Financial Support to Third Parties Community of Practice

Financial Reporting for Small Organisations
Online Workshop, 23 April 2025

EVENT REPORT

FINANCIAL
REPORTING FOR
SMALL
ORGANISATIONS

FSTP COP
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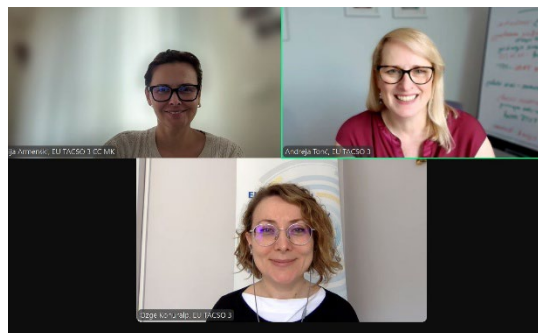**Andreja Tonč, Key Expert for Capacity Building**

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Introduction

The FSTP Community of Practice Online Workshop on Financial Reporting for Small Organisations, organised by EU TACSO 3, was conducted to address the challenges faced by newly awarded CSF regional grant beneficiaries. The workshop aimed to provide practical guidance and facilitate peer knowledge exchange, focusing on aligning donor requirements with the limited administrative and financial capacities of these organisations. Participants were introduced to simplified and practical approaches for project management, financial reporting, procurement procedures, and VAT exemption processes. The event also emphasised the importance of mentoring and capacity-building support for small grant beneficiaries to enhance their compliance and project delivery. Through interactive group work, attendees learned about the latest changes in the PRAG guidelines, regional examples of simplification practices, and relevant case studies.

FSTP is a tool to enhance outreach to a wider range of local beneficiaries, notably in good governance, gender equality, human rights, media and civil society support. With this, the European Commission has significantly increased the number of CSOs benefitting from EU support. FSTP allows for more tailor-made support of grassroots organisations and informal groups with smaller grants and more accessible application and selection procedures which are offered in local languages. It also provides the flexibility to define eligibility and reporting requirements adapted to the capacities of target beneficiaries within the difficult political contexts in which civil society actors often operate.

A total of 36 participants attended the workshop of which 29 were female and 7 male participants.

The workshop was delivered by the Capacity Building Expert Ms. Andreja Tonč supported by Ms. Ozge Konuralp, Country Coordinator for Türkiye and Ms. Marija Armenski, Country Coordinator for North Macedonia.

Resource materials from the workshop, including presentation, templates, and other handout tools, are available in the EU TACSO 3 online library for download.

Overview and key points

"Financial Reporting for Small Organisations" introductory presentation by Andreja Tonč, EU TACSO 3 Capacity Building Expert

At the beginning of the event, the capacity-building expert Ms. Andreja Tonč welcomed participants and provided opening remarks, presenting the key objectives of the training, presenters, and agenda. Ms. Tonč explained that the agenda was developed based on the information and challenges shared by the participants at the previous FSTP events.

She started the presentation by refreshing participants' understanding of key EU requirements, particularly those outlined in PRAG, and supporting the development of simplified and practical approaches to financial management in low-capacity contexts.

Some key challenges reported to date

- Low interest in standard capacity building activities – *They say: „All is clear!"*
- Documents missing, capacity to fill in Excel tables - *Basic financial literacy?*
- More support is needed than was planned – *Where is the border, and how far can we go?*
- Output-based reporting and quality of outputs - *Is it worthwhile?*
- Due diligence before awarding grants – requires human, financial, and time resources. - *It is a good idea, but...*
- Capacities of beneficiaries, simplification and auditors' expectations – *Mission impossible?*

The presentation opened with a discussion on the persistent challenges encountered by CSF grant beneficiaries, especially when working with smaller organisations. These included low interest in standard capacity-building activities, missing financial documentation, difficulties completing reporting templates, and the need for frequent, often daily, mentoring support.

She noted that while donors require compliance with EU standards, beneficiaries usually lack the basic financial literacy or internal systems to meet these expectations independently.

Two main financial reporting models were presented: "Financing Not Linked to the Costs" (FNLC), which emphasises result-based funding without detailed cost documentation, and the more common model used in our region, of reimbursing actual eligible costs incurred. She highlighted the advantages of FNLC in reducing administrative burden and enhancing focus on outputs but acknowledged its limited current application.

