

**MANUAL OF OPERATIONS
OF THE BSEC PROJECT DEVELOPMENT FUND
- BSEC PDF -**

Tirana, 23 October 2008

**ADOPTED BY THE COUNCIL OF MINISTERS OF FOREIGN AFFAIRS OF THE
BSEC MEMBER STATES IN TIRANA ON 23 OCTOBER 2008**

PART ONE
REGULATIONS AND RULES
OF THE BSEC PROJECT DEVELOPMENT FUND

Purpose

1. The BSEC Project Development Fund, hereinafter called "Fund" or "PDF" was established for the purpose of facilitating the elaboration and promotion of projects with a high degree of regional cooperation and a focus on economic development in the BSEC region, at the early stage of their conception under the guidance and in accordance with the recommendations of the relevant BSEC Working Groups.
2. The Fund envisages to provide financial support to eligible proposals that are able to lead to specifically targeted projects whose full scale implementation will contribute in enhancing regional cooperation and economic development in the BSEC region.

Establishment and financing scheme

3. The Fund was initially established upon the resolution of the Seventh Council of Ministers of Foreign Affairs (Tirana, 25 October 2002) pursuant to the Article 26 of the BSEC Charter and with due account to the provisions of the BSEC Economic Agenda on "Project Elaboration and Promotion".
4. The Manual of Operations was initially adopted upon the resolution of the Tenth Council of Ministers of Foreign Affairs (Baky, 30 April 2004) and amended by the resolution of the Nineteenth Council of Ministers of Foreign Affairs (Tirana, 23 October 2008).
5. The Fund operates on the principle of voluntary contributions from the BSEC Member States, BSEC Related Bodies, BSEC Observers and Third Party donors including States, International Institutions and Organizations as well as the private sector.
6. Each BSEC Member State will seek to make voluntary contributions to the Fund within the period of three years, starting with the adoption of this Manual of Operations by the Council. The minimum amount of a contribution is 30.000 Euros. The BSEC Member States may wish, at any time, to make additional voluntary contributions to the Fund.
7. Only entities from the Member States who made their voluntary contributions can benefit from the Fund. For those entities from the Member States that did not yet contribute, the issue should be solved

on a case-by-case basis. Any partial payment to that effect will be considered positively.

8. Contributions from external donors shall be welcomed, provided their sources are transparent and the conditions attached are consistent with the principles and the objectives of the BSEC.

Type of finance, targeted sectors and eligibility

9. Financing to be provided by the Fund will be in the form of grants. The purpose is to fund any type of operation (study, concept and small scale development, demonstration activities, business plan etc.) leading up to the stage of pre-feasibility study. Operations funded should be undertaken prior to the actual implementation of a specifically targeted project.
10. Projects of a purely scientific nature or academic scope involving primary research will not be eligible for funding if there is no clear regional economic component as well as a feasible plan for commercialising the project's practical applications.
11. The Fund may cover project costs fully or partially. The operations proposed by the applicant must not receive duplicate financing. The applicants should also seek complementary funding or in-kind contributions from own or other sources.
12. The targeted sectors are those outlined in the BSEC Economic Agenda and specified in accordance with the Action Plans and decisions of the BSEC Working Groups. The Working Groups will periodically establish priority project areas and corresponding timeframes to enable the launching of respective calls for proposals and with due consideration of the Fund's annual budget. Based on the call for proposals the Working Groups will examine and evaluate project proposals on a competitive basis. The Council of Ministers on a periodic basis may target specific priority areas.
13. The proposed project should involve at least three BSEC Member States. Eligible recipients are any legal entities from the BSEC Member States, established according to the relevant internal legal procedures and registered with the authorities, if necessary, whose proposals will be supported by their national authorities. Competent national authorities will be invited to follow the implementation of the projects funded, evaluate their deliverables and appropriately promote their full scale development in collaboration with the respective BSEC Working Groups.

