

# FINANCIAL REPORTING FOR SMALL ORGANISATIONS

*FSTP COP  
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# Why this workshop?



- To discuss and exchange practices on financial reporting under the FSTP.
- To refresh our knowledge on the FSTP requirements as regulated and instructed by EC documents.
- To collect inputs for defining best practices, guidelines, notes and checklists for FSTP implementors.

# Agenda

Overview of recent FSTP practices and documents

Presentation of the 4 cases from the WBT region

Break  

Small group work on designing guidance notes

Debriefing and closure



# 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?*

## Guidance on:

- What to avoid?
- What to do?
- How to approach?

***Let's try to  
summarise  
today!***

## Finances and:

- Budgeting and Contracting
- Capacity building
- Monitoring
- Reporting

# PRAG

Applicable as of 20 January 2025

Forms of grants (FNLC)

Appropriate guarantees by grant beneficiaries (FSTP implementors)

Legal commitments made without any payment (financial report)

# Forms of grants

FNLC  
FINANCING NOT LINKED TO  
THE COSTS



REIMBURSEMENT OF ELIGIBLE  
COSTS

# Financing not linked to the costs

- a. Fulfilment of **conditions set out by EC**;  
or
- b. The achievement of results measured  
by **previously set milestones** or  
**performance indicators**;
- c. The FNLC amounts are not defined  
based on an estimated cost.
- d. A grant in the form of FNLC is only  
expressed as an **absolute amount** (*no  
percentage*).
- e. Aims at increasing the focus on results  
and **simplifying** the administrative and  
financial procedures.
- f. To learn more, check also the **Annex K**.



## Reimbursement of eligible costs

a. Actual costs incurred by the beneficiary(ies) and affiliated entity(ies) – *mainly used in our practice.*

a. One or more **simplified cost options**, which may take the form of: unit costs, lump sums, flat-rate financing – *examples of use?*

## Appropriate guarantees

If the action requires financial support to be given to third parties, it may be given on condition that:

- **Before awarding the grant**, the contracting authority has verified that the grant beneficiary offers appropriate guarantees **as regards the recovery of amounts due** to the European Commission.
- This is due to the fact that the grant beneficiaries remain financially responsible vis-à-vis the contracting authority for the correct use of the financial support.

# Other

Applicants may also be invited in the guidelines for applicants to **propose the necessary documents** to be kept by third parties to demonstrate that the financial support has been used in accordance with the grant contract.

