

**The BSEC-Hellenic Development Fund
(BSEC-HDF)**

TERMS OF REFERENCE

On the occasion of the 15th Anniversary Summit of the Heads of State and Governments of the BSEC Member States, held in Istanbul, on June 25, 2007, H.E. Kostas Karamanlis, Prime Minister of the Hellenic Republic, announced the decision for the creation of the BSEC Hellenic Development Fund (BSEC-HDF) within the Organisation of the Black Sea Economic Cooperation (BSEC-HDF). The BSEC-HDF is a special fund, established upon the relevant resolution of the 18th Meeting of the Council of the Ministers of Foreign Affairs of the BSEC Member States (Kyiv, April 17, 2008), in accordance with Article 26 of the BSEC Charter.

The BSEC-HDF is a financial instrument, which – taking also into account the guidelines of the Development Assistance Committee of the Organisation for the Economic Cooperation and Development (DAC/OECD) – aims at supporting the efforts of the BSEC Organisation to strengthen regional cooperation among its Member States and to enhance its project-oriented approach.

The BSEC-HDF is set up as a voluntary contribution from the Hellenic Republic. The grants provided by BSEC-HDF are considered to be the BSEC grants.

The BSEC-HDF will be endowed with an initial amount of 2.000.000 Euros for a period of four years, as of 2008. The BSEC-HDF will be a flexible mechanism targeting the following specific key areas of regional cooperation, provided by the statutory texts of the BSEC Organisation, the Economic Agenda for the Future and the Resolutions and Decisions adopted by the Council of Ministers of Foreign Affairs of the BSEC Member States: transport, renewable energy sources, environmental protection, business cooperation and trade facilitation, tourism, as well as culture.

Financing to be provided by the BSEC-HDF will be offered through grants, amounting to at least 50.000 Euros each. Proposals eligible to be funded by the BSEC-HDF could include: small scale infrastructure projects, networks and capacity building that promote innovation and regional development. In order for a project to be eligible, applicants are expected to have secured participation in its financing (by their proper resources or by third parties, states, international organisations or other institutions).

The operation of the BSEC-HDF will be conducted in accordance with the BSEC-HDF Guidelines, proposed by the Hellenic Republic and endorsed by the Council.

**The BSEC-Hellenic Development Fund
(BSEC-HDF)**

GUIDELINES

The BSEC-Hellenic Development Fund (hereinafter: BSEC-HDF) grants are subject to the following Guidelines.

I. GENERAL PRINCIPLES

1. Co-financing principle

BSEC-HDF grants will not finance the entire cost of the selected project but upto 80% of the total eligible costs. The beneficiary must contribute to the financing of the project either by way of his own resources or by securing financial contributions from third parties (in the form of public or private assistance obtained elsewhere).

2. Avoidance of duplicate funding

Each project may give rise to the award of only one grant by the BSEC-HDF. The applicants must indicate the sources and amounts of any other funding received or applied for in the same project proposal.

3. No-profit rule

The BSEC-HDF grant may not have the purpose or effect of producing a profit for the beneficiary. Profit is defined as a surplus of total actual receipts over the total actual costs of the project. Any income generated by the project must be indicated in the estimated budget and the final financial statement. The amount of the grant will be reduced by the amount of any surplus.

4. Working language

English is the working language of the BSEC-HDF.

5. Currency

The Euro is the monetary unit of the BSEC-HDF.

II. MANAGEMENT

The BSEC-HDF is managed by the BSEC-HDF Committee (hereinafter: Committee). The Committee is composed of, as follows:

- i) the BSEC PERMIS Secretary General, acting as Chairman of the Committee and the First Deputy Secretary General who will attend regularly the meetings of the Committee. In the presence of the Secretary General, the First Deputy Secretary General will have no voting right.
- ii) the BSEC PERMIS Executive Manager in charge of the specific BSEC area of cooperation to which the project proposal refers to;
- iii) a representative of the Ministry of Foreign Affairs of the Hellenic Republic and his alternate, who will also attend regularly the meetings of the

Committee. In the presence of the main representative, his alternate will have no voting right.

The BSEC-HDF Manager, who is nominated by the Ministry of Foreign Affairs of the Hellenic Republic and appointed by the Council, acts as secretary of the Committee, without a voting right. The BSEC-HDF Manager enjoys the same status, privileges and immunities as the BSEC PERMIS Staff and his salary and other allowances, which are at least equal to those of the Project Coordinator to the BSEC PERMIS, are assumed by the BSEC-HDF.