Throughout the presentation, emphasis was placed on the importance of integrating precise monitoring and reporting mechanisms into FSTP design from the outset. This includes deciding whether reporting should be input- or output-based, defining required documentation, and providing beneficiaries with accessible tools such as checklists and user-friendly guidelines. The presentation also addressed managing financial risks, including currency volatility, and the necessity of incorporating flexible clauses into contracts with FSTP recipients.

FSTP guide on best practices

ENHANCED OUTREACH TO CIVIL SOCIETY ORGANISATIONS:

A Collection of Good Practices of Financial Support to Third Parties in the Neighbourhood and Enlargement Countries

✓ Instructions
✓ Checklists
✓ Best practices

- ☐ How to integrate monitoring and reporting mechanisms already in the design of FSTP?
- ☐ The requirements and templates for narrative and financial reports, taking into consideration both donor requirements and the capacities of beneficiaries.
- ☐ Whether they will opt for input-based vs output-based reporting from their beneficiaries and, if input-based, what type of supporting documents will be required.
- ☐ If and what kind of support should be provided to FSTP beneficiaries on financial issues (guidelines, training, coaching, etc.) in order to mitigate financial risks on both sides.
- ☐ How to avoid financial risks while at the same time establishing and maintaining the trust of their FSTP beneficiaries?

Drawing on the EC's Frequently Asked Questions, she clarified several recurring concerns, such as whether PRAG procedures apply to FSTP recipients (they do not) and whether FSTP recipients must provide co-financing (they do not). She also gave practical advice on how to structure contracts and expectations in a way that respects donor compliance and the realities faced by small grassroots organisations.

The presentation concluded by reinforcing the need for simplified procedures that maintain accountability while reducing administrative strain. It called on FSTP implementers to balance enforcement and to co-develop tools that support beneficiaries without overwhelming them. This session laid the groundwork for continued exchange within the Community of Practice. It encouraged

participants to contribute to a collective pool of knowledge and good practices in financial reporting under FSTP.

Key questions from the Q&A session:

Q: Are FSTP beneficiaries (subgrantees) obliged to follow procurement procedures according to PRAG, and are they obliged to follow national procedures?

A: They are not obliged, but FSTP implementers must provide the beneficiaries with guidelines on implementing procurement. That is, anyway, the capacity-building purpose of the FSTP. Regarding the national procedures, the answer to this question depends from country to country, and it is up to the FSTP implementor to be informed about that, including informing and instructing its beneficiaries.

Q: When the FSTP implementor acts in the role of the Contracting Authority, and the beneficiaries agree on which procedures should be followed?

A: The answer is from the early start. The FSTP implementers need to clarify what they expect, whether their procedures are to be followed, or the procedures in place for the FSTP beneficiaries. This should be clearly defined in the policy approach provided to FSTP beneficiaries, along with national requirements, if there are any.

Q: Whether and how are the bank guarantees and VAT exemptions being implemented through the contracting authority?

A: Bank guarantees are related to FSTP implementers rather than beneficiaries. For the VAT exemption, the EU TACSO 3 had prepared guidelines, including detailed procedures for all TACSO 3 countries, which can be downloaded from the online library.

Regional practices

Ms. Ozge Konuralp, EU TACSO 3 Country Coordinator for Türkiye, facilitated the second session and introduced contributors sharing examples from the WBT region. The contributors included: Ms. Ana Dešić, Partners Serbia, Ms. Jovana Božović, Help Montenegro, Mr. Arsim Kosumi, Advocacy Training and Resource Centre Kosovo, Mr. Dejan Ristovski, European Policy Institute North Macedonia and Ms. Olcay Özer, Trust, Justice and Memory Centre from Türkiye.

Supporting Subgrantees through Structured Guidance – Partners Serbia and the Anti-SLAPP Initiative

Ms. Ana Dešić from Partners Serbia delivered a presentation highlighting the organisation's experience in managing financial support to third parties (FSTP) within the framework of the Serbian Anti-SLAPP Initiative. The primary purpose of the presentation was to share practical insights and approaches to supporting small, locally based organisations with limited capacities in meeting donor requirements and domestic legal obligations.

