FINANCIAL MANAGEMENT OF THE PROJECTS – COMPONENT OF PROJECT MANAGEMENT

PROJECT AND PROJECT MANAGEMENT

Introduction

Nowadays the terms “project”, “project management”, “application form” or “project proposal” have become some of the most used words in the vocabulary of communication in general and business in particular. This is because we are facing a real explosion of global projects, but also regional, trend specific to European countries where attracting financing sources through projects has become a common practice. Projects of all types, large or small, soft or investment, large or small scale represent the basic activity of lots of organizations, the way many organizations survive and work in the current economic environment. If in a not too distant past (especially from the 50s of the XX century) method of project financing was an especially practical feature of NGOs, in recent years financing projects has expanded both at government level and at the level of companies.

To work structures concerned with fundraising projects, writing and project management is one of the main activities undertaken to promote the interests of members and their beneficiaries. But the term “project” continues to be unknown to many structures and institutions being understood as a lasting activity, mostly formalized, complex and complicated and is perceived as almost an extraordinary performance that can be achieved only by a small number of “initiates”. While writing projects is not simple, being addressed with minimal knowledge, it can be developed to reach perfection and to be applied in developing and implementing complex projects consisting of dozens of activities.

Projects have become so complicated, diverse and complex that has created a certain fear around them, a type of perception that a project is almost an extraordinary performance that can be achieved only by a minority of “initiates”. As in other areas, fear often comes from ignorance. It is said that “project management principles are simple and the most complex technique requires 10 minutes to be learned”. When the project involves dozens or even hundreds of activities, when these activities are dependent on each other - some are parallel, others are interdependent, meaning that their beginning depends on the (successful) end of others, when a special variety of resources has to be allocated in different times, in different quantities, when financing comes from several sources, when money from a particular source come in installments, when there are several partners with varying degrees of involvement in the project, when the project team is assembled from various parts of the organization, when part of the activity is outsourced to third parties, project management activity is starting to become as complex and rigorous as possible, in no case it can be tackled easily or lightly.

If approached with professionalism, project management is not a simple activity. But what can be said with sufficient certainty is that the skills and knowledge needed to achieve the best performance in this area are clear. The techniques and skills associated with project management should be seen rather as a new way of thinking, a way of communicating and a way of acting. The novelty comes from the idea that the project can be seen as a chain of activities that produce measurable results. This linkage is created, projecting from the end, meaning how the funding source of the project defines the final outcome.

The word is often used in an excessive or inadequate way, and understanding the processes and activities that can be brought together under that name oscillates between two extremes: the idea that, nowadays, “everything is (or has become) a project “, to the opposite, that the projects were there since the world, that there is nothing new to justify its prominence - even the centrality of the concept - in the management activities, that discussion of professionalism and technicality around “projects” represent only a “caprice”, a passing fashion.

It is true that today includes project management and a note linked to fashion. The title “project manager” is in vogue, sounds good, requires attracts a kind of respect mixed with admiration. But strenuous use of the terms “project”, “project management”, “work through projects”, “project management” and “project manager” can lead to the erosion of the prestige and status of activities and profession.

What is and what is not a project?

According to some conceptions “everything that happens nowadays is (has become) a project”; for these reasons “it is not necessary to distinguish between everyday work and activity within a project.” According to other conceptions, “activity within a project involves different activities that have no / have little common with everyday activities”. Both concepts have judgments of truth and the essence is somewhere in between.

There are many definitions to a project in specialty literature; most of them have in common the fact that it is characterized by uniqueness, specific objectives that have to be reached according to a plan, within the limits of resources and available budget.

The fist definition is the one formulated in the material published by the Foundation for Development of Civil Society (FDCS) - Centre for Development of NGOs, where the concept of project concept was given the following meanings (FDSC, 1998):

• Thinking anticipatory oriented purpose, given the production a change, perceived as favorable to those who intend to produce.

• Technical and financial documentation, rigorously composed, on which any system can be achieved with predetermined characteristics and performance levels and with limited risks.

• Activity that has a beginning and an end, is planned and controlled and aims to change.

A simple definition of the project is the fact that it is “a temporary effort made to create, with limited resources, a unique product or service” (A Guide to the Project Management Body of Knowledge, 2000).

The project can be defined as “a way of organizing people and manage activities. It is a way of organizing and coordinating the work. What distinguishes it from other types of management is that it focuses entirely on a specific end result and that, when this result is achieved, the project ceases to be necessary and shall end” (Newton, 2006).

In a broad definition, a project is: a distinct package of activities, resources and investments; implemented in a fixed location; over a period of time, following a predefined schedule; which contributes to solving a problem, defined in relation to the needs of target groups and beneficiaries; aiming at achieving a goal and achieving well determined results; it is based on a total cost required to implement the activities; it provides financial contribution of the donor and, with some exceptions, of the beneficiary organization.

Most of the time, the specific characteristics of a project stand out by comparing them with the characteristics of current activities. Some of the differences can be found below:

Projects vs. current activities

Projects	Current activities
It involves significant changes	**Any changes are small and gradual**
They are limited in amplitude and duration	**They never end**
Unique	**They are repeatable**
They use temporary resources	**They use stable resources**
They are temporary	**Permanent**
Management is oriented to reach some objectives	**Management is oriented to fulfill a role**
Characterized by risk and uncertainty	**Characterized by a sense of stability**

Source: Bargaoanu, 2004

We can highlight six important aspects that distinguish between activities and projects:

• The project has a clearly defined beginning and end: completion of a project from start to finish involves a well-defined sequence of steps or activities;

• Projects use resources (human, time and money) that have been assigned specifically to achieve the project activities;

• Each project produces a unique result. These results have specific quality and performance. When the project was finished, something new was created, something that never existed before;

• Projects pursue a plan; they have an organized approach to meet the targets;

• A project normally involves a team to carry it out;

• Projects always have a unique set of stakeholders that include: project team, clients, project manager, executive managers, government representatives, other stakeholders of the project. Stakeholders always have different expectations of project outcomes. These expectations should be pursued, channeled and shaped so that, finally, the project is considered a success.

Almost any activity undertaken by a person or organization can be thought of in terms of a project. Ultimately, the purpose of a project is, first of all, to solve a problem, to innovate, to change (organization, practices or means), to anticipate (a situation, difficulty, risk) in order to move from the current unsatisfactory situation to a situation more favorable in the future.

Individuals and organizations often carry out activities that do not fall into the category of projects. In this respect it is important to remember that **A PROJECT DOES NOT CONSIST OF:**

- The daily activity of individuals or organizations;
- Previous activities which are repeated in the same way a regular basis (contests, festivals, exhibitions, etc.);
- Activities with well defined purposes or for large, lengthy purposes requiring implementation of several activities that are usually not interrelated;
- Activities that can be repeated or implemented anywhere, at any time;
- Current activities (regular), organizational (e.g. Meeting of the organization's staff).

So the project is a process that involves:

• a starting point from which someone “throws” something “ahead” towards a certain goal;

• solving an identified problem or change a problematic situation;

• existence of resources;

• existence of possible goals that must be achieved;

• a specific solution to a specific problem in a specific context;

• a well-defined beginning and end and it takes place in a specific space;

• involvement of various planning and implementation skills, various partners and supporters, as well as a number of activities, events and tasks;

• existence of a teams and it aims at an organization / community wellbeing;

• a number of risks and elements of uncertainty;

• existence of measurable objectives that can be assessed, thus being determined if what was proposed have been done, at the desired quality;

• a degree of autonomy from the organization's current activities;

• a determined life cycle consisting of several mandatory stages, so called: identification, analysis and project formulation, its preparation, preliminary assessment of the project, hiring financing, implementation, monitoring and evaluation of project results.

From project to project management

It can be said with relative certainty that the projects - seen simply as actions constrained by time and guided by a specific purpose - characterized, in general, human action. History offers examples of famous, complex, sophisticated projects, developed over several years which have produced outstanding results, such as building the Pyramids or the Great Wall of China.

However, as independent, complex area, project management dates back to about the time of the Second World War. It is considered that the time that marks the transformation of project management into independent discipline and profession is the development of Manhattan Project, which was designed to build the atomic bomb. A project of this scale required disciplined humans and material efforts and imposed a systematic approach to management methods. Manhattan Project drew attention to the need for specialists in project management as a distinct professional category of those traditionally involved in a project.

Gradually, project management passed from the big companies in the public sector too. Today, project management is starting to become an option and a direction followed by universities, ministries, government agencies, aerospace and defense industries, municipalities, prefectures, associations, small and medium enterprises (SMEs), NGOs, foundations, schools, etc.

After the Second World War, increasing global economic competition imposed a new way of conceiving development in terms of project. The focus is on developing and implementing coherent development strategies, on planning and organization, in other words - on project. This trend is particularly pronounced in the European Union where, under the impact of integration needs, project management tends to become the main form of existence in the economic environment.

Project management is defined in specialty literature as a process of planning, organizing and directing the activities and resources of a project. The aim is to achieve clearly defined objectives by conducting a series of interrelated activities and sub-activities, respecting the constraints of time and money, but also the quality criteria established for the proposed final results.

The role of project management is to make available to the project manager a series of specific tools that allow project implementation so as to maintain the balance between three of the characteristic factors mentioned above: cost or budget, deadline for implementation of the project and proposed quality requested by the developer or the client that implements the project. Of course, all this without losing sight of sources, the project team, the relationship with the client or beneficiaries and the sponsor, especially if it is one external to the company, organization or institution that promotes the project.

Despite its importance, the project management discipline is not fully understood. Meanwhile, project management can be found in any “level” of modern societies, from a simple home, church to governments, military and economic field etc. One can say without fail that the true great leaders in history were, at the same time, managers given that “management is considered equally art and science of leadership”, leading countries, wars, facing or even causing economic and social changes. Although not recognized in ancient times as an individual discipline of study and practice, project management (PM Project Management) was used (at least in an informal way) to the construction of infrastructures, but also to facilitate political and social changes. But top managers haven't recognized project management discipline as important, which is why there are very few references to it.

LIFE CYCLE OF PROJECTS

A project has a certain life, or a life cycle, from identification and formulation phase up to the implementation phase, final assessment and conclusion.

It is very important to know all steps or phases a project goes through precisely to avoid that situation in which we may skip one of them out of negligence or ignorance. The risk is thus very high. We can get ourselves in a situation where we are already implementing a project in which we skipped, for example, over the identification stage of the need or problem. What does this mean, simply put? It means we are implementing a project that is not needed or a project in an unrealistic manner. Another situation in which we can find ourselves: to implement a project where we have not planned anything, implicitly implement things that we don't know, we are heading towards a vague point, we have no clear objectives; not having goals means we do not know which activities should be carried out and so on.

Here is how mere knowledge and understanding of the stages or phases of the project life cycle can help us enormously in the work that we make as project managers. This is true both for projects for which - as an organization - we seek external funding (if, for example, we draw funds from the European Union), for projects that we run for organization's clients and for projects of our own organizations we finance from internal sources.

The approaches in the literature on the stages in the life of a project, although different, however start from the idea that a project is the implementation of an idea that was first formulated (design or formulation phase), then the release of the idea into practice was planned/projected (planning phase), after which the implementation / execution of those planned (implementation phase), then the phase of final evaluation of those implemented to ascertain whether the objectives were achieved or not (evaluation phase).

Thus, any project goes through the following phases:

- Definition or conception / formulation (setting the project idea based on the requirements of the program funding organization or customer requirements);
- Planning (Development of project ideas into a coherent structure containing identification purpose, project objectives, planning activities, identification results and project beneficiaries for the project resource planning, including budgeting);
- Implementation and execution (implementation of the formulated and planned, as described in the application);
- Evaluation and closing (analysis of project progress by comparing the results at a time with those proposed in the application to see whether the project objectives have been achieved).

1. PROJECT CONCEPTION

Concept is the first vital stage of the project life cycle and is focused on describing the context, as a result of the analysis of social reality. After a confrontation between identifying needs and defining objectives, between the strategy of the organization / institution and of the community, the basic idea to start drafting the project can be clarified.

In this design phase of the project it is necessary to act in accordance with the strategy of the organization / institution or community, otherwise we can talk about a project that does not fit into the organizational strategy, but meets a need or a problem identified in the organization / institution or community, or in response to a funding opportunity.

