



MODIFICATIONS OF THE GRANT CONTRACT

The purpose of this document is to present the possibilities of project modification which may be introduced to the Grant Contract executed under the ENPI CBC 2007-2013 Programme Lithuania-Poland-Russia.

The basic rules regarding the project modifications, the types of changes which may be introduced upon request by the Beneficiary, the decision-making levels and the supporting documents required for each type of modification have been described below.

The last part deals with the use of savings identified in the budgets of projects under implementation.

BASIC PRINCIPLES

Grant contracts may be modified for duly justified reasons during their lifetime, if the circumstances of project implementation have changed significantly since the contract was signed (Article 9 of the GC). When changes are being proposed, the following principles need to be observed:

- all changes need to be duly justified;
- the Grant Contract can be modified only within its execution period;
- no modifications requiring JMA/JMC approval can be made retroactively;
- the changes cannot be contrary to the equal treatment of projects;
- the maximum grant amount cannot be increased;
- in case changes to the budget are introduced, a new budget breakdown should be presented.

TYPES OF CHANGES

In accordance with:

- the provisions of the *Practical Guide to contract procedures for EU external actions*,
- the General Conditions to the Grant Contract, and
- the European Commission's explanatory note of 25.01.2011 concerning modification of project proposals following the award decision, whether before or after the grant contract signature (ref. Afres(2011)80040-25/01/2011),

two basic types of changes have been identified: minor changes and substantial changes.

A typology of the changes which may be requested by the beneficiary has been presented in the enclosed diagram. The attached table provides a summary of the project modification types, respective decision-making levels and supporting documents which shall be required from the Beneficiary in order to proceed with the change introduction process. The presented lists of possible project modifications are not exclusive, and each case will be assessed individually.

All modifications of the Grant Contract are introduced under JTS supervision.

I. Minor changes

Minor changes are project modifications which do not affect the basic purpose of the Action and do not require an addendum to the Grant Contract.

Those changes are introduced into the project upon notification / request made by the Beneficiary under the JTS supervision. In cases laid down in the General Conditions to the Grant Contract and/or in this document the JMA reserves a right to reject a change notified by the Beneficiary (via the JTS).

The minor modifications can be of budgetary or non-budgetary nature.

1. Budgetary changes influencing project indicators by ≤15%

- transfer between main budget headings ≤15% (except: administrative costs and contingency reserve)
- transfer within one main budget heading

Those changes may include e.g.:

- cancellation or introduction of a new item (the general eligibility criteria shall be still observed and the newly introduced lines shall be strictly related to the project objectives and necessary to properly implement initial activities),
- increase/decrease of planned unit rate or increase/decrease number of planned items (in case those are not used as project indicators) within the same total amount indicated in the contract.

By virtue of art. 9.2 of the General Conditions, budget reallocations can be introduced upon request of the beneficiary in case the requested change:

- does not affect the basic purpose of project (objectives and activities in Grant Application) and
- the financial impact is limited to transfers within budget main heading, or transfer between main headings which is 15 % or less of the amount originally entered to the main headings in question.

The main budget headings for which minor changes can be applied are:

1. Human Resources,
2. Travel,
3. Equipment and supplies,
4. Local office,
5. Other costs, Services,
6. Works
7. Other .

The 15 % limit of transfers between main headings presented above concerns the total budget, not yearly budgets.

Changes in the main budget headings: 8. Contingency reserve and 10. Administrative costs require an Addendum to the Grant Contract.

2. Non-budgetary changes

Changes of address, changes of bank account and changes of auditor may simply be notified, although this does not stop the JMA from opposing the Beneficiary's choice of bank account or auditor.

- Technical modifications i.e.:
 - change of address etc.,
 - change of bank details,
 - changes in the project team,

require a notification by the Beneficiary provided in due time and with all the supporting documents enclosed.

In case the name of the Beneficiaries organization or its legal address or bank details change, the JMA must be notified in writing and a new, original Financial Identification or Legal Entity Form must be provided.

- Other modifications – changes which can be introduced into the project without an Addendum to the Grant Contract, for introduction of which the JMA reserves a right to oppose:
 - additional staff

Adding new person to the project staff always needs to be approved by JMA, even though project has the needed funds in the budget.

- change of auditor

The JMA reserves the right to require that the auditor referred to in Article 5.2 of the Special Conditions be replaced if considerations which were unknown when the Contract was signed cast doubt on the auditor's independence or professional standards.