14. "Standard Applications for Funding a BSEC Project" should be submitted to BSEC PERMIS and disseminated at least three weeks before the corresponding Working Group meeting.
15. The Working Groups process the Standard Applications, examine possibilities for additional or alternative means of funding from other donors, ways to increase Member States' participation to the project and maximize its impact to the BSEC region.
16. The Working Groups, after taking into consideration the preliminary evaluation of the Project Coordinator, produce a justified decision that includes the benefits for the BSEC region from the full implementation of the targeted project. Decisions in the Working Groups shall be taken by a simple majority of present and voting Member States.
17. Standard Applications positively assessed by the Working Groups are submitted to the Committee of Senior Officials for endorsement with attached proper justification. Decision making within the Committee of Senior Officials is based on the Rules of Procedure of the BSEC (qualified majority, including the consensus of the Member States which are direct beneficiaries).
18. The Working Groups shall submit the positively assessed project proposals in the form of a "Standard Application for Funding a BSEC Project" in English, in both hard copy and electronic form to the Committee of Senior Officials. They shall be signed by the duly authorised representatives of all applicants. These applications will be disseminated by BSEC PERMIS to the Member States in electronic form.
19. As a rule, projects will be implemented by the applicants themselves. If necessary, part of the work may be subcontracted to external consultants. The applicant shall take the appropriate measures to ensure sufficient relevant experience of the external consultant. Consultants should originate from the BSEC countries unless special qualifications are required. The Standard Applications should specify the persons involved in the project and their remuneration according to their work time committed to the project.
20. Costs eligible to be funded are those directly related to the project: (i) salaries and fees, (ii) travel expenses, accommodation and per diems, meeting costs and (iii) publications, consumables and other duly justified expenses. A full breakdown of the estimated costs, per action and per partner, shall be included in the "Standard Application for Funding a BSEC Project". All indirect costs, overhead costs or any costs not directly related to the project as well as activities that have

been performed prior to the signing of a PDF Grant Contract are not eligible.

21. Maximum duration of a project to be funded is 12 months.
22. Upon final approval of the project a PDF Grant Contract will be signed between BSEC PERMIS and the applicants. Payments to the beneficiaries will take place as follows: (i) 60% on signing of the Contract, (ii) 40% upon submission to and approval by the Steering Committee of the final deliverables and proof of expenditure. Final deliverables should be submitted in both hard copy and electronic form in a uniform and consolidated manner.
23. A project that does not commence within a period of four months after the Steering Committee's final approval will be considered null and void.
24. Upon completion of a project and approval of the final deliverables, the Steering Committee will forward these back to the Working Group which made the initial assessment for an ex-post evaluation and additional support for the full scale implementation of the targeted project.
25. Within the sphere of their responsibility and degree of relevance, the Member States shall make every effort to support the implementation of the projects of common interest which have received PDF grants.

Management

26. The Fund shall be managed by the Steering Committee with decision making power on the distribution of the Fund's resources. Each BSEC Member State and BSEC Related Body shall appoint one representative to the Steering Committee, hereinafter called "Member of the Steering Committee".
27. Rules pertaining to project identification and funding as well as decision-making mechanisms concerning contributions by international organisations, interested states, inter-governmental and non-governmental organisations, companies, project sponsors, and other donors are to be agreed on a case-by-case basis for each individual donor through the conclusion of an Agreement, subject to approval by the Steering Committee and the Senior Officials.
28. Representatives of the aforementioned external donors contributing to the Fund will be invited to participate at the meetings of the Steering Committee and may be granted rights in decisions

pertaining to operations funded or co-funded by them and according to their contribution.