Thus projects should not be undertaken "for the sake of projects", to earn some money or because there are European funds, but the project and the development strategy of the organization / institution must be harmonized, which means that setting the idea and goal of the project must precede the search / identify the source / sources.

But many times, in the real world, things are entirely different, the employees of an organization/institution „hear" about a funding source or the launching of a new program and then they think about a project to generally fit the objectives of the funding source. In this case, the project's objectives are not adjusted to the development needs of the organization, but the organization is striving to adjust their goals because they coincide with those of the donor agency. However the order generating performance is: strategic objectives - funding source whose objectives coincide with those of the organization, thus the unit of measurement of performance is its capacity to establish a sustainable link between the projects it carries and its operational and strategic objectives.

Thus:

- Any project should follow from the very beginning to meet the strategic needs of the organization/institution;
- Also, the project objectives should be in accordance with the strategic and operational objectives of the organization, with the community's priorities, with the undertaken goals and values;
- Project elaboration must be based on the internal and external medium analysis, on strengths and weaknesses, on opportunities and threats (SWOT analysis);
- The strategy pursued by the project must fit into the overall strategy adopted by the organization depending on external factors and internal resources, in terms of present and future;
- The entire project management process, starting with design and planning, but also during other stages, implementation and evaluation / conclusion must follow at all levels and by all components (activities management, financial management, human resource management etc.) the "red thread" of organizational strategy;
- Compatibility with local, regional and national priorities must take account of key objectives in this sector, of declared government policy for that sector and the stated objectives of the government.
- The two sides of the strategic component of project management – overall and perspective – should be considered when estimating the time and space impact of projects on organization / institution as a whole.

In this phase, there should be clear answers to some key questions:

• The need / problem that the project addresses is real, properly identified?

• Solving this problem is a priority and fits the strategic plan for development within the organization to which I belong / I write the project proposal for?

• The project must necessarily run now? Why now and not at a later date?

• The idea of the project and its goals are, indeed, the best way to properly solve the identified problem?

• The organization I belong / I write the project for has the technical capacity, managerial and financial capacity to implement this project idea?

If one answer to the above questions is "no", "I do not know" or "we are not sure" it means that the project idea should be reviewed / reconsidered. If the answer to all questions is uncertain or negative, the idea of the project should simply be abandoned. When you answer these questions, beware as much as possible of assumptions, suppositions and insights. Rely on facts, information, data, experience with previous projects, reports, assessments, monitoring results.

2. PLANNING

To plan means to determine the necessary activities to be carried out, the deadlines, the resources required and the time at which they must be available, the available budget. The planning phase involves running a decisional process focused on achieving better individualized goals through a specific set of objectives, closely shared between different departments of the organization.

The project proposal mandatory includes information on:

- general and specific objectives of the project;
- methods and activities designed to achieve these objectives;
- reasons why that project is proposed;
- the expected results;
- **the project budget;**
- the timing of activities, start and end dates of the operation, interdependencies between them;
- **allocation of resources, the way resources are allocated to each activity;**
- risks posed by the project and how to deal with them;
- composition of the team that runs the project;
- Performance indicators / ways of measuring success.

The project proposal becomes the reference plan / the target plan of the project itself. This plan forms the basis of the monitoring activity of the directions of development, activity that is taking place throughout the project.

Note! Always place the project plan on paper. The project's success depends on how detailed and appropriate this plan is. Often, the pressure you have to work under tempts you to skip the planning and go directly to work. This style certainly leads to: wasting time, wasting resources, compromising standards of quality, execution committing mistakes, repetition of some mistakes.

2.1 Setting and planning project activities

After the previous stage where project objectives have been defined, at this time the details of their implementation should be established. Thus, planning project activities aims at:

- enunciating each activity to be undertaken for the project;
- specifying the responsible for that activity;
- Describing time sequences and the way the activities are interfering.

According to specialty literature, the work is “the basic element for planning, control and measurement for the performance of the project.” Documentation on the activities of the project must be complete and well structured so that the project manager should be able to calculate costs and be able to supervise performing each task.

To achieve the desired results at project level it is required a detailed plan that defines all efforts to be undertaken, establishes responsibilities for each organizational element and the deadlines and budgets for the performance of work. The preparation of this plan is the responsibility of the project manager who is assisted in this task by the team. Planning starts from specifying the activities developed by the beneficiary of the project and which are detailed according to on the envisaged organization of the project and imposed constraints.

Structure of the activities is a way to determine what needs to be done, by whom, how long it will take and what will be the cost. In addition, the structure of activities reflects the correlation between all the activities of work to be undertaken in order to achieve the project objectives.

There are two main forms of representation of the structure of activities. The first, the graphic one, resembles a pyramid organizational structure on which levels the activities are presented. A proper presentation of the structure activities of a project should include all activities to be undertaken to meet project objectives. The second form is a structure that arranges a vertical array of the project activities on many levels. This structure is simple to use because it can be easily drawn, but is less explicit in terms of project activities complexity and scale compared to the graphic form of the structure of activities.

The structure of activities should be detailed enough to enable project managers to achieve realistic estimates, but the complexity of achieving this structure must also be considered so that it would not exceed a level after which project managers work would be seriously hampered. In structuring activities, the following aspects must be taken into account:

• For each activity specific authority and responsibility is set;

• Activities are independent or have a reduced dependence and interference with other activities in progress;

• Integrating the activities has a coherent whole as final objective;

• The activities may be measurable and quantifiable in terms of progress.

In conclusion, it is important to emphasize that in structuring activities their sequence is not taken into account, at the development activities' structure must attend all involved in their development and structuring the activities must be determined before determining the work timing and allocation of resources. Once drafted, the plan of activities must translate into a resource plan - indicating the resources required for each activity

The project activities are actions that must be undertaken using material and human resources (means), in order to produce the results proposed within the project. Activities plan is the graphical or tabular representation of the way the activities will be done and their consecutiveness.

Activity plan must include clear information and explications for each activity of the project. Project activities duration must be clearly specified, with proper details regarding their beginning and end, as well as the person responsible for their implementation.

There are two means for presenting the activity plan in project management theory: **Simple table** and **Gantt diagram.**

Table representation is the use of a simple table with columns for activities, sub-activities, tasks, terms and responsible, it is a clear, easy to use format. Gantt diagram is a universal format for presenting activities in certain time frames, showing the interdependence and sequence for each activity. This is why this work instrument is more often used.

Generally, no matter the type of presentation for the activities plan you choose to use, when elaborating this document you may follow the next scenario of seven steps:

A list of all the activities within the project	Elaborate a single list with all the planned activities that are to be done in the project

Divide activities in achievable tasks and sub-activities	Divide activities first in sub-activities and then in tasks. Each task is assigned to a responsible that assumes it as a short term goal. The main concern is to obtain a fair level of detailing. The most frequent mistake is to divide the activity in too many details. The ones that are planning should divide the activities up to a level where they have necessary information to decide upon the necessary resources.
Clarify the sequence and the interdependence	Tie the activities one to another in order to determine their sequence and interdependence. Determine what the activities are that the beginning or ending of another activity depends on. For example, building a house means a number of separated actions but they are inter-related: first you dug and make the foundation, then you raise the walls etc.
Establish terms of achievement for each task	Each task must have an estimated time for beginning, a period of achievement and an estimated time of ending.
Make the chart of main activities	After you have specified the terms of individual tasks, next step is to plan the terms of main activities.
Assign tasks within the team	Give out responsibilities of achieving the activities between the project's partner institutions and the members of the project's implementation team.

Gantt diagram example:

Activity	L1	L2	L3	L4	L5	L6	L7	L8	L9	L10	L11	L12
Activity 1												
Activity 2												
Activity 3												
Activity 4												
Sub-activity 4.1												
Sub-activity 4.2												
Sub-activity 4.3												
Activity 5												
Activity 6												

2.2 Identification and planning of needed resources for the project (Financial management of projects in phase of writing)

The more complex the project is, the more difficult the task of estimating the resources becomes.

However, planning a project cannot be considered done without finding solutions to the issue of allocation of resources. There are two methods of programming resources:

- programming with limited time - the resources are unlimited, but deadlines are fix; this method arises when complying with the deadline is very important so as the project manager is willing to do everything necessary to comply;
- programming with limited resources - resources are limited, but deadlines are flexible; this

method occurs when the project manager is not allowed to hire new people, pay overtime, resort to external services and therefore all these constraints require that completion date to be more flexible;

In terms of procedure (time) type conditioning, the existence of parallel activities is logically correct. There can be as many activities taking place at the same time, unless interrelated with each other, with no difference between project days; in practical term, it is clear that one day with 10 activities taking place at the same time is more intense in terms of organization and provision of resources than a day with a single activity that takes place. So, if one takes into account only the temporal conditionings, large imbalances may arise during the project and / or may occur days when the necessary resources would be higher than their availability.

From the ones above it emerges that there are at least two important issues related to project resources:

- the resource allocation problem, which attempts to schedule tasks so that in any one day the available funds from any source shall not be exceeded;
- the resource leveling problem, which attempts to schedule tasks so that all the days will use about the same amount of resources (or, in other words, the amount changes from day to day to be minimal).

We must also observe that the analysis of the two issues above is generally made for usable resources that are not consumed in time, i.e. after completion of the work on which they were granted, they may be used for other activities. The resources of this type are mainly manpower and machines and equipment.

The resources needed for a project are diverse (material, human and financial), a close link between project objectives and resources required for its implementation being easy to identify. Resource planning is done taking into account both the cost factor and time factor. Material, more performing techniques or larger personnel can speed execution of tasks but they usually lead to higher costs.

The categories of resources for a project are:

⌘ Human resources - staff specialized in project management;
  - ✓ *What competencies are needed?*
  - ✓ *What competencies are available and how long are they available?*
  - ✓ *What do they need in order to carry out the project?*
  - ✓ *What is expected from participation in the project?*

⌘ Time resources - time available for activities arising from the project;
  - ✓ *How much time is needed to implement the project?*
  - ✓ *What are the constraints?*
  - ✓ *What are the activities with higher durations?*

⌘ Financial resources: resources for preparing the project proposal and necessary co-financing to implement the project
  - ✓ *How much will the project application cost?*
  - ✓ *What financial resources are available? Will they be spent effectively?*
  - ✓ *What are the necessary utilities costs?*
  - ✓ *What about administrative costs?*

⌘ Material resources: equipment, materials, facilities and other resources;
  - ✓ *What materials are needed?*

- ✓ *What materials are available?*
- ✓ *What is the cost - benefit report value?*
- ✓ *What equipment is necessary and which are available?*
- ✓ *What are their immobilization costs?*
- ✓ *What legal, administrative etc. requirements, must be respected?*
- ✓ *What specific procedures must be respected?*

⌘ Technological resources: methods, technologies and work procedures;

Financial resources are money available / necessary / designated for a particular purpose, previously defined.

Project Budget - assigns ***financial value to the project activities***, overall planning being carried out according to the budget. It acts also as a ***control tool*** for the financial resources, any infringement being considered.

Budgeting is the value of what you spend, will spend or plan to spend for a specific purpose.

In light of management it is observed that through financial planning cash support of the planning phase is ensured, whilst ensuring the functioning of all organizational departments involved in the implementation phase. Since the financial actions precede any technical, economic and organizational initiative (in the sense that first the necessary cash flows are procured, then the real flows of goods and services to the organization), financial decision is a priori any technical and economic decisions, thus resulting its overwhelming importance in the management process. The finality of the financial planning process coincides with the description in financial terms of what an organization intends to do in a certain amount of time.

The budget is part of the project that provides an overview of the financial resources needed to implement the work plan. The role of the budget is a very important one: a poorly designed budget will likely create more problems in the implementation phase of the project. To build a budget, we have to predict what resources the project will require, the amount of each item from the budget, when it will be needed and how much it will cost - including the effects of inflation on prices. It is important to realize a budget of activities to systematically track expenses when they are incurred. When we plan, we must offer great importance to the budget. We must ensure that it is not only correctly calculated (strictly mathematically speaking) but that it is directly related to the activities and previously planned material, human and time resources.

Advantages of the budget as a tool:

• It is directly associated with planning activities;

• Organizational structures of the project (re)define the objectives when developing the budget;

• Elaboration stimulates communication within the project and contributes to the settlement of conflicts;

• Provides a basis for monitoring and control system;

• Enables the formulation of clear priorities and responsibilities for the various sub-structures of the project.

