monthly Budget breakdown. Project management should also have in place a system to monitor their use and prevent their fixed assets against any loss, damage or theft.

## **2.3 Monitoring, Evaluation and Reporting**

The Beneficiary shall implement an appropriate internal monitoring and evaluation system to provide accurate and timely financial data and ensure the availability of information required for periodical performance assessment and results evaluation.

## **2.4 Management Structure**

The Beneficiary shall implement an appropriate and reliable documentation system (e.g. maintaining staff contracts or services agreements, appropriate job descriptions, organization structure, duties lists, management authorities and responsibilities, staff qualifications and competences for their jobs, etc.).

## **2.5 Monitoring Process & the Progress Reports Requirements**

According to the Project Agreement, signed between the Beneficiary and the JMC, the Beneficiary shall submit every six months a Progress Report, including both technical and financial updates..

The financial part of the Progress Report shall provide the following information/elements:

1. Budget Breakdown. A detailed table of disbursements comparing the planned budget for the period with the actual disbursements per each budget line;
2. Updated Working Plan. An updated plan of the work done for the next semester reflecting the pace of implementation based on the actual rate of delivery.
3. Updated Financial Plan. An updated financial plan showing the reallocation of the remaining surplus from the previous semester for the next semester.
4. Updated Financial Budget. Only in case of requests of alterations in respect the budget already approved by the JMC.

In order to regularly monitor the activities and calculate the total amount of disbursement, it is important to keep the accounting system according to the following provisions:

The reporting system for the Budget Breakdown shall be based on Cash Accounting which means that eligible expenses can be represented only by monetary costs; any non-monetary cost it is considered not eligible. The monetary costs always generate an out-flow of money, either by cash or bank. The non-monetary costs do not generate any money disbursement. The non-monetary costs can be physical and psychological costs suffered by the Beneficiary's human resources, such as the effort and the sacrifice of the staff for completing a transaction, or they can be material costs suffered by the Beneficiary's properties, like depreciations and amortizations of assets, provisions for loss, risks on bad credits, loss for robbery, fire or other catastrophes).

A commitment to a signed contract, or an accepted offer, do not represent a monetary cost. However they are a "hard commitments" which can be considered eligible costs. In this regard, final contracts issued after tenders, or purchase orders between the two parties, may be accepted as eligible costs if signed during the semester reported, but the JMC reserves the right to approve or disapprove them. In this regard, for the approval of such "Hard Commitments" as eligible costs the Beneficiary shall consider the following provisions:

1. A legal commitment between two parties shall be considered “Hard commitment” where there are valid and signed contracts and the final purchase order is issued and accepted in writing before the end of the reported period;
2. The contract’s full amount or the remaining unpaid part thereof shall be considered as commitment and as a part of the current semester’s disbursements. These retained funds are only for settling the contracts for which these amounts were retained;
3. The Beneficiary should maintain a subsidiary journal named “Hard Commitments Journal”. The credit side should show all the pledged amounts reserved to fulfill the commitments under these contracts; the debit side shall report all paid amounts as a settlement to the contracted entities during each semester;
4. The “Hard commitments” amount shall be registered in a separate column in the budget entitled “Hard Commitments” beside the “Actual disbursements” column.

The account transactions related of the “Hard commitments” shall be monitored by the JMC. To match the monthly closing balance with reconciliation statement, the JMC must receive: all monthly pending hard commitments in full and their settlements; a copy of the signed contract and/or the final purchase order.

In all circumstances, the disbursements shall be *cash based*. Thus only the actual disbursements of the semester shall be included in the Budget breakdown.

However, to facilitate the financial monitoring of the project’s activities, it is important to receive by the 20<sup>th</sup> of each month at the latest or upon receiving the bank statements whichever comes first, the following financial reports or data:

- A. A copy of the *monthly* Cash Book that list all disbursements made and/or gains received by the Beneficiary, classified by budget line and activity in chronological order,
- B. A copy of the *monthly* Bank Statement,
- C. A copy of the *monthly* Reconciliation Statement that match Cash Book balance with Bank Statement, and
- D. A List of Accrued Interest as gained during the month if any.

In order to harmonize and facilitate the reporting system between different projects, the JMC shall provide a copy of the required Cash Book, Reconciliation Statement and List of Accrued Interest forms.

### 3. Disbursement of the Instalments

In accordance with the Executive Agreement of the Commodity Aid Programme, its Annex 10 and the Project Implementation Agreement signed between the JMC and the Beneficiary, a set of rules are adopted for the disbursement of the instalments.

### 3.1 General disbursement rules and first instalment

The first advanced instalment, covering the first six months and no more than 50% of the total grant, shall be released within 30 days from the signature date of the Project Implementation Agreement and shall not be subjected to any further authorization

The following instalments shall be released upon the JMC's approval for the Request of funds with attached the Progress Report.