- modification of result and specific objective indicators value by $\leq 15\%$
- minor changes in activities (e.g. shifting activities between reporting periods, minor activity description change)

Minor changes cannot alter the specific objective of the project or its overall objective.

II. Substantial changes

Substantial modifications to the contract must be made by means of an Addendum signed by both contracting parties. Those changes have been divided into two groups, depending on whether they might call into question the original grant award decision.

1. Changes which do not call into question the grant award decision and shall be decided upon by the JMA, i.e.

- Budgetary changes:
 - budgetary transfers influencing project indicators value by $>15\%$,
 - budgetary transfers between main budget headings which are more than 15% of the amount originally entered to the main headings in question,
 - amending the main budget headings for indirect (administrative) costs or usage of the contingency reserve;
 - additional outside funding allowing reduction in grant and/or decrease in percentage of co-financing;
- Non-budgetary changes, i.e.
 - modification of result and specific objective indicators value by $>15\%$,
 - changes of activities not changing the overall objective (e.g. update of the scope of activities necessary or directly related to the implementation of initial version of the project and having no significant influence on the project overall objectives).

2. Changes that may potentially question the grant award decision, which require JMC decision:

- Change of Beneficiary and/or Partner(s)
- Substantial changes in the overall objectives
- Extension of the project implementation period – in duly justified cases it can be allowed to prolong the project implementation period (based on art. 11 of the General Conditions). However, the end date of the implementation period cannot be later than 31 December 2014
- Addition, cancelation, replacement of an indicator

SAVINGS IDENTIFIED IN THE PROJECT BUDGETS

Two main sources of savings can be identified:

- the provision for contingency reserve, which may be included in every project budget, but can only be used in dully justified cases and with prior approval by the JMA (Addendum to the Grant Contract);
- savings identified throughout project implementation (mainly post-tender savings).

In view of the need to ensure the full utilization of the Programme funds and given the time limitations resulting from the requirement to finish project activities till 31 December 2014, the Beneficiaries should maximize the projects' delivery by a full usage of funds awarded in the Grant Contract for the benefit of the target groups and the cross-border area.

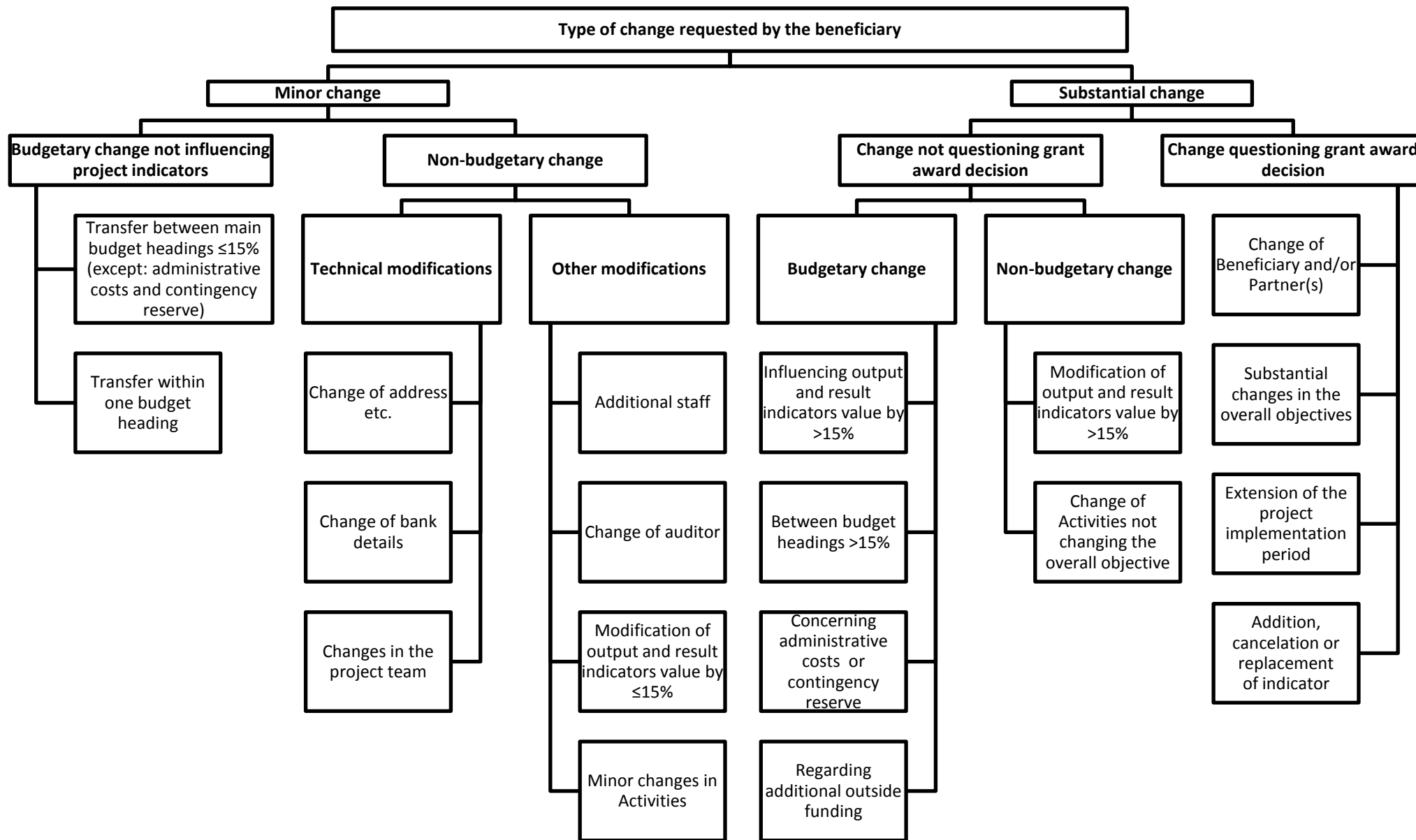
The savings identified in the projects' budgets during the project implementation period should be used by broadening the scope of the planned activities and/or undertaking additional complementary activities in order to deliver the augmented project results. All the additional activities and results should have a strong complementary character to the ongoing projects, ensure a stronger contribution to the project objectives and stronger expected benefits to the target groups and the cross-border regions.