The presentation emphasised the importance of striking a balance between ensuring compliance with EU rules and contractual obligations and providing tailored support to grassroots organisations that often lack internal financial and administrative infrastructure.

Partners Serbia illustrated how clear communication, structured guidance, and simplified tools—such as reporting, procurement, and VAT exemption templates — can significantly improve the quality of financial reporting and reduce the risk of ineligible costs.

Through examples from their own sub-granting experience, the presentation showcased the importance of early intervention at the budgeting stage, regular check-ins, and proactive mentoring. It also underscored that the goal of financial oversight should not be punitive but focused on helping partners succeed by resolving issues collaboratively.

More importantly, Ms. Dešić shared a link to the platform for online learning where they have uploaded various modules and document templates that are appropriate for FSTP implementers and FSTP beneficiaries for developing multiple skills and capacities for FSTP.

Ultimately, the presentation's purpose was to promote a pragmatic, supportive approach to financial reporting that strengthens project impact and the long-term capacities of local civil society actors.

Key questions from the Q&A session:

Q: After the presentation, the question was raised regarding the case presented, whether FSTP support was provided only to registered CSOs, and what their practice is for contractual obligations for payments (how many tranches), and the duration of the FSTP grants.

A: The answer was that the presented FSTP instruments were for registered CSOs only and that payments were provided in three tranches. The average duration of the supported actions ranged from two to twelve months.

Additional comment:

Ms. Tonč commented that the timing of the FSTP is really important. From experience, it is crucial to start this process at the project's beginning to allow time for possible delays and full FSTP implementation before the project ends.

Procurement as a Capacity Tool – Lessons from HELP Montenegro's Subgranting Practice

Ms. Jovana Božović detailed HELP Montenegro's internal procurement procedures, showing the step-by-step documentation required for simple and more complex procurement processes related to supplies and services. Emphasis was placed on consistency in documentation, use of correct forms, and adherence to VAT-exempt invoicing procedures.

A key section of the presentation addressed common financial reporting mistakes observed across CSO projects. These included incomplete or inconsistent documentation, non-compliance with procurement rules, insufficient justification of expenses (especially for travel), and poor organisation of financial records. Delays in reporting and failure to seek pre-approval were also flagged as recurrent issues.
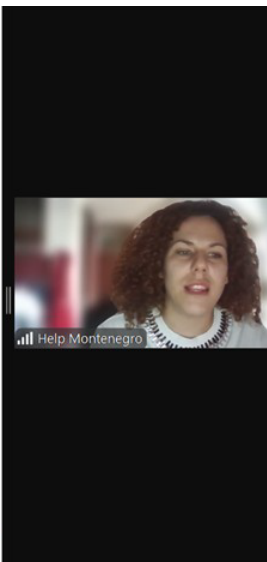

A set of clear recommendations was shared to address these problems. These included ensuring complete and aligned documentation, strict adherence to procurement policies, detailed justification of expenses, systematic organisation of financial records by budget line and chronology, and timely reporting with proper pre-approvals.

The presentation reinforced the importance of proactive planning, capacity development, and internal control in ensuring compliance and trust between the FSTP implementer/contracting authority and local beneficiaries.

Key questions from the Q&A session:

Q: Is using other internal procedures for procurement besides PRAG procedures allowed in practice?

A: Yes, that is allowed, and HELP follows these internal procedures in their countries' offices.

Q: What is the size of the grants and whether HELP supports FSTP beneficiaries by providing technical assistance in implementing procurement policies and supporting them from the initiation to the process implementation?

A: The size of HELP's grants was up to 10,000 EUR and up to 25,000 EUR. They provided the beneficiaries with full support and capacity building for the procurement process.

Improving Reporting Accuracy – Practical Standards from European Policy Institute

Mr. Dejan Ristovski from European Policy Institute North Macedonia talked about improving financial reporting practices for small organisations managing EU-funded projects through Financial Support to Third Parties (FSTP).

He clarified key donor requirements and how they helped organisations avoid common financial management errors. Also, he distinguished between eligible and non-eligible costs, emphasising that only those approved in the donor's budget can be considered eligible.

Non-eligible costs include interest payments, real estate purchases, unapproved expenses, and VAT, unless exempted by national regulations. He provided guidance on recording financial entries, stressing the need for chronological listings linked to bank statements, with each entry corresponding to a line item in the approved budget.