29. The Steering Committee meets at least once every six months. The Members of the Steering Committee shall not necessarily reside permanently at the location of the Headquarters of the BSEC and shall not be considered employed by the BSEC.
30. Unless otherwise decided by the Steering Committee, the Secretary General or the First Deputy Secretary General of the PERMIS will be the Chairman of the meetings of the Steering Committee. The Project Coordinator will act as the Executive Secretary of the Steering Committee. Furthermore, the BSEC Executive Managers may participate at the Meetings with regard to projects in the areas of their responsibility.
31. All matters before the Steering Committee shall be decided by a simple majority of Members of the Steering Committee representing the BSEC Member States on the basis of one member - one vote. Decisions on selection, financing, implementation, monitoring and auditing of projects shall be taken only by the Members of the Steering Committee representing the BSEC Member States which have transferred their minimum contribution 30,000 Euros to the Fund for the three year period.
32. The Members of the Steering Committee representing the BSEC Member States shall have equal voting power, provided that the respective Member States have transferred their minimum contribution to the Fund.
33. The Steering Committee may allocate for a single project funds up to the amount of 30,000 Euros (thirty thousand Euros). In any case, the majority decision is valid only if it has the consent of the Member States involved in the proposed project. In case of contributions by external donors the above-mentioned amount may be revised upon a decision of the Steering Committee.
34. The recipients bear all responsibility for the proper use of the grant extended by the Fund.
35. The Steering Committee shall submit a progress report to each Meeting of the BSEC Council of Ministers of Foreign Affairs.
36. The Committee of Senior Officials should review and assess the activities of the Project Development Fund periodically, based on the respective assessments of the Working Groups regarding the projects submitted and processed.

37. Every two years a progress report should be submitted to the BSEC Council of Ministers of Foreign Affairs with an evaluation of the results achieved and a recommendation for improving the functioning and financial sustainability of the Fund.

Administration

38. The financial administration of the Fund will be the responsibility of the Secretary General of the BSEC PERMIS and shall be effected in accordance with the Financial Regulations of the BSEC and the instructions of the Steering Committee of the Fund.
39. The Fund's annual budget will be prepared by PERMIS according to the specific target areas introduced by the BSEC Subsidiary Organs and submitted to the Committee of Senior Officials for consideration as a part of the BSEC Budget.

Auditing

40. Execution of the annual budget of the Fund shall be subject to audit in accordance with the Financial Regulations and Procedures of the BSEC Budget. An extraordinary audit can be initiated by the Steering Committee.

Effectiveness and Termination

41. These Regulations and Rules shall become effective as of the date of their adoption by the BSEC Council.
42. The present Regulations and Rules may be supplemented and/or amended by a resolution of the BSEC Council of Ministers of Foreign Affairs.
43. In case of termination of the Fund any uncommitted balance standing in account(s) of the Fund, unless otherwise agreed by the Steering Committee, shall be transferred to the regular Budget of the BSEC. The above provision does not apply for contributions received by external donors, i.e. other than BSEC Member States and Related Bodies: in such cases any uncommitted balance of the above-mentioned contributions shall be returned to the respective donors.

PART TWO

ROLE AND BASIC FUNCTIONS OF BSEC ORGANS IN PROJECT DEVELOPMENT

1. The **Working Groups** make the initial assessment of project proposals, based on the "BSEC Project Selection Criteria", further elaborate them and submit the agreed ones in the form of a "Standard Application for Funding a BSEC Project" to the Committee of Senior Officials.
2. The **Committee of Senior Officials** endorses Project Proposals for further consideration by the Steering Committee.

The maximum total grant amount to be allocated to projects for every 6-month period is determined by the Committee of Senior Officials.
3. **The Steering Committee** pursuant to the Rules and Regulations of the Fund:
 - (i) takes the final decision on the projects to be funded and the respective grants;
 - (ii) authorises the BSEC PERMIS to make payments to the applicant;
 - (iii) approves the Interim Reports submitted by the beneficiaries;
 - (iv) monitors and evaluates the progress of implementation;
 - (v) approves the final deliverables and proofs of expenditure provided by the beneficiaries;
 - (vi) takes all relevant decisions ensuring the efficient implementation of projects; and
 - (vii) informs the Committee of Senior Officials on the progress of operations of the Fund;
 - (viii) informs the respective Working Groups and forwards them the final deliverables for evaluation and support for the full scale implementation of the targeted project.
4. The **BSEC PERMIS** acts as a facilitator in the project development process from the submission of project proposals up to their implementation stage. The Secretary General of the BSEC PERMIS signs the contracts on behalf of the BSEC and disburses the grant upon the instructions of the Steering Committee.
5. The **Council of Ministers** supervises the operations of the Project Development Fund and selects specific priority areas to be targeted by the Fund, on the basis of recommendations of the Committee of Senior Officials.