The Committee is convened regularly by its Chairman every six months or extraordinarily when such need arises. The decisions of the Committee are taken by majority, once consensus cannot be reached.

The Committee may decide to invite interested parties to attend its meetings, if this is deemed necessary.

III. APPLICATION APPROVAL PROCESS

1. Every two years, the Committee will issue a call for project proposals, setting priority areas and guidelines, as well as stating the available funding for projects. This call for project proposals will be communicated to the BSEC Member States through PERMIS, posted to the BSEC PERMIS and BSEC-HDF sites, as well as to other relevant websites. Applications will be receivable for a period of one year after the abovementioned call for project proposals, provided funds are still available.

2. Any legal entity (national of, and/or registered and operating in the territory of a BSEC Member State, respecting-international law) from the public or the private sector, as well as international organizations (governmental or non-governmental) is eligible to benefit from the BSEC-HDF. International non-governmental organizations have to be registered on one of the BSEC Member States. In each project proposal, the lead partner should be designated by the applicants.

3. A standard grant application form is approved by the Committee and can be obtained through the BSEC PERMIS. The signed and stamped grant application should be sent to the Committee by regular post in two (2) copies (hard copy) and also sent by email (e-copy).

4. Applications should be submitted by at least two entities, from two BSEC Member States which are established according to the relevant internal legal procedures and registered, if necessary, with the national authorities. Applications from international organisations are waived from this requirement, but the proposals should cover at least two different BSEC Member States.

5. The BSEC-HDF Manager receives the applications, checks the eligibility and evaluates their merits. Information on all project proposals shall be sent by the BSEC-HDF manager for consideration to the Ministries of Foreign Affairs of BSEC Member States. The proposals are considered eligible, if no objection by the Member States concerned reaches PERMIS within 30 calendar days after above mentioned communication.

6. After this initial evaluation all applications are submitted to the Committee, which decides on the award of the grant according to the criteria mentioned in the “Evaluation Grid” in Annex 1.

7. Applications with missing information or documents will also be submitted to the Committee, which will decide whether the application should be definitely rejected or if contacts with the applicants may be pursued by the BSEC-HDF Manager, in order to complete it.

8. The Committee shall communicate to the BSEC Member States the projects approved.

IV. RULES CONCERNING THE GRANT REQUESTS

1. Each project will be implemented during a period of up to two (2) years, starting from the signing of the relevant contract. The implementation period of a project may be extended for up to one (1) year upon decision of the Committee, on the basis of a written request, submitted before the expiration of the implementation period, by the beneficiary.

2. The BSEC-HDF grant will not exceed 80% of the total eligible costs.

3. The applicant or other fund providers are required to make financial contributions to the proposal of at least 20% of the total eligible costs.

4. The grant may only cover eligible expenses directly linked to the project.

5. Contributions in kind (e.g. salaries, administrative costs of partners etc.) can be accepted on a case-by-case basis.

6. V.A.T. exemption in the territory of the BSEC Member States, where the main part of the project will be implemented, is desirable.

7. Signed in original letters of commitment from the applicant organisation and/or other sources must be provided stating the precise amount of each financial contribution to the budget. If other partners are involved in carrying out the project, the letter of commitment/partnership, from each of the partners, should also provide the name, address and person responsible and explain the nature of their involvement.

8. The Committee may request at certain situations an external audit report of the previous accounts of the applicant, to be produced by a certified external auditor. The report must certify the applicant’s accounts for the last financial year available. The cost for this audit is met by the applicant.

The obligation to provide such certificate on the financial statements and underlying accounts is waived, when the grant applicants are public bodies or international organisations.

9. The partial or total withholding by the applicant of any information that may have an impact on the Committee's final decision concerning the application will entail the automatic disqualification of the application or, if discovered at a later stage, will entitle the BSEC-HDF to impose financial and administrative penalties.