In all cases, for governmental projects, a letter from the competent Ministry/Authority shall be presented as clarification that the total annual instalments for the project are integrated into the annual national budget (July - June). The letter shall clearly state the name of the project and that the project is funded by the Counterpart Funds of the Italian-Egyptian Commodity Aid Programme.

### 3.2 Disbursement of the second and further instalments

To request second and further instalments, the Beneficiary shall prepare a Progress Report containing an declaration signed off by the project's Director and the Financial manager confirming accuracy and correctness of all data. An updated Logical Framework is also requested in case of changes in the Objectives, Activities or Indicators. The financial part of the report shall include the Budget breakdown and the updated Financial Plan. The update Financial Plan, divided in two sections, one semester as actual expenditure and one semester as forecasted expenditure, shall be able to provide the following information:

- § Opening balance (*the cash in hand at the beginning of the reported period*).
- § Instalments received (*all instalments received during the period*).
- § Available balance (*the sum of opening balance plus total instalments received*).
- § Total disbursement (*during the reporting period, provided that the relevant monthly financial documents for the same period have been submitted*).
- § Total committed funds not yet disbursed resulted from absolute committed contracts that have not been executed yet.
- § Remaining balance (*the difference between the available balance and total disbursement at a given date*).
- § Accrued interest (*the monthly interest received from the bank on time and deposits or unused balance*) at a given date. In case of a non-interest bearing account, a certificate form the bank shall be submitted stating that no interest has been calculated or added on the account balance.
- § Closing Balance (*the sum of the remaining balance plus the accrued interest*) on a given date.
- § Total Planned Expenditures (*for the next semester based on the updated Work Plan and updated Financial Plan*).
- § Total requirements for the next semester (*the summation of the outstanding obligation plus the total planned budget for the next year*).



- § Net amount required for the next semester budget (*which represents the difference between total requirements & closing balance*).
- § Instalment due date (which represents the instalment's transfer due date).

### **3.3 Final provisions for disbursement of the instalments**

All instalments, except the first one which is automatically released by the JMC, shall be requested by the Beneficiary one month before the due date of the instalment and upon evidence that 90% of the first instalment received has been spent. The request of instalments, along with the submission of the required supporting documents (Working Plan and Financial Plan) is a sole responsibility of the Beneficiary.

- § It should be noted that any instalment can be requested only if the closing balance does not cover the outstanding obligations plus the planned expenditures for the next semester.
- § Any amount left as a closing balance will be deducted from the total needs unless the JMC acknowledge that the outstanding activities from previous semester will be carried out in the subsequent (*According to the updated Working Plan & the Financial Plan*).
- § Any interest earned on the bank account and/or time deposits, penalty charges for delays on tenders and supplies, or similar charges and penalties should either be:
  - a) Deducted from the approved total of expenditures and the balance remaining and returned to the special current account for reprogramming;
  - b) Added to the agreed upon total of expenditures and expended in accordance with the Agreement.

## **4. Assets Management & Controls**

The overall framework of the Agreement on the Management of Counterpart Fund and the Project Implementation Agreement signed between the JMC and the Beneficiary imply importance of maximizing the project's benefits, and making the best use of the available resources.

If any Asset purchase is authorized by the JMC, under provisions contained in this Guidelines, it will require a great deal of wise management and controlling.

In order to facilitate the accurate and timely management and control of the project assets, the following rules and regulations are provided:

1. The Beneficiary shall have in place a system to monitor, control and protect these assets against any loss, damage or theft.

2. The Beneficiary shall keep a separate *Ledger for Non-Expendable Properties & Assets* e.g. equipment, vehicles, furniture, etc. for the purpose of recording the acquisition as well as all actions taken on these assets. The ledger may contain but not be limited to the data presented in the *Non-Expendable Property & Assets Report* mentioned hereafter.
3. The *Assets Ledger* shall be kept updated by the Beneficiary and at the disposal of the JMC or the assigned external financial auditors for monitoring purposes.
4. The Beneficiary shall keep the JMC informed by sending the *Assets Report* at the end of each semester stating all assets purchased during the semester.

The *Assets Report* shall include the following information:

- a. The “Date of Acquisition” that indicates the date of acquisition of the property.
  - b. The “Date of Payment”.
  - c. The “Charged Budget Line”.
  - d. The “Activity Code” that indicates the activity number as mentioned in the work plan approved by the MC.
  - e. The “Reference No.” that shows the number used by the project to identify or locate the item in accordance with its internal property monitoring procedures.
  - f. The “Serial No.” that shows the manufacturer’s serial number if any.
  - g. The “Description” that describes the particular piece of property.
  - h. The “Quantity Purchased”.
  - i. The “Price per Unit” that including all taxes as mentioned in the invoice.
  - j. The “Total Cost”.
  - k. The “Remarks/Location” that contains any other information relevant to the custody of the property (e.g. the condition of the property, location).
5. The Beneficiary shall prepare a copy of each invoice and send it to the JMC for monitoring purposes. The total cost of these invoices shall match the total disbursement on the assets budget line. Therefore, unrelated disbursement e.g. assets transportations costs, or car insurance and car licensing shall be included in proper budget line and not into the asset budget line.
  6. The JMC may appoint an external auditing firm on its expense to conduct the financial auditing on the project, to monitor the adequacy of the project’s accounting system and compliance of funds disbursements with the approved work plan and activities. This auditing process might be conducted annually or whenever necessary as decided by the JMC..