Steps in budget implementation:

- ❖ Planning project activities;
- ❖ Allocation of material, human and time resources for each of them;
- ❖ Grouping resources by categories (e.g. supplies, transport etc), planning expenses related to the premises of the organization or company that will operate the project;
- ❖ Estimate the costs for each category;

- ❖ Calculation of total costs;
- ❖ Budget submission for approval (to the department or individual within the organization or company that is able to do so or, where appropriate, the sponsor);
- ❖ Establish permanent monitoring procedures during the implementation of the expenses previously incurred compared to the budget;
- ❖ Periodic review and update of the budget.

The budget of a project must be clear and as detailed as possible, realized on phases / activities and focused on different types of expenditure. The amounts included in the budget are calculated or estimated based on actual costs. In developing a budget one must take into account the determination of work period for each stage and for the whole project, estimation the expenditure and revenues and estimations for all costs in the budget.

In specialty literature, budget planning function is assigned the following characteristics:

- Budget quantifies activities – it gives them money value;
- Budgets direct the expenses so that the resources will be expended only on those activities that support the project's objectives;
- Budgets identify what resources are necessary and when are they requested;
- Budgets allow examining the activities and objectives of a project form their actual cost point of view;
- Budgets clarify the relation between direct expenses necessary to implement the project and support or administrative expenses (rent, specialty personnel etc.);
- A realistic and up-to-date budget allows financial evaluation of the project.

For most projects budgets are not static, they grow whenever there are changes in project activities and it is therefore important that the budgeted amounts reflect reality and be tailored to the project needs. Not the least, all the necessary expenses should be included from the beginning in order to ensure that the budget is feasible. Any crucial omission leads - in the implementation phase - either to request for additional funds over the approved ones (which often mean cancellation of the project) or to request a budget amendment, supported by donors, only in exceptional cases and within certain limits.

A well-drafted budget:

- ➢ Maintains focus of the project team activities on the objectives
- ➢ Facilitates orientation on results and cost effectiveness monitoring
- ➢ Provides information for the planned mobilization of resources (external & local)
- ➢ Identifies the cost implications for each of the activities
- ➢ Specifies the donor contributions and co-financing
- ➢ Maintains the pace of project implementation.

The budgets must always take into account the stringent regulations for proper planning and proper capitalization of projects budget lines. Thus, within the funding programs of various donors there are some limiting factors for designing the budget, such as:

- ✓ minimum funding of a project (for example, no less than 150 thousand Euro);
- ✓ Maximum funding of a project (e.g. no more than 3 million Euro);
- ✓ limitations in the use of resources for works, services and infrastructure (e.g. maximum 80% of total budget);
- ✓ cost containment human resources (e.g. no more than 30% of total budget);

- ✓ imposing peak of expenditure (e.g. daily allowances may not exceed the limits set for each country);
- ✓ maximum quota limit administrative costs and / or unexpected (usually they do not exceed 5-7% of the total budget);
- ✓ Setting for co-financing amounts (e.g. minimum 10%) etc.

For a budget to be good, it must meet the following requirements:

a. be clear, as the document must be understood by everyone who uses it;

b. development has to be done according to an approved schedule;

c. budget lines must be appropriate to accounting issues and control;

d. estimation of the costs must be done that way that it can be justified;

e. the inclusion of reserves in the relevant budget lines because adding a line of budget as reserves may be difficult to explain;

f. inclusion of all costs in the budget. There are a number of costs that are often “forgotten” in the budget: the costs of staff (recruitment costs, training and taxes), start-up costs (advertising, legal costs), insurance, utility costs, costs with vehicle maintenance and costs of maintenance and repair of equipment, project management costs and audit fees.

g. structure of decomposed activities, project elements on which costs will be allocated;

h. the project timetable, which sets the start and end dates of project elements, cost information necessary to attach costs to the period in which they arise.

The budget is both an estimate value and a ceiling level for “eligible costs”. Note that the eligible costs must be based on real costs based on real ones, on supporting documents (except for subsistence costs and standard costs).

☞ ***What are the conditions for an incurred expense to be eligible?***

To be eligible, expenditure must cumulatively meet the following conditions:

• be actually paid by the entry into force of the contract / order form (the exception may provide an earlier date for certain eligible expenditure);

• be conducted and actually paid for the realization of project activities;

• be provided for in the estimated budget of the project;

• comply with the principles of sound financial management, given the efficient use of resources and a suitable cost-results report;

• be accompanied by invoices, in accordance with national law, or other accounting documents of probative value equivalent to invoices, based on which the expenditure to be audited and identified;

• be recorded in the accounts of the Beneficiary and partners if they are financially involved, be identifiable, verifiable and proved by originals;

• have not been subject to further public funding;

• comply with the contract / order financing concluded by the Managing Authority;

• comply with national and Community legislation;

• be mentioned in the list of eligible expenses presented in the Applicant's Guide that program is funding.

The main eligible costs can be classified as:

Staff related resources

- ○ *Salaries and travel expenses (per diems)*

To calculate staff related resources, references related to the ***workload in hours or days*** are primarily made. The number of people employed will result only later, depending on financial resources allocated or available human resources.

The first major component in the development budget on expenditure category is determining the costs of staff and human resources involved in the project which includes two cost categories: salaries and per diems.

Personnel salaries should be specified from the responsibilities of each employee and their occupancy of the project (permanent, on days or hours). Salaries are calculated in the budget at their gross value, including social contributions, income taxes and other expenses related to the remuneration of staff employed under national law. The international projects will make a distinction between salaries of international, national and local experts in accordance with the charges used on the labor market and practices in the field.

Travel expenses usually do not exceed the amount set by legislation or by the funding amount set for each country.

Resources that are not linked to staff:

- *Equipment* (computers, copiers, furniture, etc.);

In most projects the expenses for procurement equipment and machinery are eligible. These are estimated and planned separately. It is important to be determined in order to exactly reflect the needs and be substantiated for the good work of the staff. Some donors have certain restrictions regarding the quality and origin of the purchased goods, so the EU requires that all equipment be new and produced in European countries only.

- *Supplies* (paper, printer cartridges, disks, CDs, etc.);
- *Administrative or office expenses.*

Expenses related to headquarter and operations of the office are better to be designed per month for the entire period of project implementation. Current expenditure should be reflected as tariffs usually practiced.

- *Transport*

Transport expenses are clearly delineated in the project according to local needs and to ensure travel abroad. Typically, international transport costs include the costs of crossing the border, payment of international insurance, subsistence cost of the driver and in case of the participation in exhibitions and fairs - preparing customs documents. In a practical sense, in these situations it is recommended to hire a tourism company, international transport or another partner of this kind. Local transportation will be calculated according to the monthly cost necessary for the project's implementation.

- *Publications* (printing, publishing promotional materials, reports, etc.);
- *Contracted services*

An important category of expenditure that is found in almost every project is the procurement of services. This category of expenditure operates estimated costs as the volume and diversity of subcontracting gives great flexibility to the project budget. Since the market operates several service providers, the inclusion of costs which best reflect the “cost-value” ratio is recommended. Also one must ensure that these services will in future be contracted exclusively under the rules of the financer, which can clearly restrict the standards of services performance.

- *Investment or construction costs*

These may be constructions, territorial planning, installing equipment and facilities etc. Given that the market operates several providers it is recommended the inclusion of costs reflecting the best “cost-value” ratio to which is added a small adjustment of the forecasted inflation. The costs for this category of expenditure should be taken from budgeted expenditures, feasibility studies or other similar documents, which are detailed and calculated by professionals to make sure they are realistic. In the project budget they are written into generalized form. Technical supervision costs must be calculated depending on the complexity of works, but it is recommended not to exceed 2%.

- *Other costs* not included in the list of eligible costs specified by the given program, without which the project cannot be successfully accomplished
- A reserve *amount for “unforeseen expenses”*, which only unlocks with the prior written consent of the Contracting Authority.

Categories of ineligible costs

The main types of ineligible costs are:

• costs to cover losses or debts, interest on previous loans;

• the purchase of goods / services not related to the subject and project activities, not mentioned in the project proposal;

• coverage of exchange differences;

• costs related to the project, made before or after the period of validity of the financing contract;

• costs of promoting the organization's current activities or actions such as sponsorships, in-kind contributions from other projects, etc.

• purchases of land or buildings, except for those necessary for the direct implementation of the project, in which case ownership must be transferred to the final beneficiaries and / or local partners, by the end of the action at the latest;

• taxes, including VAT, unless the beneficiary (or its partners) cannot reclaim them and the applicable regulations do not forbid coverage of taxes;

• credits to third parties;

• fines and penalties;

• any costs involved before signing of the contract (including the costs involved in preparing the application).

Estimated costs for each category of expenditure

Defining accurate unit cost is extremely important, but also complicated and lengthy, if not preceded by searching for accurate information on prices. Same product can be found at different prices; for example, there are photocopiers with different technical characteristics, hence the different prices. Same thing happens for accommodation and conference rooms. Depending on experience, experts may have different price rates, which depend on the level of knowledge. For example, lawyers and financial analysts require higher prices. Prices also depend on the country of origin: there are big differences between the prices charged by foreign experts versus the local ones. It should therefore be a preliminary research for price comparison purposes, taking into account the right prices of project in question.

The calculation of resources is required, not only for an entire project, but also for its various periods. Thos second calculation is required for cash flow planning. The best time to consider is a month, and for longer projects - one quarter (3 months). Periodic review of expenditure will be supported by pre-compiling Gantt chart. The expenditure involved in a project should be defined according to financing sources. It is essential to precisely define the total amount deposited by each supporter and a description of its support elements. This is particularly the case of projects financed by donors and projects in which the beneficiary is identical with one of the financers.

Budget planning process begins with determining the cost of each task and each business segment, as specified in the schedule of activities. To do this, the establishment of unit measure for the costs associated each task is required. For example, the following unit costs are associated to the activity "implementation of a training program."

• trainers	cost per day
• transport	costs per person
• accommodation	per person, per night
• facilities	costs per hour
• materials	cost per person

The next stage is the summing of all cost units according to their type. The budgets vary both as structure and as titles. If the format of the budget is at its author's choice, categories of expenditure may be set according to logic. Most programs involving donations have a specific budget format. There isn't a generalized format appropriate for all financial organizations. For completion and use of a certain format, the proper instruction manual and / or the program coordinator's manual must be consulted.

Closely related to budget planning, attention should be paid to the timing of the costs to be covered, i.e. the time at which the payment must be done. Expenses must be made at the time of purchase, after purchase or before. For example, the rent is usually paid in advance, which means that amount is paid, but the benefits are not fully achieved until the end of the period. In the opposite direction, phone bills and work-related expenses are usually paid after the benefit was obtained. It is also possible for a partial payment to be made; for example, when purchasing equipment. It requires a prior decision on the project accounting.

A project also involves costs imposed by some resources that are not necessarily specific to the project. For example, the office established for the project can be located in the beneficiary's building. It should be determined whether - in this case - office related expenses will be paid as rent from the project or whether they represent a contribution of the beneficiary to the project. Such charges are usually calculated as a percentage proportion of total expenditure.

After you have listed all the resources needed in the project, try to estimate the cost of a unit and then calculate the total cost.

To be as accurate as possible, there are the following solutions:

- obtain information from suppliers, possibly stamped offers to present to the financier;
- request the team members (especially those in specialized departments) to quantify;
- Study similar projects.

Types of estimates for project costs

Cost estimation is based on project specifications.

- *Approximate estimates* are made before the start of the project, when there is only vague information and all the details of future activities must be established. They are useful for preliminary checks on the necessary resources, selecting invitations to tender and other decisions of planning in the initial phase. Yet they cannot be used as a basis for fixed price auction. It is sustained that an estimate with acceptable level of argumentation can achieve an accuracy of +/- 25%;

- *Comparative estimates* are made by comparing the costs the creation of a new project would require with costs of similar projects implemented in the past. It can be done before detailed design begins, when there are no lists of materials or timetables of activities. Estimates of this kind can achieve an accuracy of approximately 15%;
- *Feasibility estimates* are made after conducting preliminary project development activities. There should be building specifications, location, interim scheme for services, pricing, suppliers of equipment, materials procurement lists and other planning that can help estimate material costs. Here the confidence factor in the accuracy of feasibility estimates can reach +/- 10%;
- *Final estimates* are made at the end of the design, after the major purchase orders have been launched, at known prices, and construction or assembly work on the project is in an advanced stage. This type of estimate can be made separately or by updating previously made comparative or feasibility estimates. Estimates are final when declared accuracy is +/- 5%.