Furthermore, he highlighted the importance of proper salary documentation, which should equate to the budget line and include the employment contract, salary slip, bank statement, and timesheet in a single PDF file.

Mr. Ristovski also shared an example of a reporting template. The presentation emphasized adhering to reporting deadlines, organizing financial records systematically, and avoiding unapproved cash payments, concluding with a call for rigorous documentation practices to enhance financial accountability for small grant beneficiaries in the region.

Key questions from the Q&A session:

Q: How beneficiaries of the FSTP can obtain VAT exemptions when the FSTP implementer is located in another country?

A: In response, Ms. Lejla Mijovic from CPCD shared their positive experience with obtaining VAT exemptions in Bosnia and Herzegovina, outlining the process and the ease of acquiring such exemptions through the EU delegation. However, the Team Leader of EU TACSO 3 noted that the procedure varies from country to country. He mentioned that they can download the VAT guide prepared by the EU TACSO 3 team, which is applicable to all Western Balkan countries and Türkiye, to find detailed information about the process and the necessary documentation.

Standardising Financial Documentation – ATRC's Template Approach for Subgrantee Support

Mr. Arsim Kosumi from Advocacy Training and Resource Centre Kosovo presented their financial documentation example for FSTP beneficiaries. He explained the standardised template designed to support FSTP beneficiaries in accurately documenting and reporting project expenditures under FSTP arrangements. The form's primary purpose is to facilitate compliance with donor financial requirements by ensuring that all reported costs are transparent, traceable, and aligned with the approved project budget.

The form enables FSTP beneficiaries to record expenditures by specific budget lines, indicating key details such as invoice numbers, payment dates, amounts in local currency and euros, and corresponding bank statement references. It is structured to promote clarity and consistency, allowing both the subgrantees and the grant-making organisation to monitor financial implementation effectively.

This form guides FSTP beneficiaries in maintaining accurate, chronological, and well-organised financial records. The tool improves internal financial management practices and serves as a critical input for donor reporting, financial reviews, and audits. Ultimately, it helps strengthen accountability, reduce the risk of ineligible costs, and ensure that public funds are managed transparently and responsibly. In the end, he added that Monitoring visits are essential for ensuring compliance and need to be practised by the FSTP implementers.

Digital Innovation in Grant Management – The BELLEK System by the Truth, Justice and Memory Centre

Ms. Olcay Özer from the Truth, Justice, and Memory Centre from Türkiye presented the BELLEK system, a custom-built digital platform developed under the Haklara Destek program to support the financial and administrative management of small-scale, rights-based CSOs across Türkiye. The presentation aimed to showcase how the BELLEK system streamlines grant management processes—from application to financial reporting—while enhancing transparency, accountability, and organisational capacity.

The system offers a centralised, real-time interface for CSOs, evaluators, and program teams, enabling the submission of monthly expense declarations, budget change requests, income documentation,

and narrative reports. Technical upgrades, personalised IT support, and iterative development addressed challenges in system adaptation, including accessibility issues for visually impaired users.

The presentation highlighted BELLEK's broader impact: it reduced paper usage and carbon emissions and improved internal planning, digital literacy, and financial management among CSOs. Quantitative data showed that beginner-level organisations improved their financial management capacity by 60%, while even experienced CSOs saw a 25% increase.

Impact on Financial Management

- A capacity assessment was conducted with 41 CSOs before and after project participation.

	Overall Change in 41 HROs (%)	Change in Capacity Building Group (26 HROs) (%)	Change in Intermediate Capacity Group (12 HROs) (%)	Change in Advanced Capacity Group (3 HROs) (%)
Financial Management Capacity (Managing Available Resources, Budget Monitoring, Planning, and Analysis)	43.86	60.33	25.30	25.00
Project Design and Implementation	26.97	34.01	20.43	11.11

- 60% improvement in financial management was seen in the beginner-level group.
- Even experienced CSOs saw a 25% improvement in their financial reporting practices.

Feedback from users emphasised the system's user-friendliness, eco-efficiency, and role in strengthening internal workflows.

In conclusion, the BELLEK system was presented as a scalable and adaptable tool for sub-granting programs that seek to build stronger, more accountable civil society infrastructure through digital transformation.