PART THREE

MODALITIES OF WORK OF THE STEERING COMMITTEE OF THE BSEC PROJECT DEVELOPMENT FUND

1. The Steering Committee meets at least once every six months. A simply majority of the Members of the Steering Committee shall constitute a quorum for any meeting of the Steering Committee, provided such majority includes no less than three Members with a right to vote.
2. The Chairman of the Steering Committee shall notify through the PERMIS all Members, by the most rapid possible means of communication available, of the date and place of each meeting of the Steering Committee at least thirty (30) days prior to the date of a meeting. In case of emergency a notification fourteen (14) days prior to the date set for the meeting shall be sufficient.
3. Whenever the Steering Committee is to consider a matter particularly affecting a BSEC Member State which has not appointed a representative in the Steering Committee, such a Member State shall be promptly informed of the date set for the consideration of the aforesaid matter in order to be able to participate accordingly.
4. The Chairman of the Steering Committee shall prepare an agenda for each meeting of the Steering Committee and transmit it to the Members of the Committee. Additional subjects may be placed on the agenda for any meeting of the Steering Committee by any of its Members.
5. The vote shall normally be taken by show of hands, unless otherwise decided by the Committee.
6. Whenever the Chairman of the Steering Committee considers that the decision on a specific issue which is for the Steering Committee to determine should not be postponed until the next meeting of the Steering Committee, the Chairman shall promptly transmit to each Member of the Steering Committee the proposals relating to that question with a request for a vote on such proposals. In compliance with a request of the Chairman, votes shall reach the BSEC PERMIS within such period as may be previously determined by the Steering Committee. Upon the expiration of that period, the Chairman shall report the votes to all Members of the Steering Committee.
7. Each Member shall designate an appropriate official authority with which the Chairman of the Steering Committee may communicate in

connection with any matter arising within the activities of the BSEC Project Development Fund.

8. The language for communication and documentation of the Steering Committee shall be English. The languages of the Steering Committee meetings are English and Russian.
9. The Project Coordinator of the BSEC PERMIS will act as the Executive Secretary of the Steering Committee. The BSEC PERMIS shall be responsible for the preparation of the Draft Report of the meetings of the Committee. Any Member of the Steering Committee may require that his or her views be recorded in the Report of the meeting.
10. If this is deemed necessary, any applicant for project funding may be invited to participate at the Meeting where the specific proposal will be discussed in order to provide further information to the Members of the Committee.
11. In order to ensure the transparency of the project selection process the decision of the Steering Committee to award grants will be primarily determined by the marks given to each proposal by all Committee Members. This will be achieved through standardised 'Evaluation Sheets' compiled by each member of the Steering Committee for each project proposal.
12. Evaluation Sheets are based on the list of project selection criteria, and the final mark given by each Committee member is determined by the relative weight that each criterion carries in the evaluation process. The marks allocated for each selection criterion will be accompanied by a brief explanatory text for the mark awarded. The final result of the evaluation will be the average mark obtained for the proposal by all Evaluation Sheets, to be expressed with a number from 0 to 100 and up to one decimal digit.
13. Ideally Evaluation Sheets shall be filled-in by the Members prior to the meeting and be communicated to the Secretary of the Committee before the day of the Meeting. In any case filled-in Evaluation Sheets should be handed over prior to the final discussion and decision on a specific project proposal.
14. Positive decision of the Steering Committee on a project proposal automatically authorises the BSEC PERMIS to sign a Grant Contract with the project applicants and extend the advance payment to the partners.
15. PERMIS shall inform the Lead Partner on the positive decision of the Steering Committee setting up a two-month deadline to receive all

necessary information for drafting the Grant Contract, as well as any other condition attached to the decision to fund it.