Budget examples:

1. Budget on expenditure category

Expenditure category	Unit of measure	Number of units	Unit cost	Total costs
Human resources: Project coordinator	Month	12 months	200 euro	2400 euro
Transport: Travels from - to X– Y (autobuz)	Month/activity	2 months	20 euro	40 euro
Equipment: Printer	piece	3	200 euro	600 euro
Investments Consumabile	per contract	1	15.000 euro	15.000 euro
Total				**…….Euro**

2. Budget on expenditure categories and activities

Expenditure category	Activity a 1	Activity a 2	Activity a 3	Activity a N	Total
Personnel	1200 euro	1200 euro	1200 euro	1200 euro	4800 euro

Transport/travels		500 euro		500 euro	1000 euro
Equipments	1000 euro				1000 euro
Investments			50.000 euro		50000 euro
Direct costs		1500 euro	2500 euro	3000 euro	7000 euro
Etc…					
Total					63.800 euro

3. Budgets on funding sources:

Financer A	**Financer B**	**Applicant's contribution**	**Partner**
15 %	25 %	10 % (5% in-kind 5% financial)	10 %

Conclusions relating to the budget

- based on cost, budgets quantify the features of a project on types of activities, as well as globally;
- Manager's task is to ***compare the proposed budget with the approved project and to prepare a revised budget proposal*** to be submitted for endorsement to the funding body for contracting project;
- Project costs are heavily dependent on its goals.
- Costs are dependent on terms and timelines and speeding up work usually costs more; generally, dealers charge extra for emergencies.

Why planned projects outweigh the costs?

Almost invariably, the projects carry higher costs than planned. This has at least three reasons:

• The budget proposed for approval has been designed in a way too "optimistic" (it is true that this may be a technique which would ensure the approval; its adoption is not recommended since a project must be approved **and** implemented);

• Delays, deadline overruns, changes to initial activities plan, amendments in the middle of the project automatically translate into additional costs;

• Risks were either not anticipated or were under-rated; counter the risk, impact mitigation is achieved with additional costs.

Keep this in mind when designing and allocated a special budget for "contingency". Make sure, however, that these costs are eligible from the point of view of the sponsor and try to keep the value of this amount to a minimum lower level.

NOTE!

!!! Include all absolutely necessary expenses! The budget must be feasible - must ensure the achievement of the activities in the real economy, not just on paper. Any crucial omission in the implementation phase leads either to request for additional funds over the approved (which often means cancellation of the project) or to request a budget amendment, supported by donors in exceptional cases, within certain limits (see above);

!!! Budget articles should reflect the activities mentioned in the proposal itself. If the Applicant Guide contains details of the maximum amounts allowed for different categories of expenditure (percentage of the budget for equipment, for daytime, for personal expenses), closely follow these guidelines;

!!! Don’t oversize spending more than is strictly necessary! In addition to strictly necessary costs, donors are willing to finance only the costs derived or related to the operation of the program as a whole;

!!! Any change in the budget must be made with the express consent of the donor. The conditions in which these changes can be made are stipulated in the agreement which was made between funder / contracting authority and the beneficiary. In principle, changes in the budget are permitted when:

• Variations / amendments do not affect the basic objective of the project;

• The financial impact is limited to a transfer within a single budget heading (from “administrative expenses” to “administrative expenses”)

• Do not set the request for maximum amount from the project sponsor as target application!

!!! Ensure co-financing (local contribution), proving with documents that you have the proposed material goods, personnel and financial resources. Try to make a greater level of co-financing than then the one expressly requested by the lender! Own greater contribution may indicate applicant’s interest and seriousness, the fact that the applicant is willing to risk a larger share of own resources in the project; in addition, a higher percentage of local contribution provides a margin of safety if the budget needs to be amended at the request of the donor.

!!! Carefully read the information on the share of own contribution, whether it is a percentage of the maximum amount that can be claimed or whether it is a percentage of the total project budget.

!!! It is possible to start the project before the amount offered by the financer to arrive in the promoter organization’s account. Applicants own contribution must be able to cover the running costs of the project during this period.

!!! Keep in mind that the amount offered by the financer can arrive in installments. The applicant's own contribution must also be so phased so as to support the project operation between the respective installments.

!!! In some cases, the grant of the installments depends on the preparation and submission of interim reports and their contents (i.e. project stage). Pay attention to both the actual conduct (to have something to report) and the reporting format that have to be made and the deadline by which they can be submitted.

!!! Keep in mind that the entire process of evaluation the projects participating in the auction, of concluding the contracts, of actual commencement of financing through granting og the requested amount takes several months. This range may influence some expenditure categories. Estimate of any revenue from the project should take into account the changing in economic circumstances that may arise during this period.

!!! Be aware that sometimes project documents mandatory require for the project to purchase equipment from the home of financer! If there is such a provision, propose the budget starting from existing costs in that country, which are not always the lowest in the market.

3. IMPLEMENTATION OF PROJECTS

The third stage in the evolution of any project is to implement the project, after having defined the issue and determined how to intervene to resolve it, and in the second phase action plan was developed by establishing activities and identifying the resources needed, their character and belonging; the implementation is that stage in the life cycle of a project where works are executed effectively, objectives and results are achieved, as far as possible.

Thus, the implementation is the phase of the project life cycle where objectives are known, planning is made and project is running. At this stage everyone working on the project is given authorization and empowerment to work. Authorization and empowerment form the core of the project management practice, because by this feature project managers make the project take place, either directly or indirectly, through the project team.

In the implementation phase of projects, the beneficiary of funding:

- Carry out project activities as they are covered by the grant agreement;
- Organizes project specific procurement procedures, according to legal provisions, ensure the implementation of contracts concluded after the completion of procurement procedures, subcontracts, as applicable, a range of activities and services, being responsible for the project as a whole in the meantime;
- Is responsible for maintaining the conditions from the call for projects: eligibility of activities, the applicant's eligibility, eligibility of expenditure etc:
- Reports to the Intermediate Body (IB) / Management Authority (MA) on the development of the financed project;
- Draws up and submit to the IB / MA requests for reimbursement / payment applications, accompanied by supporting documents;
- Provides the funder, the National Audit Authority, the national audit institutions and to the EU audit and control institutions project documents during inspections conducted by them;
- Keeps project documents according to the financing contract;
- Provides financial management of the project

The criteria based on which the project is considered a success, both in terms of implementation and final product, are defined from the very beginning, before the onset of any activity. Agreed success criteria form the basis of the decision-making process and final evaluation. The success criteria relating to the project envisage:

• observance of time limits;

• compliance with the budget;

• efficient operation of all other resources (people, equipment, premises);

• perception created around the project.

In simple projects, the implementation phase is limited to the actual implementation of the new solutions. In complex projects an implementation concept must be developed, users of the new solutions should be informed and qualified, a plan to support practical solution must be developed and documentation must be available to and understandable by the user.

One of the main tools used in this phase of the project implementation is the meeting. Usually, before starting any activity in this phase, the project manager organizes a meeting with the project team. In this meeting, the project manager should consider the following (Neagu, 2007):

• Communication of the project objectives state;

• review of the time schedule and work plan with project team members;

• explain administrative procedures, including reports, meetings and communications that will be used to provide working relationships between team members and project management team.

In this regard, appropriate management activities of the third stage of the existence of a project consist in the use of material, financial and human resources in accordance with the work plan established to fulfill aspirations proposed in earlier stages. Therefore, we can say that at this stage we can identify four main types of management activities:

• Financial management of projects;

• HR and activities management;

• The relationship with the funder / funders,

• The relationship with the beneficiaries.

As shown, the top two management activities mostly belong to actual managerial activities, while the latter two especially relate with the marketing activities of the project.

3.1 Financial management of projects in the implementation phase

An important component of project management consists of financial management used during the implementation period. In this case, the activity starts when drafting the project, when the needs and resource availability is established. The resources necessary means both those resources that will be attracted by the project and the organization / institution (which are the applicant) own contribution, while the resources available mean the local contribution of the applicant, i.e. resources that he can provide to the project.

In this regard, it is imperative that the project manager to know how to allocate resources. Without an accurate estimate of all costs unpleasant situations can happen such as the inability to complete the project. The first step in ensuring successful financial management is project manager participation in budget preparation or very good knowledge of it. The next step is to know the exact financial procedures applied by each financer. Another aspect the project managers must take seriously is co-financial involvement of the project team, the material benefits of the project team to be tailored to the resources gained in the project.

Often, poor financial management of the project may compromise its achievement, whilst sound financial planning and control lead to the results expected from the project. The establishment of viable financial models must take into account the overall policy, the external variables and control variables.

In conclusion, financial management as distinct managerial activity in the implementation phase of the project should be linked primarily with a strategic plan, because strategic decisions normally have budgetary implications. Another important aspect points to the existence of successful financial management in order to reduce the time spent for collecting data. Finally, a successful financial management can assist the financial systems by creating a database that can be used both for financial reporting and for budgeting itself.

Specifically, the financial management of the project involves:

- ❖ After signing the contract, the beneficiary starts implementing the project, the financial support of the project being carried out on the principle of repayment: the beneficiary financially supports the project from its own resources or from borrowed sources, then he will recover part of his investment after the analysis and approval of reimbursement.

- Beneficiaries can apply for pre-financing in order to implement the project. This fixed percentage shall be granted by the financing agreement. Pre-financing is recovered by deduction from each request for reimbursement of a percentage established in the contract for financing from the certified eligible expenses.
- On the basis of expenditure incurred on the project and supporting documents, grant recipients submit OI / AM reimbursement requests for partial reimbursement of the incurred contractual expenses.
- There are no binding deadlines for the beneficiary to request reimbursement of incurred expenses, except the first request for reimbursement to be submitted to the IB in maximum x months (requirement specified in the beneficiary’s implementation manual, between 3, 6 or 9 months) from the date of receiving pre-financing or from the start date of the project implementation unless pre-financing is not requested.
- The Beneficiary may seek reimbursement when the expenses were made in the percentage specified in the grant agreement (including the first request for reimbursement) from the eligible amount according to contractual terms.
- OI / AM verify claims for reimbursement under their operational procedures; AM / Payment Certifying Authority reimburse to the beneficiary the appropriate amount of funding recognized as eligible expenditure.
- Final reimbursement request will be forwarded to AM in terms of x days after the end of the implementation period.
- A sound financial management of the project is extremely important: any increase considered necessary to the budget can be achieved only as ineligible expenditure and only in the maximum value of the projects, established in the project application based on which the project has been submitted and contracted.

3.2 Financial Management in partnership projects

A partnership agreement is the base for the partnership designed to implement a project.

Where credit lines allow it, management authorities shall provide guidance the beneficiaries with partnership agreement patterns. This is subject to the legislation of Romania, but there are some rules on the financial management of these projects.

First, even if the choice of partners is the exclusive prerogative of the Lead Partner, authorities / public funded institutions are required to make public their intention to establish a partnership with private entities in order to implement a project financed from structural instruments, mentioning the main project activities and the minimum conditions that the partners must meet.

In this sense:

• It is necessary for the leader to prove the fulfillment of the condition above, disseminating information through media channels with national coverage or via the Internet;

• It must be demonstrated that the choice of partners, for private entities, have been made from organizations that have activity fields in accordance with the specific objectives of the project and that they are fiscally registered in the Member States of the European Union;

As in all cases, reimbursement of expenses incurred for implementing the project in the partnership shall be based on the invoice or any other document prescribed by regulations. There are however some peculiarities. The leader and partners include in their budget amounts that are necessary to each of them in order to finance the total value of their activities they carry out within the project.

Account for pre-financing and reimbursement will only be opened only by the project leader. Pre-financing may be required only on behalf of project organizations that are eligible to obtain it. After receiving these amounts, the project leader will transfer them no later than x days from the date of receipt for Romanian partners and within x days for foreign partners. In foreign partners' case, payments will be made only to an account they own or open in Romania. From this account partners can transfer amounts to abroad accounts. Within x days from making the transfers, the project leader is bond to notify the Management Authority a copy of transmitting payment orders and bank statement. Any partner may notify the Management Authority if the project leader does not transfer amounts within the period of time prescribed above.