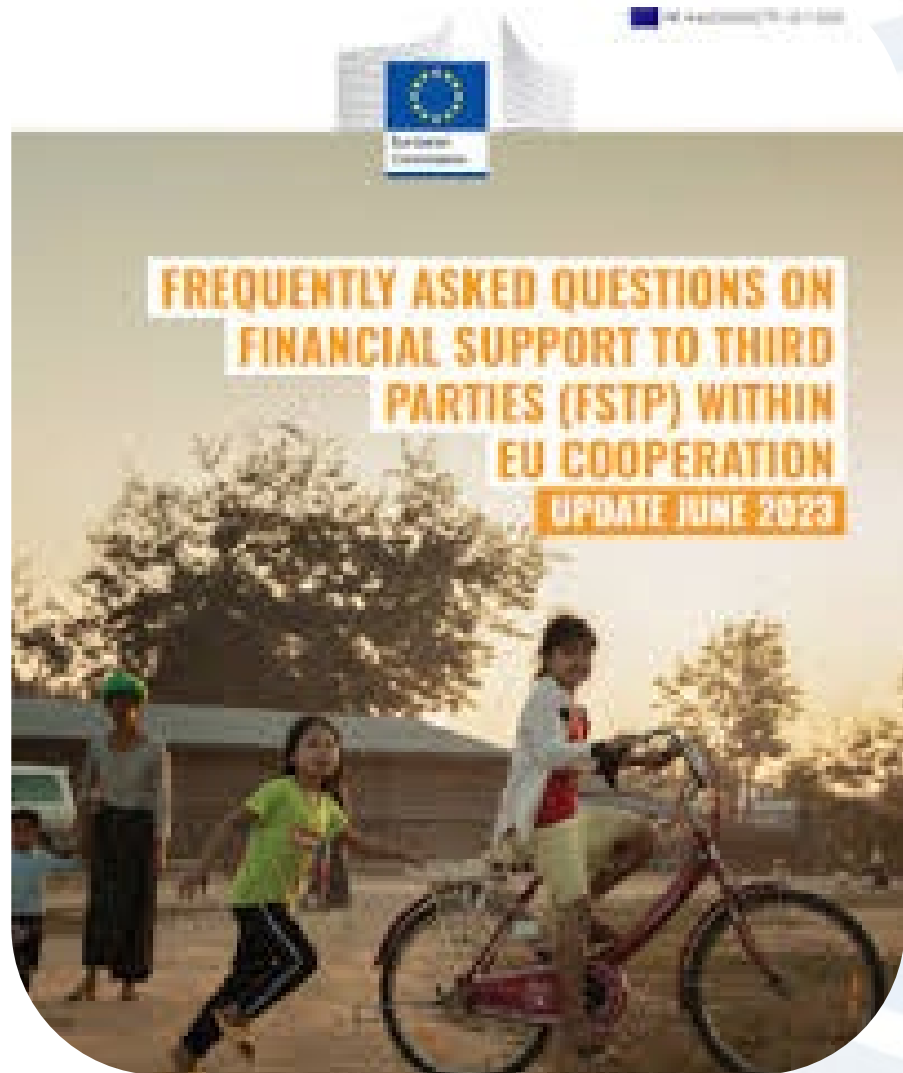
# FSTP guide on best practices



- ✓ 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?

# EC Frequently Asked Questions documents – some examples



***Q: Do lead applicants need to apply PRAG procedures to select the recipients of financial support to third parties?***

**A: No.** Lead applicants can use their own procedures to select the recipients of financial support to third parties.

***Q: Are eligible costs within financial support to third parties the same as for the lead applicants?***

**A: No.** The recipients of financial support are not subject to the same rules of eligibility of costs as the grant beneficiaries. The applicable eligibility requirements shall depend on the nature of the financial support scheme. It is up to the Applicant, in line with the objectives and specifications of the Guidelines for grant applicants, to define the costs eligible for financial support.



## **Q: Can financial support to third parties cover operating costs?**

**A: Yes.** The eligible costs shall depend on the nature of the financial support scheme.

## ***Q: Which supporting documents have to be kept regarding financial support to third parties?***

**A:** The Coordinator is responsible for ensuring that all the necessary documents, including the accounts of the beneficiaries of financial support, copies of the most relevant supporting documents and signed contracts related to the financial support to third parties are made available.

**It is strongly recommended to describe this in detail as much as possible in the contract. *For example, table with list of supporting documents for each cost.***

***Q: Do the beneficiaries of FSTP have to provide co-financing?***

**A: No.** In principle, beneficiaries of FSTP do not have to provide co-financing. Unless the Guidelines for applicants explicitly require or exclude co-financing of FSTP, it is up to the applicants to propose their own procedures and criteria for the recipients of FSTP in section 2.1.1 of the grant application form, in line with the conditions the Contracting Authority specified in the Guidelines for Applicants.

***Q: Are FSTP recipients subject to the same rules as the EU grant beneficiary?***

**A: No.** Unlike the EU grant beneficiary and co-beneficiaries of the action, FSTP recipients are, by definition, not a party to the grant contract established with the EU contracting authority. They are not necessarily subject to the whole range of conditions and requirements of the grant contract. However, they have to follow certain standards of EU-funded contracts (General Conditions 10.9).

***Q: The FSTP recipient is operating in a different country than my organisation – with a different currency. How should the FSTP recipient report on the exchange rate?***

**A:** In such cases, several options could be possible, and should be considered in line with EU rules and guidance as well as the EU grant beneficiaries' **usual accounting practices**. In all cases, it is advised to specify in the contract signed with the FSTP recipient which conditions should be observed for currency conversion.

***Q: Due to a highly volatile exchange rate, an FSTP recipient can no longer pay for all its foreseen expenses with the amount we provided, what can we do?***

- **A:** To mitigate financial risks, it is important for the EU grant beneficiaries to anticipate and include in its contractual arrangements with FSTP recipients potential clauses on the matter. For example,
  - Requiring **contingency reserves** in FSTP budgets
  - Restructuring the **FSTP budget**, by **removing or reducing** a component, enabling freed funds to cover increased costs of other components.



Thank you!  
Our work as part  
of the FSTP  
Community of  
Practice will  
continue...