Practical work – defining key practical solutions

The last session was planned for practical small group work on the guidance in four areas: budgeting and contracting, capacity building, monitoring, and reporting for FSTP. The objective was to collectively identify practical solutions and improvements to strengthen financial reporting and support for CSOs receiving sub-grants under the FSTP mechanism. The session was facilitated by Ms. Marija Armenski.

Key highlights from the practical work:

Budgeting and Contracting

The key recommendation refers to the importance of using simplified tools, such as a basic budget template and streamlined contracts that include only essential clauses. These tools should be customised according to the capacities of beneficiary organisations and aligned with clear and detailed financial guidelines.

Capacity Building

The need for targeted training and mentorship programmes to empower CSOs, particularly locally, is highlighted. Proposals included developing a self-assessment tool, providing mentorship based on specific needs, and organising webinars and networking opportunities. The group also stressed the importance of offering translation and interpretation support to address language barriers.

Monitoring

Monitoring should focus on enhancing subgrantees' capacity to comply with donor requirements through practical and supportive approaches. Suggestions include conducting pre-implementation training, simplifying procedures in line with PRAG rules, conducting on-the-spot checks, holding regular meetings, and facilitating exchange sessions. Monitoring should also encompass budget use and project implementation, with technical support provided to strengthen financial and narrative reporting.
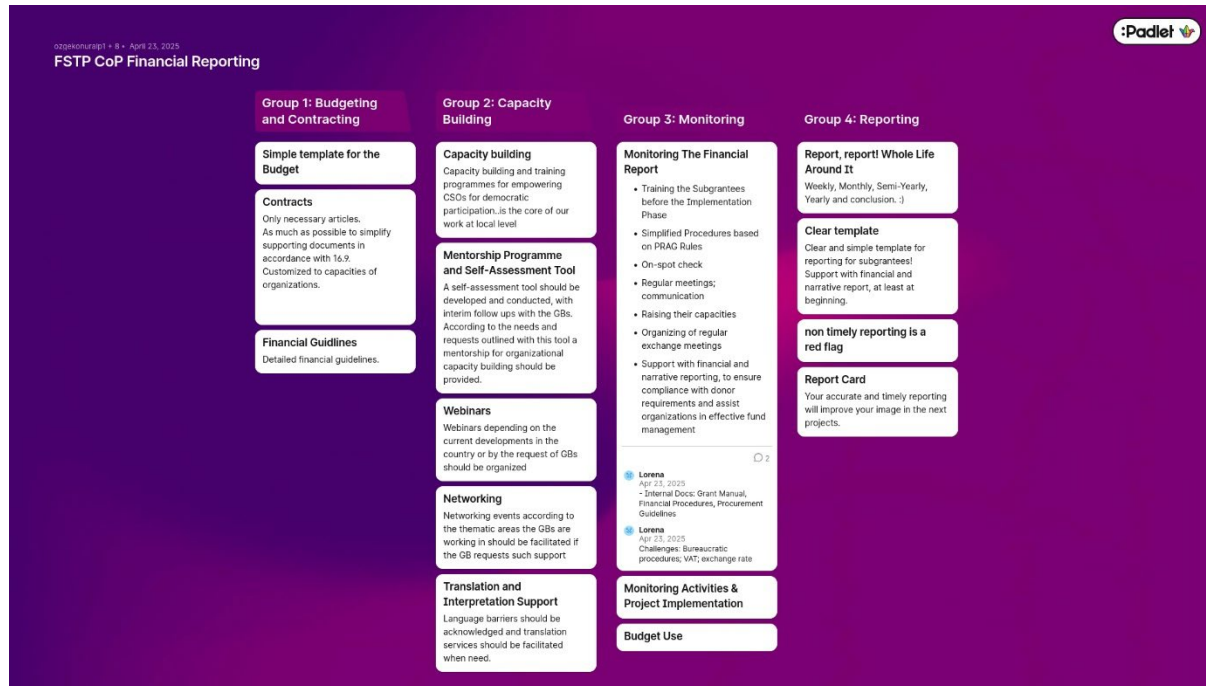
Reporting

Underscored the need for consistent, timely, and user-friendly reporting practices. There is a need to use simple templates and conduct regular reporting intervals (weekly, monthly, semi-annually, and annually), especially in the early phases of project implementation. Non-timely reporting is identified as a red flag. At the same time, accurate and timely submissions are linked to improved standing in future funding opportunities—a concept summarised under the idea of a "report card" system.