3.3. General conditions concerning the management of project funds

In the implementation phase, financial management activity consists in opening an individual account for each project, different from the current account of the organization / institution. This account can be the same with the one that usually Management Authority requests for reimbursement. If you have a bank loan to ensure co-financing, VAT and other ineligible expenses, or simply to ensure the liquidity necessary for project implementation try, where possible, to use the same account, or try not to use the project accounts for the organization's current operations or operations necessary for other projects.

There's a recommendation that all payments, without exception, to be carried out through the project accounts exclusively by money order or check tab. Carefully check the financing contract provisions since there are MA's that do not accept other forms of payment. Payments made before signing the contract (i.e. Market studies, feasibility studies, consultancy, etc) are obviously made in the current account, for which, once reimbursed the expenses incurred with these services, you can credit your account with the amounts you've paid currently in the amount settled by the Management Authority. You can equally leave these amounts in the project account for use as support of ineligible expenditure.

If you make foreign currency payments under the project, at reimbursement you may be required to refund the equivalent in lei of these payments to the National Bank rate from the date of preparation the documents of foreign currency payment (invoice date). Be careful in this regard, if possible, to have mentioned on the invoice the exchange rate, so that additional justification is not required in the request for reimbursement.

For public institutions and authorities, treasuries open accounts for all projects that the organization / public institution implements. In this case do not forget to specify the SMIS project code on the payment orders so that transactions are traceable.

3.4 Pre-financing

The purpose of pre-financing is to provide financial resources required in order to start a proper unfolding of the projects, including paying advance bills (if applicable). Pre-financing operations are offered once or maximum twice at the beginning of project implementation, to financially help the beneficiary to start the project, being similar to advance. Documentation for any application for pre-financing shall be filed only after the beneficiary has signed the financing contract with MA and a contract with an economic operator (conditions vary depending on program funding), but *no later than the first application for reimbursement*.

Pre-financing is granted prior to making expenditures of any kind; granting it requires no invoices. Subsequently granting pre-financing, the beneficiary will submit to Management Authority quarterly technical progress reports to justify besides other expenses the use of the amount received as pre-financing.

The amount representing pre-financing is maximum x% (it varies by program) of the eligible financing contract concluded between the beneficiary and MA, and may be awarded to the beneficiaries eligible to receive pre-financing, in accordance with the Guide for Applicants.

The request to grant pre-financing shall be submitted in original to the financer, fully completed, registered, dated, signed and stamped by the legal representative of the beneficiary together with the following documents:

• Copy of the services contract / products supply contract between the beneficiary and an economic agent marked “according to the original”, original signature and stamp of the beneficiary;

• The estimated schedule for the submission of reimbursement requests - payment request;

• Financial identification form.

How does the MA recover the pre-financing amount?

• The amount awarded to a beneficiary in the form of pre-financing is fully and progressively recovered, regardless of the source it came from, by applying a percentage of the value of each application for reimbursement.

• Recovery is performed from the first request for reimbursement, so as the amount of pre-financing to be fully recovered before the last application for reimbursement.

There are clearly defined procedures on the application and use of pre-financing amounts in each financing agreement. Pre-financing is particularly attractive for public authorities and for projects involving training and developing administrative capacity. For private organizations, the letter of guarantee involves procedures very similar to those for obtaining and managing a bank loan, and then, inevitably, our recommendation is to rather call for a bank loan than for pre-financing.

Beneficiaries must own an account for pre-financing. This account can be the same with the project (which was discussed above). But there MA’s that require pre-financing account opening to be made at the State Treasury. In these cases the easiest is to pay suppliers in their accounts of the Treasury. For public authorities this procedure is a common practice, but in the private sector this is not always possible. In the latter situation, you will first transfer money from the Treasury in your bank account and then you will make payments to suppliers or to employees and collaborators. Do not attempt to cover the lack of liquidity for current activity of the organization or other investments you have in progress, even for another project, from the pre-financing amount.

This is a common mistake in organizations implementing projects for the first time because available pre-financing amounts are a huge temptation for anyone facing an acute shortage of liquidity. In all cases this practice leads to blocking or premature closure of the project or – worse – the blocking of the entire organization’s activity.

If the interest from pre-financing amounts in the bank account is greater than the fees and other costs of account management the income from financial activities must be reported and transferred to the Management Authority no later than completion of the project. For projects that span a period exceeding 24 months it is recommended to achieve this balance at the closing of each tax year.

3.5 The request reimbursement of eligible costs

☞ *What is the reimbursement/refund?*

The payment made by the Management Authority from the state budget or structural instruments during project implementation, based on a contract signed between a beneficiary and MA and an application for reimbursement accompanied by supporting documents regarding making payments, submitted by the beneficiary and validated by the Management Authority.

☞ *How to reimburse the money spent?*

The beneficiary carries out the activities specified in the contract, pays the services to the contractors then submits requests for reimbursement to the MA, together with documents that substantiate the payments that have been made. In order to be able to pay the contractors, beneficiaries must stipulate the amounts needed to finance the total value of their projects spread over years within the budget of the main credit authority to which it reports. The costs of activities financed through projects must be supported by documentary evidence to prove that those expenses were incurred and paid, otherwise they cannot be validated.

The categories of expenditure in the financial report for the reimbursement request must match the expenditure approved in the financing agreement. Beneficiaries of the projects will be reimbursed the equivalent of the expenses incurred by them validated as being eligible by MA. Amounts refunded to the beneficiary will come from sources of funding (the European Fund, public national contribution, VAT).

☞ *What document must the beneficiary submit for reimbursement?*

For the reimbursement of eligible costs within the project, the beneficiary shall submit a request for reimbursement to the MA accompanied by the technical progress report (according to financer's annex) and supporting documents. The documents must be completely filled in (all fields / areas established by format). Documents must be scanned and sent on CD while supporting documents for validation of eligible expenditure and payment and procurement documents will be submitted both in physical format, filed separately on categories and scanned on CD.

Invoices received from contractor will have the stamp for "certification of reality, regularity and legality of operations" as well as "approved for payment" stamp (for public institutions). It is recommended that service providers prepare detailed bills (e.g. on modules of courses, bills must distinctively specify lecturer's fees, certification fees, expenses related to printing and multiplication of materials). Copies of invoices submitted for reimbursement will bear "approved for payment" stamp, "certification of reality, regularity and legality of operations" stamp for provided services / purchased goods, "According to the original" stamp "SMIS / MIS code ...." stamp. This certification will certify that the activity described in the application for reimbursement has been carried out according to the activity plan in the grant application and meets the requirements of the grant agreement signed between the Management Authority and the Beneficiary.

The other supporting documents will have copies be submitted to the MA stamped with "According to the original", signed and stamped by the financial responsible of the institution or the person designated by an administrative act to manage the financial operations of the project to certify the reality and legality of rendered services / purchased goods.

3.6 The project's financial documents

The accounting documents will be kept in original at the accounting department of the institution or by the accountant of the organization. The expenditure for the project is registered in accounting records based on them. All documents must be usually kept for a minimum 5 years period after the completion of the Operational Program the project you benefit from has been funded. Check the mandatory period for keeping documents in your finance contract.

Those who have drafted, endorsed and approved the supporting documents underlying accounting records are liable for them, as well as those which have registered them in accountancy. The accountant should ensure at all times adequate audit trail, in accordance with Community and national regulations in force.

The reimbursement will require at least the following documents: account sheets of analytical accounts used in the accounts of projects, accounting notes, trial balances, ledger, invoices, payment documents (orders), statements of account, Inventory numbers register, reception entry note (NIR – in Romanian), consumer bills, fixed asset sheet, minutes of startup, minutes of reception.

Invoices

Invoices must detailed state the purchased property or provided service. To avoid double funding, all bills will be usually printed on the front with the name of operational program, priority, project title, SMIS code and number of the contract and signed by the legal representative of the beneficiary. Each MA requires fairly strict rules in this regard, so carefully check the provisions of the grant agreement.

They must have the format prescribed by the legislation in force and shall be completed in accordance with them. The date stated on the invoice shall not be prior to signing the contract under no circumstances. Only the expenditure prior to the signature of the financing agreement can be the exception to this rule is and the exceptions are specifically mentioned in the guides of the applicant (ex. Market research, feasibility studies, etc.). Equally, the date stated on the invoice must not be prior to signing the acquisition contract for goods, services or works covered by the bill.

Also the number, date and / or subject of the contract for services / supplies / works on which they were issued must be referred to on the bill. The bill will be drafted such way that it will make the provided services / goods delivered - the work done easily traceable, according to detailing from the financial bid for the choice of supplier and for drawing up the contract and so the positions within detailed budget of the project and eligible expenditure chapters can be easily identified. Finally check that the account, bank and registered office provider correspond to the data in the contract. Likewise, your organization's data must match the contract with the supplier / provider, and the data in the grant agreement. Even if all these elements will add excess content in the invoice, it will also help preserve an accurate accounting of the project.

Payment documents

Make all payments by bank / treasury. Most MA’s expressly request this through the financing contracts. The payment documents (payment order PO or check sheet) must very clearly state your payment, so it is very important to state the number and date of invoice paid and the relevant contract number and date of paid invoice. Keep these items as concise as possible so that the account statement will show them. Unfortunately, we are not yet accustomed to electronic payment that is why you must ensure that you always have the stamp of the bank on the payment documents. If possible, do not make partial payment of invoices because this will greatly complicate the reporting process and you will encounter especial difficulties in drafting requests for reimbursement. For example, a bill of 124 lei; under no circumstances do POs representing VAT of 24 lei on the principle that you will help the provider to pay their taxes, followed by a PO for the remaining 100 lei a month or two after that. In fact, whatever you write on the PO, the 24 lei will be all the time registered as 19.35 lei and 4.65 lei amount of VAT paid. Highlighting such transactions in the refund application requires additional explanations and all the time, especially when working with many decimals, will create numeracy problems.

If the Management Authority accepts CEC sheets or promissory notes, check them to be issued by the beneficiary of the project, on behalf of the supplier, without being endorsed by third parties. For these payment instruments you will have to have collection dockets, stamped and signed by the bank.

If the Management Authority accepts payments through external LC (letter of credit) you must make sure you have copies of all documents requested by the bank for transferring these amounts (under the credit agreement).

Account statements

Verify that the account statements are dated and stamped by the bank (State Treasury) and state the amount and date of payments according to appropriate payment documents.

3.7 Accountancy of the project

The implementation of projects financed from European funds requests separate accounts records, using different analytical accounts for the project. If you are the beneficiary of several projects financed from European funds you must keep separate accounts for each project.

Analytical accounts used in the project accounting should include the following elements: account number, name of the supplier, abbreviation of the operational program, the number and date of the contract to finance the project.

For example:

The required encoding for XXX account will appear in the Trial Balance, Account Sheet and Accounting Note as follows:

XXX POR 1234 – where POR is the name of the operation program and 1234 is SMIS code (identification code of the project).

The accounting records of the project will be completed by the institution's accounting officer, chartered accountant / accountant under the law, which will sign and date the accounts relating to the implementation of the project. To preserve the integrity of accounts, if you have a permanent accountant employee in your organization is preferable not to outsource this service. Equally, if your organization's bookkeeping is kept by a specialized company, it is preferable that the same company to handle bookkeeping and distinct project / projects that you benefit from. If you still need to hire additional staff or contract additional accounting services, make sure that the person making the accounting documents of the project or oversees the work and signs these documents to be an active member of the Body of Chartered and Licensed Accountants of Romania (CECCAR – in Romanian). Throughout the project implementation, chartered accountant must have a CECCAR active membership. If this capacity is withdrawn or lost for any reason, chartered accountant must be replaced.

All beneficiaries will perform synthetic and analytical accounting records, according to Accounting Law complying with European directives. In case of projects involving several partners, all operations, both by project leader and partners, should be reflected in the accounts of each of them and supported by documentary evidence.

Accounting operations are highlighted as follows: registration of invoices received from suppliers, record of invoices payments to suppliers, salaries registration for the staff working in the project, recording the payment of salaries to project staff, recognition of assets generated under the project, financial corrections at contractors level, payment of the amounts from financial corrections to the contractors, financial corrections at project level, payment of the amounts from financial corrections, the registration of pre-financing application, registration of the amounts from pre-financing, recording of the reimbursement request, recording amounts received as reimbursement from MA, registration of the financial corrections from the MA / IB, recording revenue generated by the project (if any), recording of transactions related to the settlement between partners (if applicable).