V. SUBMISSION OF THE ESTIMATED PROJECT BUDGET

1. The budget proposal must be detailed and balanced. Grant applications must include a detailed estimated budget presented in Euro, following the guidelines of the standard grant application form. Applicants established in countries outside the Euro zone must use the conversion rates published in the Official Journal of the European Communities. Applicants should be aware that they fully carry the exchange rate risk.
2. Expenditure must include only the estimated eligible costs necessary for the implementation of the proposed project.
3. In order to be eligible for BSEC-HDF funding, costs must meet the following criteria:
 - be necessary for the implementation of the project, which is the subject of the grant;
 - be indicated in the estimated overall budget of the project attached to the grant contract;
 - be incurred after the approval of the project by the BSEC-HDF Committee and during the duration of its implementation, with the exception of costs relating to final reports and audit;
 - be identifiable and verifiable, in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is established and according to the usual cost-accounting practices of the beneficiary;
 - comply with the requirements of applicable tax and social legislation;
 - be reasonable, justified, and comply with the requirements of sound financial management, in particular regarding efficiency and effectiveness.
4. The beneficiary's internal accounting and auditing procedures must permit a direct reconciliation of the costs and revenues declared in respect to the project with the corresponding accounting statements and supporting documents.
5. Extra costs associated with the participation of people with disabilities are also eligible. These costs may be required to cover the use, for example, of special means of transport, personal assistants or sign language interpreters.
6. The eligible direct costs for the projects are those costs which, provided that they satisfy the criteria of eligibility set out above, are identifiable as specific costs directly linked to the implementation of the project and can therefore be booked to it directly.

In particular, the following direct costs may be considered eligible:

(a) Staff costs

The costs of staff (permanent or temporary staff employed by the beneficiary or the partners) assigned to the implementation of the project, comprising actual salaries plus social security charges and other statutory costs included in the remuneration.

The salary costs should not exceed the average sums corresponding to the beneficiary's usual remuneration policy. In addition, they should not be higher than the generally accepted market rates for the same kind of task.

The costs of personnel of national administrations may be considered as eligible to the extent that they relate to the cost of activities, which the relevant public authority would

not carry out if the project concerned were not undertaken and provided that such remuneration is allowed by the respective public authority.

When submitting the request for final payment, the beneficiary may have to provide pay slips and timesheets justifying the actual staff costs declared. The cost of any work to be performed by external experts by means of subcontracting must not be included in staff costs, but under services.

(b) Travel, accommodation and subsistence allowances

- Travel costs must not exceed the most reasonable rates available on the market.
- Accommodation and subsistence costs related to the participants to the action are eligible provided that they are in line with the beneficiary's usual practices on travel costs. Journeys must be carried out by the most direct and economic route. Economy class fares will be used as the benchmark for analyzing air travel costs. For other modes of transport, besides air travel, the benchmark is the first-class rail fare. In the case of car journeys, the equivalent of the corresponding first class train ticket is acceptable as eligible cost.
- The Daily Subsistence Allowances (DSA/per diem) are paid in addition to costs for accommodation as a flat-rate amount and are considered to cover breakfast and two main meals, local transport, the cost of telecommunications and all sundries. DSA/per diem are to be calculated based on the BSEC-PERMIS relevant regulations.

(c) Costs of services

- If the project requires some form of evaluation and/or monitoring and evaluation methods and tools have to be developed so as to assess the progress of the project in relation to the objectives defined at the beginning and to benchmark its results, the cost of such work will be regarded as eligible expenditure.
- Every effort should be made to keep interpretation expenses at a minimum. As a general rule, interpreters should be hired locally.
- Catering costs may cover coffee-breaks and/or meals for participants.
- In principle, applicants should have the operational capacity to complete the action to be supported. However, when justified and necessary, parts of the project may be subcontracted to another company or organisation. In this context, any service undertaken by an external party in connection with the implementation of the project is considered to be subcontracting.

In the event of subcontracting, the beneficiary shall ensure that some of the terms applicable to himself under the grant contract are also applicable to the subcontractors. It must be clearly specified in the description of the project which tasks are intended to be subcontracted and why this subcontracting is necessary.

In particular, when concluding external contracts in order to implement the project, the beneficiary must seek competitive tenders from at least three potential contractors and award the contract to the bid offering the best value for money, i.e. the best price-quality

ratio. In doing so, the beneficiary shall observe the principles of transparency and equal treatment of potential contractors and shall take care to avoid any conflict of interests.

- Information dissemination, translation and publication costs can be eligible, provided that they are directly related to the project and they do not exceed 5% of the total project budget.

(d) Administration costs

- The purchase cost of equipment (new or second-hand) is eligible. A justification for the need of purchasing such equipment is to be annexed to the budget estimate.

- Other eligible administrative costs are: rent of meeting rooms (meals and coffee breaks included), rent of interpretation booths, communications' costs, videoconferences' costs, teleconferences' costs, charges for financial services, costs relating to a bank guarantee etc.