Overall, the group work reflected a shared commitment to simplifying procedures, building capacities, and promoting trust-based collaboration between grantmakers and CSOs, aiming to improve the effectiveness and accountability of financial support mechanisms across the region.

At the end of the event, Ms. Tonč wrapped up the event by pinpointing the main points regarding financial reporting and acknowledged the participants, contributors and her TACSO

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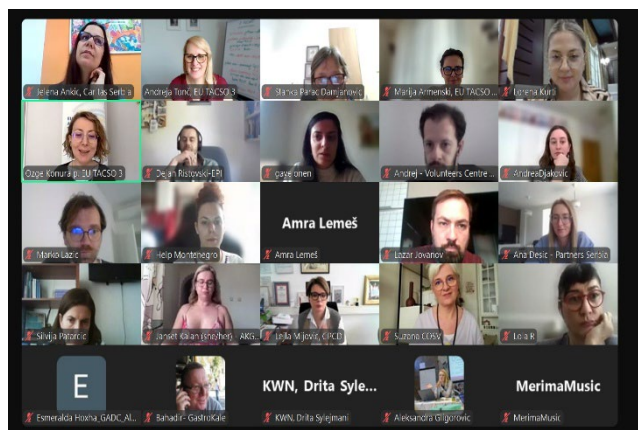
colleagues. She invited participants to continue sharing their examples, challenges, and positive aspects of their FSTP experience within the Linked FSTP Community of Practice group.

Final Remarks

o Simplified tools and templates are vital for supporting small organisations, including budgets, contracts, financial guidelines, and reporting formats tailored to local Civil Society Organisations (CSOs).

o Capacity building is a key priority, emphasizing mentorship, targeted training, and self-assessment tools to enhance internal processes, especially in financial management and reporting.

o Procurement and documentation procedures must be tailored to beneficiaries' capacities, with examples showing that structured templates and ongoing support can reduce non-compliance.

o Monitoring should be proactive, featuring pre-implementation training, regular communication, and capacity-building meetings. It should address budget usage, project execution, and adherence to reporting standards.

o Digital tools like enhance transparency, reduce environmental impact, and improve digital literacy among CSOs.

o Timely and accurate reporting is crucial; delays and inaccuracies are serious concerns, while consistent reporting can improve future funding opportunities.

o Effective internal communication and trust-building are essential for improving compliance, with financial oversight geared towards support rather than punishment.

o Country-specific legal differences (e.g., VAT exemptions) necessitate tailored guidance, as procedures vary significantly by region.

o Group discussions highlighted the need for:
  o Budgeting and contracting tools that match capacity levels

- o   Relevant capacity-building and translation support
- o   Simplified monitoring procedures
- o   Consistent reporting practices from the project's start

The workshop underscored the value of peer exchange and ongoing support through the FSTP Community of Practice, encouraging continuous sharing of challenges and innovations.

Event Evaluation

Following the completion of the event and the distribution of event resource materials, the participants were asked to provide their feedback through the standard online evaluation form. Five participants responded, confirming that the event fulfilled their expectations, including that they now feel more empowered regarding their knowledge of financial reporting practices for small organisations.

Participants shared their high satisfaction with the organisational aspects of the event, including timeliness and completeness of information related to the organisation and logistics before the event.

On the question of how they will use the information, knowledge and experience gained at this event, the participants responded:

- *I am informed about novelties in the PRAG document, which is very useful for future work. I will consider implementing some solutions I heard at the Workshop (a checklist, for example).*
- *Since we just approved the first set of subgrantees, everything said and presented at the event is very relevant to us, and it will be used.*
- *We have an ongoing Sub-Grantee Call, so the process we use will be more straightforward than expected.*

Regarding the recommendations on developing such capacity-building events further, the participants recommended organising longer live workshops and including hands-on workshops.

Feedback
Thanks, amazing TACSO team! You always recognise relevant topics for the sector (finance, lack of knowledge on new calls, etc.).
It was very relevant and useful … Thank you.
The training was very beneficial and excellent.

Annexes

Annex 1: Agenda

Annex 2: List of participants

Annex 3: Presentations

Annex 4: Results from group work