Do not forget to rename the accounting records of expenditure prior to the conclusion of financing so as to meet the analytical structure of the accounts used in the project accounting. Optionally, to have a very clear statement of the financial implementation of the project, define the project as a separate accounts entity in your accounting program. In this case do not forget the first month of implementation of the project to enter the accounting documents of expenditure incurred prior to signing the contract.

Accounting of a project must reflect both the eligible costs and ineligible expenses. We do not recommend that you include other costs incurred in implementing the project you've supported from your budget but that have not been taken into account in making the project budget.

Examples of eligible expenditures documents

Types of eligible expenses	***Types of documents***
Staff expenses	head of the institution's internal decision on the appointment of the project team
	administrative act of appointment for civil servants
	employment contracts of staff involved in project implementation (for other categories, except civil servants)
	job descriptions (which include tasks related to project implementation)
	time sheets / attendance records (signed by the person who worked for the project, the project manager and legal representative of the institution)
	statement of the employee that he has worked for the project
	payrolls for persons employed and paid from the project budget
	sheet accounting records on analytical account
	payment orders to the state budget for social security contributions and payroll taxes
	order payment of the wages to the card, where wages are paid through the bank card and a list of employees accounts if they can not be seen in other documents
	account statements
	signed payroll wages for employees who receive their salaries in cash

	copy of the cash register where payments were made in cash
Transport and accommodation	*Movement documents*
	approved travel report with directions and km
	travel mandate, if applicable
	travel order, including the deduction of expenses
	Transport documents
	tickets, boarding pass
	contract with the travel agency (if applicable)
	invoice from the travel agency
	health inssurance
	fuel tax receipt (BCF)
	route sheets
	decision on fuel consumption, as required by law
	travel tickets
	Accommodation documents
	Invoices (where travels are made to small towns where there are no accommodation facilities and accommodation is in private, an affidavit of the person who has traveled is required)
	Daily rate for the country and abroad paid under national laws and orders for eligible expenditure on programs
	Payment documents
	payment orders and account statements
	receipts and copy of the cash book
	provision of payment, provision of collection
	reports prepared as a result of the movement
	foreign travel report
	minute of the meeting
	sheet accounting records on analytical account
	cash book
Administrative expenses	documents for administrative expenses: calculation method for pro-rata allocation of the administrative expenses as provided in the Partnership Agreement
	leases
	utilities contracts
	rental agreement
	Payment documents
	payment orders and account statements
	receipts and copy of the cash book
	provision of payment, provision of collection
Purchases of services (including seminars, conferences)	procurement files according to Government Emergency Ordinance no. 34 or PRAG, including procurement contracts
	procurement contracts
	meetings agenda
	reception minutes of services
	attendance sheets for participants

	for workshops with catering services, the document substantiating the meeting (report, invitation, etc.), tables with people who participated, signed by them, bills in detail for catering (number of servings and price)
	invoices with the project's code
	sheet accounting records on analytical account
	trial balance
	ledger
	results of outsourced information and publicity activities (brochures, handover protocols etc.)
Procurement of equipment	Note regarding the estimated value
	Purchase over 15,000 Euros Application of public procurement procedure
	Tender documentation
	customs declarations (for goods imported from outside the EU) Certificates of origin for purchased goods
	quality certificates
	minutes of receiving the purchased equipment
	the minutes of commissioning the purchased equipment
	Post-warranty contract, if applicable
	Register as inventory object / fixed asset sheet
	sheet accounting records on analytical account
	situation on computing the equipment depreciation (fixed assets registers) only for programs where depreciation is an eligible expense
	Romanian documents confirming if the recipient is liable for VAT (certificate of registration for VAT purposes)
Works	purchase records, including procurement contracts under Government Emergency Ordinance no. 34 / under PRAG
	procurement contracts
	Invoices (on phases of received works)
	Notices necessary to obtain the construction permit
	Certificate of urbanism
	construction permit
	geotechnical study
	State Construction Inspectorate certificates
	project supervisor authorization
	work's project
	estimate of works and materials
	performance guarantee for the works;
Works	copy of the minutes of handing over the site and landmarks terminals
	minutes for works that will become hidden
	minutes on determinant phases
	payment statements relating the performed works for each invoice
	estimates of expenditure and equipment corresponding to the invoiced amounts
	Quality Certificates
	Invoices
	Partial / final reception minutes

	fixed asset sheet
	fixed assets register
	statement for registration the building to the local taxes Directorate
	sheet accounting records on analytical account
	trial balance
	ledger
Value Added Tax	certificate of registration for VAT purposes
	purchases log
	trial balance
	ledger
	VAT return
Financial expenses and taxes	account statement
	sheet accounting records on analytical account
	Justification of the tax
	tax receipt
	Receipt (for fee)
	payment order

IV. REPORTING

Reporting on a project serves a number of purposes. First, it helps to document the progress of the project taking into account the decisions, changes and conclusions. Reporting can be seen as an exit mechanism for the project, while a report is a material value created during the project. Reporting is essential in all phases of the project, because by using it recognition of the well done work and approval of future action plans are obtained.

A report also presents the changes of main activities of the project, schedule, team and division of resources. Approving a report (usually made by the board) is equivalent to approving the changes made on the project.

The need to file a report and get approval of the settlement is directly related to expenses reimbursement. These reports also have an analytical role. In addition to listing facts, a report indicates the problems encountered and solutions that have been offered. By reporting it is possible the introduction of matters outside the area of influence of a certain project, but that can be used by the project's beneficiary to create new projects.

The reports are valuable materials in the project evaluation process, especially if the assessment is made after completion of the project, when the persons involved in the planning and implementation are no longer present.

Some people tend to look at reports as unnecessary. In fact, reports are extremely important and serve the interests of all stakeholders.

- For the beneficiary organization reporting is a monitoring tool. The analytical part of the report can be used as an argument for soliciting funds for future projects.
- The agency in charge of implementation also profits from a quality report. An approved report grants a free hand to the agency within the boundaries set by the report, also representing a method of keeping the project in an appropriate setting. Reporting can also have disciplinary effect.
- Funding organization does not have regular contact with the project. For this reason the report is the most important way of monitoring the project. Based on reports for the progress of the project, organization representatives may take into account the quality and effectiveness of using allocated funds.

Of course the first step would be to celebrate! But do not forget those who believed in you. Carefully read the financing agreement, check for the special conditions when contracting beforehand. There may be conditions that you cannot accept. Negotiate, be informed! With the signing of the contract, payment installments and deadlines are set, specific requirements of the funder too, and all ambiguities about the project are cleared up. Also ways of reporting are established now.

4.1 Types of reports

The type and frequency of reporting should be established in the Terms of Reference (ToR). To avoid further misunderstandings, requirements of addressee about the content, language and distribution list form printed reports should be indicated in the ToR.

<u>Beginning Report</u>

The beginning report of a project is a document developed in the initial phase of a project. By its nature, it is more of an action plan then a report. An initial report is critical when the time between the approval of Terms of Reference and project development is long. In this case, tactics, splitting the timetable of activities and resources must be made according to existing operational environment at the time the project starts. Therefore, the project team will be have between two weeks and two months to complete an action plan and start to draw up the beginning report.

Inception Report

- Defines operating conditions at the beginning of the project
- Proposes and develops necessary changes (in relation to the terms of reference)
- Offers a schedule of all activities throughout the project
- Presents basic research results, if so provided in the Terms of Reference

<u>Progress Report</u>

Terms of Reference also indicate the frequency for sending progress reports. Depending on the duration and nature of the project, progress reports must be submitted monthly, quarterly or only once at the half of the project. Reporting can be linked to several key project data. It may be required that – for the same project – to be submitted parallel reports, some detailed, others general, at different intervals. The most common types are monthly, interim and quarterly reports.

• ***Quarterly reports*** must be exhaustive and detailed. They must contain both descriptions of the activities and results for the concluded period, and plans for the coming period. The relevant documents (research, training programs and consultant’s reports) must be attached to the quarterly report. Sketch of the quarterly report is usually discussed in the Management Committee meetings. It is then approved after the inclusion of the amendments proposed by the board. A quarterly approved report represents the base of funds transfer to the financial agency in charge of implementing the project.

• ***Interim reports*** show the financer where did the project reach, with what results, what where the difficulties and how were they solved, how much money has been spent and on what. An approval of the interim report shows that the sponsor was pleased with the project progress and approves the next installment.

• ***Monthly reports*** are brief overviews of activities carried out and do not need the approval of the Management Committee.

<u>Mission Report</u>

Mission report of a consultant is a report made by an expert regarding the visit or his input to the project. Reports on the work of experts are required because they offer the right to use their opinions, evaluations and proposals. The report is also proof of the expert's work in a project or program. If a project involves more than one expert on short-term, their mission reports will be attached to the progress report as appendix.

Financial Report

The format of a financial report and the frequency of its submission are set out in the regulation of a particular program or in the Terms of Reference. There are a large number of options for financial report format. All documents relating to expenditure must be included in the financial report. For documents that are related to the use of human resources, the schedules of each consultant are also attached to the supporting documents for expenditure. The financial report also includes an overview of each budget line on the resources used and those remaining.

Final report

The final report is an essential part of every project. Of all the reports submitted during the project, it is the most comprehensive. It highlights the events that took place back along the length of the project.

The final report carefully accounts for:

- project activities;
- outcomes and outputs in relation to the Terms of Reference;
- recommendations to the beneficiary;
- use of project resources.

The final report includes as appendix all relevant documents created during project's development.

This type of report requires a much more complex and laborious. For the final report all significant materials throughout the project should be gathered to justify and exemplify activities (photos, polls, videos, quizzes, brochures, press articles, evidence of the incurred expenses). Also, we must not forget the concrete results of the project and ways to measure the impact.

Any financer appreciates sincerity, so do not hide the difficulties that you faced and the solutions you have chosen. He appreciates if you go to ask for advice when you have a project problem. Even data reports can be deferred if you request this and the request is justified.

Inform yourself about communication procedures with the financer, some are more formal, others less formal. It is all about creating a relationship of respect and trust between you and your financer. This relationship is also cultivated, from the first contact until the next funding etc. It's such a pleasant impression when someone maintains contact with the sponsor, even when not applying for funding!

Any success you have, share it with the one who once supported or would support you. You may have the pleasant surprise that, after a while from the first grant, you may be financed by the same donor, just because he knows you, he knows you're serious and respect your word and you do a good job. And that's because you kept good and continuous relations.

4.2 Structure of reports

Reports do not need to have a strict structure. Many funding organizations have their own reporting formats that are either indicative or mandatory. In parallel, the beneficiaries have their own requirements on the structure of the reports. The issues mentioned below indicate the most common ingredients of reports.

- Title: project name, number, company name / organization, report type, publication date, logo of the donor organization (and contractor).
- Contents: chapter headings and page number and sections, numbers and titles of Annexes, explaining the acronyms and abbreviations.
- Preamble: description of the document type, the period it covers, the recipient.
- Objective: short description of objectives and planned outputs of the project, generally in relation to the Terms of Reference.

- Activities of the reporting period: a list of important achievements, references to the problems associated with these achievements.
- Activities planned for the following period: list of planned activities, referring to the changes required as a result of those planned in the initial report, reasons for the requested changes.
- Issues and Recommendations: problems in the environment where the project is implemented, possible solutions, additional suggestions for using the operating environment of the project.
- Use of resources: how many days allocated to using consultants were used, how many remain until the end of the reporting period, what money resources were used from the refundable budget (recommended to be done in tabular format).
- Conclusions: brief review of the contents of the report.
- Annexes: the most important documents and materials created during the reporting period.

4.3 The presentation and format of report

People to whom you submit the reports are interested to receive short and well defined reports. At the same time, the report should contain all information requested in the Terms of Reference. A good report is easy to read, accurate in detail and has no grammatical or spelling errors. The final version of a report that has been approved must be stitched, even if only an electronic version is required, as this facilitates the use and archiving. The report helps building the contractor's image. The appearance should be one attractive but conservative.

As a rule, the board is summoned to discuss important reports. In this case, presenting an impressive form of the report will provide a positive attitude towards the project. The report is usually presented by the project manager. It is important to maintain the reference to the main points of the report, given that the Board Members certainly know the details of the project.