(e) Eligible indirect costs – Overheads

Indirect costs are general administrative costs – overhead costs incurred in connection with the eligible direct costs for the project. They are limited to a maximum flat-rate of 7% of the total eligible direct costs for the action.

(f) Non-eligible costs

The following expenses are ineligible and not accepted:

- return on capital;
- debt and debt service charges;
- provisions for losses or potential future liabilities;
- interest owed;
- exchange losses.

VI. GRANT CALCULATION

1. If the proposal is selected for a grant, the Committee shall calculate the contribution as a percentage of the total eligible costs as shown in the estimated budget for the implementation of the project.

2. The Committee reserves the right to reduce the grant requested – if the proposal is acceptable, but considered too expensive – or to reduce individual unit costs, if these are estimated to be too high.

VII. CONTRACT GOVERNING THE GRANT

1. Should the Committee award a grant, a standard grant contract for the project will be concluded with the beneficiary, setting out the conditions for its implementation and the maximum level of funding. The contract shall be governed by Turkish law.

2. Successful applicants will receive two original copies of the grant contract for acceptance and signature. Both of these copies must be signed by the applicants and sent

back to the Committee, in order to be signed by both parties. The Committee will then return one of the copies to the successful applicants.

3. A contract that is not signed by the applicants within a period of 3 months or a project that does not commence within a period of 4 months after the signature of the grant contract shall be considered by the Committee as null and void.

VIII. PAYMENT PROCEDURES

1. The detailed payment arrangements shall be laid down in the grant contract.

2. As a general rule, payment of the grant shall be made in three installments (two pre-financing payments and one final payment) under the following conditions:

- A pre-financing payment of 20% of the total amount at the signature of the grant contract, unless otherwise decided by the Committee;

- A second pre-financing payment of 40% of the total amount awarded upon receipt and approval by the Committee of an interim progress report on the implementation of the project and detailed statement of the costs already incurred, showing that at least 70% of the previous pre-financing payment has been used up. Where the consumption of the previous pre-financing is less than 70%, the amount of the new pre-financing payment shall be reduced by the unused amounts of the previous pre-financing payment;

- The remaining balance shall be paid upon acceptance by the Committee of the final technical implementation report and final financial statement.

IX. GUARANTEE

1. The Committee may require the beneficiary to provide a guarantee in advance, in order to limit the financial risk linked to the payment of the pre-financing, in case a project budget is higher than 100.000 Euros.

2. This guarantee will be denominated in Euro and will be valid for a period of three (3) years, sufficiently long to allow it to be activated. The guarantee shall be provided by a bank or financial institution established in one of the BSEC Member States and approved by the Committee.

3. The guarantee shall be released as the pre-financing is gradually cleared against interim payments or payments of balances to the beneficiary in accordance with the conditions laid down in the grant contract.

X. BANK ACCOUNT

Payment shall be made to the beneficiary's bank account or sub-account denominated in Euro. This account or sub-account indicated by the beneficiary must make it possible to identify the funds transferred by the BSEC-HDF.

XI. SUBMISSION OF REPORTS AND OTHER DOCUMENTS

1. The final report on the implementation of the project along with a final financial statement of all actual expenditure and actual revenue are to be sent within three months from the closing date of the grant contract. The final report should answer at least to the following questions:

- *How was the project performed? Was it performed in accordance with the description of the action annexed to the grant contract?*
- *To what extent did the project meet the objectives set?*
- *What was the BSEC added value from the project implementation?*
- *How was the project presented to the public and how were the results disseminated?*
- *What lessons have been learned from this experience?*
- *What were the results of the evaluation (internal/external) of the project implementation?*

2. Should the final report be deemed inadequate or of low quality, the Committee reserves the right to request additional information within 60 days of reception of the final report, and, if necessary, to suspend the final payment until the requested information is provided.

3. The final reports on the implementation of the projects are to be sent to the BSEC PERMIS, which communicates them to the BSEC Member States.

XII. PUBLICITY

1. The Committee establishes the BSEC-HDF logo. This logo, along with the logo of the BSEC Organisation should be visible in any publication and/or in other materials or in the occasion of activities (conferences or seminars etc.), for which the grant is used. Beneficiaries of the grant are also required to always mention clearly the fact that they have received funding from the BSEC-HDF using the following wording: "**With support from the BSEC Hellenic Development Fund**".