The Grant Contract modifications, necessary to guarantee an effective utilization of the project funds shall be introduced in dully justified cases, using the procedures laid down in this document.

The JTS contacted all Beneficiaries and requested them to provide the information concerning the already identified savings and the plans to utilize them. The Beneficiaries responses will be then analyzed and relevant Addendums to Grant Contracts shall be prepared. Information meetings with Beneficiaries concerning the matter of using savings will be organized.

Please, do not hesitate to contact you Project Manager at the JTS in advance in order to discuss the planned modifications to your project and choose the best possible solutions to ensure the projects' successful implementation and full use of the awarded grant.

Typology of changes in projects which may be introduced upon beneficiaries request



Type of change requested by the beneficiary				Decision level	Addendum to contract	
Minor change	Budgetary change influencing project indicators by ≤15%	Transfer between main budget headings ≤15% (except: administrative costs and contingency reserve)		Beneficiary (JTS supervision)	NO	
		Transfer within one budget heading		Beneficiary (JTS supervision)	NO	
	Non-budgetary change	Technical modifications	Change of address etc.		Beneficiary (JTS supervision)	NO
			Change of bank details		Beneficiary (JTS supervision)	NO
			Changes in the project team		Beneficiary (JTS supervision)	NO
		Other modifications	Additional staff		Beneficiary (JMA approval)	NO
			Change of auditor		Beneficiary (JMA approval)	NO
			Modification of specific objective and result indicators value by ≤15%		Beneficiary (JMA approval)	NO
			Minor changes in Activities (e.g. shifting activities between reporting periods, minor activity description change)		Beneficiary (JMA approval)	NO
Substantial change	Change not questioning grant award decision	Budgetary change	Influencing objective and result indicators value by >15%		JMA	YES
			Between budget headings >15%		JMA	YES
			Concerning administrative costs or contingency reserve		JMA	YES
			Regarding additional outside funding		JMA	YES
		Non-budgetary change	Modification of specific objective and result indicators value by >15%		JMA	YES
			Change of Activities not changing the overall objective		JMA	YES
	Change questioning grant award decision	Change of Beneficiary and/or Partner(s)		JMC	YES	
		Substantial changes in the overall objectives		JMC	YES	
		Extension of the project implementation period		JMC	YES	
		Addition, cancelation, replacement of indicator		JMC	YES	