For starters, the project manager should emphasize the positive moments of the project. If solutions of the problems depend on the executive committee members, these matters should be the subject of discussion. The project manager will make a positive impression if he is able to react positively to criticism and suggestions, even if not totally in agreement with what is transmitted. A meeting of the committee is not the place to start a dispute or resolve a disagreement. Emphasis inputs from the recipient can also be beneficial.

COMMON MISTAKES IN PROJECTS FINANCED FROM EXTERNAL GRANTS

Mistakes in project writing phase

Choosing the wrong source of funding is a very important thing; this is why we must think twice before choosing this source of grant. Grants are funds that have a very high risk in their absorption, many rules on how the project should be implemented and evaluated. In many cases reporting may extend to several years. So, before choosing this source of financing, consult other sources too, such as equity and borrowed funds from family and friends, bank loans, leasing, stock etc. By making a comparison between these sources you will realize that you will benefit more from a source both in the short and medium term, and long term.

Organization's purpose: regarding the project; often an organization does a project just to attract money and forget the thing that is most important in a project - the need for change. It is therefore very important that a project to originate from the organization's need for change in a community and not the need for money.

Wrong objectives: One of the most common mistakes in a project is setting the objectives. These objectives show the project's finality which in turn should be as specific as possible. Not planning proper objectives can influence project activities leading the evaluators to offer a low scoring. The objectives should be SMART: S - **S**pecific (what exactly we want to happen), M - **M**easurable (quantifiable), **A**chievable (they can surely be achieved during the project), R - **R**ealistic (their achieving leads to the impact targeted on project), T - **T**ime (they can be achieved within a precise time).

Activities are unclear and unrelated to the project objectives. This is a fairly common mistake due to the lack of concentration on project planning activities. It is the part that requires the most careful attention because from the amount of all activities the objectives must come through, and the omission of important activities may lead to the rejection of the project. In order to thoroughly perform the activities, it is recommended setting the activities needed for each objective and each activity to pursue: the purpose of the activity, business objectives, necessary resources, estimated time and ultimately responsible for the activity.

Improper planning of the budget – it is important that the budget is done as realistic as possible. Before you begin to making it, read about the reimbursement of the money and about the amount of money granted for each type of expenditure and then outline the budget under the established activities on the project. Do not be too generous, but not too shabby with the budget as it should be reported fully in the assessment. You have to find the proper way for the budget to cover all your needs for the project.

The financing term – set your financing term for the project in accordance with the funding to which you want to apply. In many cases, funding is granted for quite a long period from the date of submission of the application. Do some research before submitting the application on project's deadlines.

Implementing rules – it is very important that at the beginning we know all the requirements imposed by the financer in terms of objectives, scope, procurement, project reports. We must clearly know from the beginning what kind of project we are allowed to do and what kind of project we are not allowed to do.

Organization's capacity on project management – Take great care in how you are able to realize a financeable project. Do not venture into projects that involve a lot of money, if the capacity of the organization you represent does not encourage you to do that. If you are at the beginning, try to do smaller projects to get some experience then venture into a big project. If you still want to apply for a project that involves a lot of trouble, I recommend you to call in specialists to guide you in planning and implementing the project.

Lack of planning partnerships – Before you start writing the application for funding you must make sure that all stakeholders are aware of it and are integrated into project planning. Do not venture into writing a project if you do not have partners. You'd be very surprised if you get financing and will not have partners. In this case the project would risk being canceled.

Failure of complying with the Funding Guide – The rule has it that applicants do not read the entire guide before starting to write a funding application. Read the Funding Guide several times before starting to write. You must be well informed about what the sponsor wants to hear from you and respect all the steps you are expected to pass through.

Mismatch between project goals and objectives of the funding program – funders have their own goals they want to achieve by granting funds for certain projects. Relate your project objectives to the ones of the financer if you notice they do not match it means that the project is not eligible for the financer and you'd better find another source of funding for your project.

Not filling some fields in the application form – this mistake can result in requests for clarification or even rejection of the project and not receiving the funds.

Lack of documentation attached to the application form – failure to attach the documents required by the financer can lead to rejection of the application.

Lack of signature and stamp of the legal representative on the application form – A fairly common mistake, which led to the rejection of many applications for funding.

Failure to comply with co-financing is a huge mistake because most donors want to know what is the applicant’s co-financing and what does it consist of. Most project grants cover a maximum rate of 80- 90% of total expenditure and the remaining 10-20% must be covered by the applicant.

Faulty language and speech – is a mistake that cannot be corrected quickly enough. The language is corrected in time, but an important thing you can do is to send the application form to certain persons with experience who could give you quite a relevant feedback about it. Specifications related to language are found in each user financier. Language is focused on the needs of the organization, and not the donor. It must be focused more on how the project helps to achieve the objectives that they have, and not the organization’s objectives. Make sure you use language that makes them believe that the project helps them more than you.

Unrealistic cash-flow! It is a very big mistake in terms of planning and project funding. Many grants an advance after approval of the project that you have to conduct the entire project with, the remaining funding being granted after evaluation. This leads to instability in terms of cash flow and lead to a stoppage of work due to a lack of cash to complete the project. Before you write an application, make sure you have enough money for the project until the refund of the entire amount from funding.

Euro vs Lei! Another common mistake is lack of attention in terms of the currency in which the funding is being granted. There are funding in which the expenditure must be justified in euro and others in lei. We need to know from the beginning what is the currency we justify the expenditures in and if it is a foreign currency we must know the date of the exchange rate for calculating the budget.

The fact that you speak more about the problem than the solution is a common mistake and it is very difficult to observe. The sponsor does not want to hear too much of the problem. You have to present the problem and that’s it. Do not focus on the issue. The solutions are more interesting for him. How can your project address the problem found in society? Focus on solutions and be as pragmatic as possible. If you're already focused on solutions, try not to present general solutions. Solutions need to be more concrete, anchored in time with a determined outcome.

There are no agreements with project partners Each project requires partnerships. So far, we haven’t met any projects that do not need partnerships. Before you write project make sure you have all partnerships to implement it. It's a huge “plus” your project has in front of the “judges”.

Writing to a wrong funding - funding was addressed to another region or another funding program. Take great caution to the region to which the grant fund is addressed. Watch out which region you belong to and make sure that the fund you aim is for the region where you want to implement the project.

Failure to fulfill commitments is a fatal mistake which happens quite often. It is important that you respect what you wrote in the request for funding, because in the end, the completion of the evaluation report requires samples for each activity conducted on the project and the mismatch of those made with the ones projected can result in a charge to the amount you must receive at the last installment. In case there are changes in project implementation, it is necessary to inform the financing program manager about the changes in the project and he will help us with the procedure you have to follow in this case.

Lack of supporting documents for each expenditure is a mistake that can lead to not deduct the goods that were bought without documentary proof.

Wrong drawing of the achieved budget is a fatal mistake because under this budget the payment of the last installment will be made. The budget must be made according to the expenditure that substantiates the project. If the last expenditure in the budget cannot be justified by a document, it can be considered fraud and may result in cancellation of funding.

Incorrect filling in of the reports according to standards set by the financer - This mistake is frequent in many cases and this is why it is good to read the financer's guide and know very well how to report at the end of the project. Any mistake can lead to the rejection of the final report and even the cancellation of funding.

Short description of activities and results in the final report - These sections are the most important parts of an assessment report and should be treated very carefully. They usually have the most points in the evaluation. It is recommended that they are as much detailed as possible and reflect the following features: achieved objectives, used resources, methods of delivery, used time. We should always follow the purpose of each activity for evaluators want to know as quickly as possible the reason we did precisely those activities and not others. The results have to be numeric and detailed on target groups of the project.

Failure to submit documents according to the rules imposed by the financer – may result in rejection of the final report or the cancellation of the contract. Before writing the report and sending it, it is recommended to read again the reporting rules and to check the file carefully.

Lack of signatures of participants in the project – If the project includes a target group it is important to carry lists of presence of each participant in every event of the project. All these should be attached to the final report.

Failure to comply with the deadline of sending the report – it is very important to respect deadlines set by the financer. Failure to comply may result in penalty points in the final report or even rejection of the report.

Tips & Tricks

a. Always read both the Funding guide and the Guide of project evaluation.

b. Gantt Diagram is holy!

c. Each activity must have a result - evaluation should be started once with the implementation of the project

d. Short and to the point sentences!

e. Partners come first. It is the most important aspect when planning the project;

f. Allow time for feedback and rewrite!

g. Always have a person in the project team dedicated to the funding of the project.

Mistakes in the implementation phase of projects

Incomplete progress reports

- "Activities" section is not filled in with all activities related to the reporting period, nor the start and end date of the activities, according to the schedule Gantt, nor the actual state of implementation of these activities;
- Indicators of output and outcome indicators are not filled in "Indicators" section - specific for the project application / call for proposals,
- The information and publicity, sustainable development and equal opportunities section does not correlate with the relevant sections of the project;
- The supporting documents for the achieved activities are not submitted electronically or printed as required by the financer's instructions and those transmitted are not properly named, being difficult to identify on CDs.
- Submitted supporting documents do not reflect the performance of the activities undertaken under the project so that expenses cannot be reimbursed in full. Example: The steps related to an activity are not entirely followed and not all deliverables under contracts with providers have been provided (methodology, surveys, questionnaires, surveys, analysis, etc.)

- The reports on activities performed by contracted service providers under the project are drawn up very briefly, do not reflect all the provided activities / sub-activities and are not assumed by the legal representative of the institution
- The job descriptions that were submitted are not correlated with the duties mentioned in the project are not updated and signed by the legal representative;
- Activity reports of the project implementation team are not submitted and the fulfillment of tasks undertaken within the project is not showing;
- Supporting documents relating to a rendered activity for which reimbursement is requested contain different information that is not correlated. Example: training activities - the name of the course, the duration of the course, the number of course participants are different in the attendance lists, certificates, provider report etc.
- Lack of correlation between the reference periods in the refund application, the financial report and corresponding technical report progress;
- Failure to meet the percentage fixed by the financing contracts;
- Incorrect transposition of the amounts from the financial report in the request for reimbursement (i.e. the way they are broken down on the previous / current year);
- Incorrect deduction of pre-financing, so it should be fully recovered before the last application for reimbursement;
- Incorrect specification of the accounts in which the reimbursement of eligible expenses will be made;
- Failure to meet the updating of estimates graphs for submitting applications for reimbursement / payment requests and their forwarding together with the claims for reimbursement.

Incomplete financial report

- Confusion between the invoice amount and the eligible amount requested for reimbursement, leading to erroneous filling in the financial report;
- Data in the financial report and the number of contract / necessity essay or other evidence that led to the acquisition are not filled in;
- The algorithm that calculates the general administration expenditure is not correctly applied and errors in calculating those costs appear;
- Incorrect classification of expenditure required to reimburse to the categories of expenditure from the budget approved in the financing agreement, leading even to exceeding their allocated budget. Example: inventory items are classified as consumables, while expenditures on fixed assets are classified in the category of furniture and other inventory items, and vice versa;
- Frequent miscalculations on expenditure subtotals as well as on overall totals category, amount that are erroneously reflected in the request for reimbursement / payment request;
- Incorrect breakdown of eligible expenditure required to reimbursement / payment claim of the VAT related to them (for example, on petrol vouchers the value of eligible expenditure enrolls full requested amount, including VAT);
- Incorrect aggregation of the values of supporting documents requested for

reimbursement. Example: if the value of several invoices for supplies is requested to refund, each invoice number and the related amount requested are not specifically detailed.