2. Any communication or publication by the beneficiary, in any form and medium, including through the internet, shall indicate that sole responsibility lies with the author and that the BSEC-HDF is not responsible for any use that may be made of the information contained therein.

3. By signing the grant contract for an action, the beneficiary authorises the BSEC-HDF to publish the following information in any form and medium, including via the internet site of the BSEC Organisation:

- the beneficiary's name and address;
- the subject of the grant;
- the amount awarded and the rate of funding of the costs of the project.

Upon a duly substantiated request by the beneficiary, publication of this data can be waived if it threatens the safety of the beneficiary or harms his business interests.

4. The final report, as well as any other information concerning the progress of the projects' implementation shall be communicated by the BSEC-HDF Manager to the BSEC PERMIS and/or brought to the attention of the relevant BSEC bodies (i.e. Working Groups).

XIII. EVALUATION

If the proposal should include a specific evaluation component for ongoing monitoring and final evaluation of the action, these costs can be taken into account as eligible in the budget estimate. Projects could also be the subject of an ongoing and ex-post evaluation led by the Committee and/or by independent experts selected by the Committee.

Therefore, the beneficiaries of the grant undertake by the grant contract to make available to the Committee and/or persons authorized by it, all such documents or information as will allow the evaluation to be successfully completed and give them the required rights of access.

XIV. CHECKS AND AUDITS

1. The Committee performs the audit of each project, on the basis of a detailed report by the BSEC-HDF Manager..

2. The Committee may request at any moment of the implementation of the project an external audit report of the project implementation, produced by a certified external auditor selected by the Committee. The cost for this audit is met by the beneficiary, unless otherwise decided by the Committee. In case the beneficiary refuses to abide to this obligation, the Committee shall terminate the grant contract and may demand the return of any funds advanced previously to the beneficiary.

3. If an external audit of the project's accounts is not required, the beneficiary himself has to certify, in writing, that all information contained in requests for payments is full, reliable and true. The beneficiary is also expected to certify that the costs incurred can be considered eligible in accordance with the grant contract and that requests for payment are substantiated by adequate supporting documents that are available for checking at any moment.

4. The beneficiary undertakes the obligation to provide any information requested by the Committee or by any other qualified third party chosen by the Committee for the purposes of verifying that the project and the provisions of the contract are being properly implemented.

5. All documentation relevant to the project implementation must be retained by the beneficiary for five years following final payment by the BSEC-HDF and made promptly available, upon request, to the Committee.

XV. BUDGET AND COSTS RELATED TO THE MANAGEMENT OF THE BSEC-HDF

1. The Committee submits each year its draft budget of the BSEC-HDF to the Council of Ministers of Foreign Affairs of the BSEC Member States for approval as part of the BSEC Budget.

2. All costs related to the management of the BSEC-HDF, including staff costs, travel expenditures, promotion, evaluation, communications etc. shall be borne by the BSEC-HDF itself.

3. An annual report on the execution of the budget is prepared by the Committee and addressed to the Hellenic Republic. Furthermore, this report is submitted to the Council of Ministers of Foreign Affairs of the BSEC Member States for approval.

ANNEX I

EVALUATION GRID

A. COMPLIANCE WITH THE BSEC GOALS **MAX 5 POINTS**

Is the proposal compliant with the goals and objectives of BSEC?

B. REGIONAL COOPERATION **MAX 5 POINTS**

Does the proposal contain relevant initiatives, which are instrumental in setting up forms of cooperation/partnership between BSEC Member States?

C. RELEVANCE **MAX 5 POINTS**

Is the proposal relevant to the objectives of the grant scheme?

D. FEASIBILITY **MAX 10 POINTS**

Is the project feasible? Does the applicant show that enough preparation has been put into the project to make it successful?

E. EXPERTISE **MAX 10 POINTS**

Does the applicant have the required technical expertise and/or management capacity (including staff and equipment) to handle the project?

F. PROJECT DETAILS AND BUDGET **MAX 5 POINTS**

How clear and detailed is the project and the budget? Have the beneficiaries obtained the V.A.T. exemption from the authorities of the BSEC Member States, to which the main part of the project will be implemented?

G. COST-SHARING **1 POINT X 1% CONTRIBUTION**

Is the applicant ready to cost-share the implementation of the project proposal?

H. SUSTAINABILITY **MAX 10 POINTS**

Are the results of the project sustainable in the future?

Note on Scoring

Priority will be given to applications which have obtained the highest score.