16. The Contract, signed by the Secretary General of the BSEC PERMIS, will be sent to the Lead Partner for signing, the latter being responsible to ensure that the legal representatives of all project partners sign it before the finalised Contract document is forwarded to the BSEC PERMIS, within two months after the date of signature by PERMIS. The date of commencement of the project is the date the signed Contract is received by the BSEC PERMIS, which will duly acknowledge its receipt to the partners. All project partners are jointly responsible to the BSEC.
17. The BSEC PERMIS will deposit 60% of the total grant in the bank accounts provided by the project partners in the Standard Application form, proportionally and according to the budget distribution provided therein. The receipt of the bank transfers retained by the PERMIS is the verification that the advance payment has been duly paid to the beneficiaries. In addition, the beneficiaries should submit to PERMIS appropriate receipts corresponding to the amount received.
18. The project partners will submit to the Steering Committee an Interim Report in the middle of the project implementation period outlining the progress made vis-à-vis the project objectives, outputs, activities and expenses incurred in the period.
19. In order for the project partners to receive the remaining portion of the grant they shall submit to the Steering Committee the final deliverables (e.g. study) and valid proofs of expenditure. The final deliverables must be of quality internationally associated with similar work. Proofs of expenditure must be of a type accepted by the national authorities of the Member State they were issued in. Proofs of expenditure submitted must be the originals, unless there is a valid reason for submitting stamped photocopies.
20. The applicants will transfer to the BSEC PERMIS, and in the Bank account provided by it, any unutilised amount from the grant extended to them by the BSEC PDF. The same applies to expenses not deemed eligible by the Steering Committee when their nature is not justified by the original project application or if proofs of expenditure are not deemed valid.
21. Approval by the Steering Committee of the final deliverables and the respective proofs of expenditure automatically authorises the BSEC PERMIS to transfer the remaining 40% of the grant with the same procedure outlined in para. 17 above.

22. The Steering Committee also forwards the final deliverables of the Project to the relevant Working Group for information and possible guidance.
23. The Steering Committee may at any time ask the beneficiary for clarifications and information regarding project implementation during the PDF-financed stage. In addition, the beneficiaries must duly inform BSEC PERMIS on progress with regard to the funding and full scale implementation of the targeted project.
24. The Steering Committee may amend at any time the "Modalities of Work of the Steering Committee of the BSEC Project Development Fund" (Part Three) by consensus.

PART FOUR
BSEC PROJECT SELECTION CRITERIA

1. The expected outputs of the PDF project should further the principles and objectives of the BSEC. The full scale implementation of the targeted project should clearly result in specific benefits towards the economic development of the BSEC region.
2. The expected outcome of the PDF project must be relevant to the proposed project objectives, feasible and sufficiently described, and should fit into the context of the overall development project (the targeted project).
3. The extent to which the final deliverables of the PDF project will move the targeted project toward implementation and how this will occur, the reasonableness of the time frame and the strategy to attract the necessary funds.
4. The extent to which the applicants have the proven capabilities to manage human and financial resources as well as the technical and professional expertise to implement the project activities and produce the respective deliverables. This applies to the Lead Partner, in particular, who bears responsibility for the overall project plan including the Timetable for operations, estimated costs and project management structure which must be cost efficient, reasonable and effective.
5. The involvement of as many BSEC countries as possible would be preferable.
6. The extent of the applicants' capacity to contribute additional financial or in-kind resources to the PDF project together with their planning and capacity to attract funds for the future implementation of the targeted project.
7. The extent to which the project proposal seems attractive to BSEC and non-BSEC institutions and donors thus making its implementation realistic.
8. The extent to which the project seems attractive to the BSTDB as well as other financial institutions (the degree of the project's bankability).
9. The proposed project should seek to increase synergies between BSEC, the EU and other international BSEC institutional partners.