In presenting the financial supporting documents that accompany the reimbursement / payment request

- Discrepancies between the identification data of the beneficiary of the financing contract and the identification data appearing in reporting documents and other supporting documents;
- Not all supporting documents are attached to specific categories of expenditure, signed and stamped “according to the original”;
- supporting and payment documents are not submitted in direct correlation with the list of the categories of expenditure from the financial report (Example: the supporting documents are not presented in the following order: invoice, service contract, minute of reception, money order, account statement, accounting documents);
- Not all the accounting documents related to the reporting period that accompany the application for reimbursement (analytic accounting of the project) are attached;
- Lack of payment documents or incomplete / illegible payment documents. Example: in wage costs, proof of remittance amounts to employees (employee payroll unsigned) are not attached, time sheets with the hours established in the contract of employment are not submitted;
- Request for reimbursement of expenses paid during the reference period, on an activity that has not been undertaken;
- Lack of bank statements;
- Lack of Annexes to the service contracts / supply of goods, concluded by beneficiaries with various economic agents;
- invoices and other supporting documents do not show, within the format, mentions requested by the funding program (e.g. “approved for payment”, “certification of reality, regularity and legality” and “code SMIS / MIS ...”)
- If a refund is requested at less than the invoiced amount the value partially paid is not mentioned on the invoice (“approved for payment on the amount of ...” or “paid the sum of ....”, according to the financer’s requirements;
- Incomplete and incorrectly filled in documents (e.g.: unsigned travel orders, unstamped at the destination, departure / destination times are not filled in for appropriate calculation of the daily allowance, illegible petrol vouchers and that have no mention of the number of car movement has been made with etc.);
- For payment of the general expenses for administration the administrative act approving the calculation methodology and share (percentage) of expenditure allocated for the project (assigned phone numbers, use of space for project management, etc.)are not attached in accordance with the calculation methodology established by the Management Authority
- Making expenditures outside the implementation period established in the financing contract for project activities foreseen in the implementation phase;

- The bills do not mention in detail the purchased asset, service, according to the price centralizer offered by the supplier and has no mention “under Contract No. ... ../ ...”);
- Although invoices are issued during the eligibility period, invoiced costs correspond to periods prior to signing the contract, which is not allowed – for example: general administration expenses;
- Request for reimbursement of ineligible costs (penalties, interests, commissions, etc.) included on invoices containing eligible expenditures
- Documents are not filed when sent and the list of contents is missing;
- A close monitoring of the contracts is not be performed so that the beneficiary to ensure that the offered products meet the requirements, meet all contractual clauses related to invoicing, receiving, paying, testing / inspection, etc.;
- Procurement contracts do not contain annexes mentioned in the draft of the sent contract (Example: they do not contain the financial offer, the providing of services graph, payment schedule etc.)

Errors in the accounting records of the project

- Failure to specify of the acronym project, the number of funding contract and provider name in the analytical accounts;
- Failure to use the codification for all the accounts used in the project (e.g.: accounts that do not have the coding required by the MA / IB;
- In some cases, notably for reasons related to accounting software, beneficiaries have difficulty creating analytical accounts within which to specify, in addition to project acronym, the number of financing agreement and the name of the supplier; in these situations notifications will be made which will establish a correlation between the requested coding and the coding set by the beneficiary as the to be used in the project;
- Erroneous entries in the accounts of the amounts required to refund – e.g. requesting reimbursement of a certain amount of a utility bill and in the analytic account of the project another amount is recorded;
- General administration expenses are not highlighted in different analytical accounts;
- Proceeds on pre-financing and reimbursement amounts are not recorded in the books.

CONCLUSIONS

No matter how well designed a project is in its joints, without ensuring the financial support the project can remain a simple idea. *Projects do not represent the purpose of an activity, but the means by which to attract additional resources, they can solve certain problems identified in the organizations / institutions or communities*. The sources are diverse and the means for fundraising are multiple and are the responsibility of all those involved in a project, regardless of the quality and level of involvement.

Attracting funds should be consistent and rhythmic and enroll in a reasonable period. This is because the main sources of funding have well-established sessions for competing projects, with firm dates for the submission of proposals and selection of offers. Often, the amounts can be provided at the requested levels, but they can also be under these levels, implying expansion of fundraising, especially towards the sponsorship, in order to ensure the necessary amounts at the terms set out in a draft, not be forced to resize the projects depending on amounts drawn.

The extent of project management as a way to support economic competition, to respond to the economic environment increasingly more demanding, led to the emergence of a new type of organization - *projects centered organization*. In such an organization, performance is no longer measured, for example, depending on organizational chart soundness, but on the ability to adapt to projects and depending on the consistency of the project portfolio. The value of the organization is no longer measured by number of employees. Professional competence is not a value in itself too, what matters most is the speed with which employees join skills and knowledge to find a solution to a common problem, and the speed with which, once the problem solved (once the project concluded), employees form different combinations to solve a new problem.

The assertion that the future belongs to project-oriented organizations is not an exaggeration. Flexibility and adaptability that characterize this type of organization allow permanent regrouping and reorganizing of human and informational resources. The projects are the way organizations adapt to changing contexts. They are points of stability and organizations are becoming fluid and revolve around them.

Project management is regarded as "the wave of the future". Given the fact that today not only that we hear about projects in almost any context, but it has become a necessity to have legal knowledge of project management to enable us to handle daily activities, **we can say that the future is now.**

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Attachments

Annex no. 1- Budget pattern used in the Joint Operational Program Romania-Ukraine-Republic of Moldova

Costs	Total project budget				Project budget per year 1			
	All Years				Year 1			
	Unit	# of units	Unit rate (in EUR)	Costs (in EUR)	Unit	# of units	Unit rate (in EUR)	Costs (in EUR)
1. Human Resources								
1.1 Salaries (gross salaries including social security charges and other related costs, local staff)[4]								
1.1.1 Technical								
1.1.2 Administrative/ support staff								
1.2 Salaries (gross salaries including social security charges and other related costs, expat/int. staff)								
1.3 Per diems for missions/travel[5]								
1.3.1 Abroad (staff assigned to the Action)								
1.3.2 Local (staff assigned to the Action)								
1.3.3 Seminar/conference participants								
Subtotal Human Resources								
2. Travel[6]								
2.1. International travel								
2.2 Local travel								
Subtotal Travel								
3. Works								
3.1 Construction works (please specify)								

3.2 Costs for site supervision (if these costs are not included in the line 3.1 Construction works)								
Subtotal Works								
4. Equipment and supplies[7]								
4.1 Purchase or rent of vehicles								
4.2 Furniture, computer equipment								
4.3 Machines, tools…								
4.4 Spare parts/equipment for machines, tools								
4.5 Other (please specify)								
Subtotal Equipment and supplies								
5. Local office[8]								
5.1 Vehicle costs[9]								
5.2 Office rent								
5.3 Consumables - office supplies[10]								
5.4 Other services (tel/fax, electricity/heating, maintenance)[11]								
Subtotal Local office								
6. Other costs, services [12]								
6.1 Publications								
6.2 Studies, research								
6.3 Expenditure verification[13]								
6.4 Evaluation costs								
6.5 Translation, interpreters								
6.6 Financial services (bank guarantee costs etc.)								
6.7 Costs of conferences/seminars[14]								
6.8. Visibility actions[15]								
6.9 External expertise								

Subtotal Other costs, services									
7. Other									
Subtotal Other									
8. Subtotal direct eligible costs of the Action (1-7)									
9. Provision for contingency reserve (maximum 5% of 8, subtotal of direct eligible costs of the Action)[16]									
10. Total direct eligible costs of the Action (8+9)									
11. Administrative costs (maximum 7% of 10, total direct eligible costs of the Action)[17]									
12. Total eligible costs (10+11)									

Annex no. 2 – Report pattern used in the Joint Operational Program Romania-Ukraine-Republic of Moldova

Interim financial report: period (dd/mm/yyyy-dd/mm/yyyy)	**Contract n°**												
	Implementation period of the contract (dd/mm/yyyy-dd/mm/yyyy)												
	Budget as per contract/rider				**Reallocation**	**Expenditures incurred**							
						Per currency				**Total for the period in EUR**		**Cumulated costs (before current report) (in EUR)**	**Cumulated costs (from start of implementation to present report included) (in EUR)**
						Name of currency n°1							
						Exchange rate pof the period (dd/mm/yyyy-dd/mm/yyyy):			**Fx-rate$_1$**				
Expenditures	**Unit**	**# Units**	**Unit cost (in EUR)**	**Costs (in EUR)**	**allowed reallocation**	**# Units**	**Unit cost (in currency n°1)**	**Total cost (in currency n°1)**	**Total cost (in EUR)**	**Units total # for all currencies**	**Total cost of the period (in EUR)**		

		(a)	(b)	(a)*(b)		(d_1)	(e_1)	(f1)=(d1)*(e1)	(g_1)= (f_1)*(Fx-rate$_1$)	Sum ($d_1 \rightarrow d_n$)	(h)= Sum ($g_1 \rightarrow g_n$)	(i)	(h)+(i)
1. Human Resources													
1.1 Salaries (gross amounts, local staff)													
1.1.1 Technical													
1.1.2 Administrative/ support staff													
1.2 Salaries (gross amounts, expat/int. staff)													
1.3 Per diems for missions/travel													
1.3.1 Abroad (staff assigned to the Action)													
1.3.2 Local (staff assigned to the Action)													
1.3.3 Seminar/conference participants													
Subtotal Human Resources													
2. Travel													
2.1. International travel													
2.2 Local travel													
Subtotal Travel													
3. Equipment and supplies													
3.1 Purchase or rent of vehicles													
3.2 Furniture, computer equipment													
3.3 Machines, tools…													
3.4 Spare parts/equipment for machines, tools													
3.5 Other (please specify)													
Subtotal Equipment and supplies													

4. Local office														
4.1 Vehicle costs														
4.2 Office rent														
4.3 Consumables - office supplies														
4.4 Other services (tel/fax, electricity/heating, maintenance)														
Subtotal Local office														
5. Other costs, services														
5.1 Publications														
5.2 Studies, research														
5.3 Auditing costs														
5.4 Evaluation costs														
5.5 Translation, interpreters														
5.6 Financial services (bank guarantee costs etc.)														
5.7 Costs of conferences/seminars														
5.8 Visibility actions														
5.9 External expertize														
Subtotal Other costs, services														
6. Other														
Subtotal Other														
7. Subtotal direct eligible costs of the Action (1-6)														
8. Provision for contingency reserve (maximum 5% of 7, subtotal of direct eligible costs of the Action)														
9. Total direct eligible costs of the Action (7+ 8)														

10. Administrative costs (maximum 7% of 9, total direct eligible costs of the Action)													
11. Total eligible costs (9+10)													
Bank interests on EC contribution yielded during the period:								**Per currency**		**Total for the period in EUR**		**Cumulated costs (before current report) (in EUR)**	[2]
								Amount in currency n°1	**Amount in EUR**				

Annex no. 3- Budget pattern used in the Operational Program Administrative Capacity Development

No.	Expense name	Total value (without VAT) lei	VAT Value lei
0	**1**	**2**	**3**
	A. Eligible expenses		
I.	**Expenses for consultancy and expertise**		
II.	**Staff expenses**		
III.	**Travel expenses**		
IV.	**Translation and interpretation expenses**		
V.	**Expenses related to the printing and multiplication of materials**		
VI.	**Renting, leasing and insurance expenses**		
VII.	**Expenses for the purchase of supplies**		
VIII.	**General administrative expenses**		
IX.	**Endowments that can entry into the category of fixed assets or inventory items**		
X.	**Procurement of intangible assets**		
XI.	**Expenses for information and communication services**		
XII.	**Taxes**		
XIII.	**Expenditure relating to public procurement procedures**		
XIV.	**Expenses for information, communication and publicity for the project (according to Commission Regulation 1828/2006)**		
XV.	**Expenses for information, communication and advertising on awareness activities**		
XVI.	**Purchases of publications in print and / or electronic subscriptions throughout the duration of the project**		
XVII.	**Expenses for the purchase of audit services**		
XVIII.	**Expenses related to bank guarantees**		
XIX.	**Expenses for organizing and / or participating in events such as conferences, seminars, workshops, work meetings, training courses, transnational activities**		
	Total A (I+II+....+XVIII)		

Annex no. 4 - Pattern of financial report used in the Operational Program Administrative Capacity Development

Categories of eligible expenditure *	**Approved budget of the project**	**Amounts previously requested**	**Description of activities / procurements**	**Invoice/Other supporting documents**		**Contract**	**Payment Order (no/date/ value) or other supporting payment document**	**The amount of eligible expenditure required ** (without VAT) – previous year**	**VAT value related to the amount of eligible expenses required - previous year**	**Value of eligible expenditure required ** (without VAT) – current year**	**VAT value related to the amount of eligible expenses required - current year**	**The balance of the budget**
				Number/ Data	**Value supporting document (without VAT)**							
1	2	3	4	5	6	7	8	9	10	11	12	13=2-3-9-11
I. Expenses for consultancy and expertise												
II. Staff expenses												
III. Travel expenses												
….												
……..												
………												
XIX. Expenses for organizing and / or participating ….												

Total A (I+II+....+XVIII												