## 5. Raising awareness

The Italian Commodity Aid Programme – Counterpart Fund shall receive adequate visibility and acknowledgment for its support to the projects. Therefore, Beneficiaries and Implementing Agencies shall take all appropriate measures to promote the visibility of the Italian Cooperation.

These guidelines apply to projects funded or co-funded by the Italian Cooperation through the Counterpart Funds of the Commodity Aid Programme. They cover the written and visual identity of the Italian Cooperation and apply to printed, electronic and any other material (web sites, audio-visual material, pictures, promotional material, etc.), presentations, banners, invitations and other physical manifestations (conferences, workshops, etc.) produced within a funded project, as well as physical goods (vehicles, equipment, etc.) and relations with media. Beneficiaries and Implementing Agencies shall apply these guidelines with respect to the local political, social and cultural context.

### 5.1 Common Branding Element



The Italian Cooperation logo, accompanied by the phrase “Funded by the Italian Counterpart Funds of the Commodity Aid Programme” shall be the common element branding development projects funded by the Counterpart Funds of the Commodity Aid Programme.

The logo shall always be printed on a suitable background in order not to affect its readability. Transparent or white background, if suitable, shall be preferred.

No alterations or additions shall be made to the official logo and other logos shall be presented separately.

Whatever the size, scope or objectives of a project, the Italian Cooperation logo shall be prominently displayed on all materials produced in the framework of the project.

In the case of other donor agencies providing support for the same project, other logos can be added, provided that they are the same size of the Italian Cooperation logo and are positioned next to it.

## **5.2 Duration of Branding**

Beneficiaries and Implementing Agencies are required to give adequate visibility to the projects they are implementing and to the Italian Commodity Aid Programme, since they receive funds until completion of the project.

In the case of project implementation continues with other sources of financing, after completion of the Commodity Aid Programme funding, the Commodity Aid Programme visibility shall be extended to cover the following six months. After that, the above mentioned visibility guidelines shall not apply anymore, with the sole exception of celebratory plaques.

However, the sentence "The initial phase <dates> of this project was sponsored by the Commodity Aid Programme funded by the Italian Cooperation" shall be included in every document related to the project.

## **5.3 Categories of rising awareness activities**

**A) Events.** Those attending any event funded by the Counterpart Funds of the Commodity Aid Programme, such as training courses, conferences, seminars, fairs, exhibitions and workshops shall be made aware about the funding entity. The Italian Cooperation logo shall appear on documents, panels, invitations and stationery. Depending on the circumstances, the opportunity shall be taken to display banners with the logo in meeting rooms.

**B) Press Releases.** Press releases or written information notes to Egyptian or international journalists may be issued at the start or end as well as during the implementation phase of all projects funded by the Counterpart Funds of the Commodity Aid Program. Press releases shall include elements such as the purpose of the project, the cooperation between Italy and Egypt and results achieved. The releases should incorporate the logo, a short description of the Commodity Aid Program, the Program's contacts and may mention the amount of funds.

**C) Written materials and media.** All written (publications, survey, reports, etc) and media materials (documentary videos, spots, etc) produced shall always incorporate the logo and the relevant mention as indicated at point 1, and the project title. They must always be reviewed by the JMC before proceeding with publication and shall, in addition, bear the appropriate disclaimer as indicated at point 4.

**D) Banners.** Plastic or textile banners intended to serve as a backdrop for special events such as inaugurations and conferences should carry the logo and the project title.

**E) Relations with media.** Any interview, or other declarations released to the media, shall always mention that the project is funded by the Italian Cooperation through the Counterpart Funds of the Commodity Aid Programme.

**F) Commemorative plaques.** In case of permanent buildings or other facilities built, restored or refurbished through the support of the Commodity Aid Programme sponsored by the Italian Cooperation, a celebratory plaque with the logo and the mention “this *building/facility/etc.* was funded by the Italian Cooperation through the Counterpart Funds of the Commodity Aid Program” shall be placed in a visible part of the building or facility.

**G) Web pages.** In case of development of a website or web pages for the promotion of the project, the Beneficiary shall inform the JMC and communicate the website or web pages address. The website shall refer to the Italian Cooperation – Counterpart Funds of the Italian-Egyptian Commodity Aid Programme as a funding entity with a direct link to its website: [www.commodityaidegypt.it](http://www.commodityaidegypt.it).

**H) Disclaimer.** All written and media materials should include the following statement: “The content of this publication is the sole responsibility of the “*name of the Applicant / Implementing Agency*” and does not necessarily reflect the views of the Italian Cooperation and of the Commodity Aid Programme management”.

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