

# **FMO - External Monitoring Manual**

**The EEA Financial Mechanism  
&  
The Norwegian Financial Mechanism**

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## 1 Introduction

The beneficiary states are responsible for reporting and monitoring of projects<sup>1</sup>. In addition to the monitoring and reporting that is the responsibility of the focal point, the Financial Mechanism Office (FMO) has an obligation to monitor the project progress in accordance with Article 5.2 of the Rules and Procedures for the implementation of the EEA Financial Mechanism and the Rules and Procedures for the implementation of the Norwegian Financial Mechanism. This monitoring under the responsibility of FMO, is referred to as external monitoring.

The external monitoring will in general be carried out in accordance with a monitoring plan drawn up annually by the FMO for each beneficiary state. The monitoring plan outlines regular, external monitoring to be carried out by the FMO in the beneficiary state in question during a 12-month period. FMO may at any time during the 12 month period add monitoring tasks to the monitoring plan.

## 2 Objective

External monitoring comprises individual projects as well as the programmes and block grants. The main purpose of the monitoring is to verify that the project is proceeding according to the grant agreement. This may cover all aspects of the grant agreement. In case any problems are identified, the main focus shall be on how they can be rectified in a way that benefits the project implementation.

The monitoring will have one, or both of the following focuses:

1. Overall monitoring of project development, see appendix 1
2. Verification of a payment claim, see appendix 2

The basis for external monitoring are mainly the grant agreement, the application and the appraisal report and all previous project interim reports and annual progress reports by the time the monitoring begins. The monitoring shall, as far as practicable, be coordinated with the project reporting and monitoring activities already taking place under the Beneficiary State reporting and monitoring guideline.

## 3 The monitoring plan

The monitoring plan shall be developed for each beneficiary state for each calendar year and presented to the national focal point before the year starts. For the case that the first planned monitoring will take place within an ongoing calendar year, FMO shall present the focal point with a monitoring plan for the remaining part of the year.

The monitoring plan shall include the selection of projects to be monitored according to four principles, see also section 5:

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<sup>1</sup> See Beneficiary State Reporting and Monitoring Guideline (link)

1. All programmes and block grants equal to or above 2.5 million Euro in total grant support (combined grants from EEA and Norwegian Financial Mechanisms)
2. Individual projects equal to or above 2.5 million Euro in total grant support (combined grants from EEA and Norwegian Financial Mechanisms)
3. Random selection of at least 5% (by number of projects) of the remaining individual projects and funds (programmes, block grants and seed money), below 2.5 million Euro in total grant support (combined grants from EEA and Norwegian Financial Mechanisms).
4. Any individual projects and funds will be monitored whenever the FMO has information about possible problems or misconduct; the reports/payment claims indicate significant deviations from plans, or for any other reason that may not be directly related to the project in question.

Regarding any specific monitoring needs under point 4 above, they may be included in the monitoring plan from the start, or they may be selected for monitoring at any time.

See appendix 3 for a template example of a monitoring plan.

The way the monitoring is carried out may vary, but the standardised forms in appendix 1 and/or appendix 2 shall in any case be completed. The following main alternative monitoring scopes exists:

- overall monitoring using the checklist in appendix 1
- overall monitoring including a verification of a payment claim using both checklists in appendix 1 and appendix 2
- a payment claim verification, using only appendix 2

Each of these three alternatives may be the scope for a single on the spot monitoring check. All three alternatives may be used in any monitoring schedule over the implementation period of programmes and block grants as well as for large projects.

## **4 The monitoring process**

### **4.1 General**

The monitoring will normally be carried out by an independent monitoring agent working on behalf of FMO. Representatives of the FMO may participate in the external monitoring. The FMO may alternatively decide to carry out the monitoring itself.

Normally the external monitoring will take place as an on the spot check. Such site visits shall, whenever practicable, be announced at least two weeks in advance in order to allow for the project promoter to be prepared and to make all relevant personnel and documentation available. If assistance from the focal point is required, such request shall be included in the notification of the planned visit.

During the external monitoring activities, the project promoter shall make reasonable efforts to make any required information and personnel available that may be relevant to the monitoring.

In some cases it may also be necessary to visit stakeholders other than the project promoter, such as partners, target groups, or others in order to cover all relevant aspects of the situation. The monitoring agent must consider the need and relevance of such information sources throughout the monitoring process.

## **4.2 The scope and content**

The scope and content of the monitoring visit are presented as checklists and reporting standards in appendix 1 and appendix 2. These documents are not meant to include all topics that may be relevant for the monitoring. The FMO may adjust the topics for each monitoring activity, as appropriate. It is up to the professional judgement of the monitoring personnel to decide when other topics are relevant, and to include them in the report.

If necessary, the FMO will make additional inquiries regarding information given in the report. The FMO shall then send copies of the monitoring report for information to the focal point who is expected to pass it on to the project promoter. The focal point may give its comments in writing within two weeks to FMO.

## **4.3 Reporting**

The completed statements in the format given in appendix 1 and appendix 2 should normally be sufficient information for the monitoring report. The format in appendix 1 in particular is meant to indicate the structure and the relevant topics.

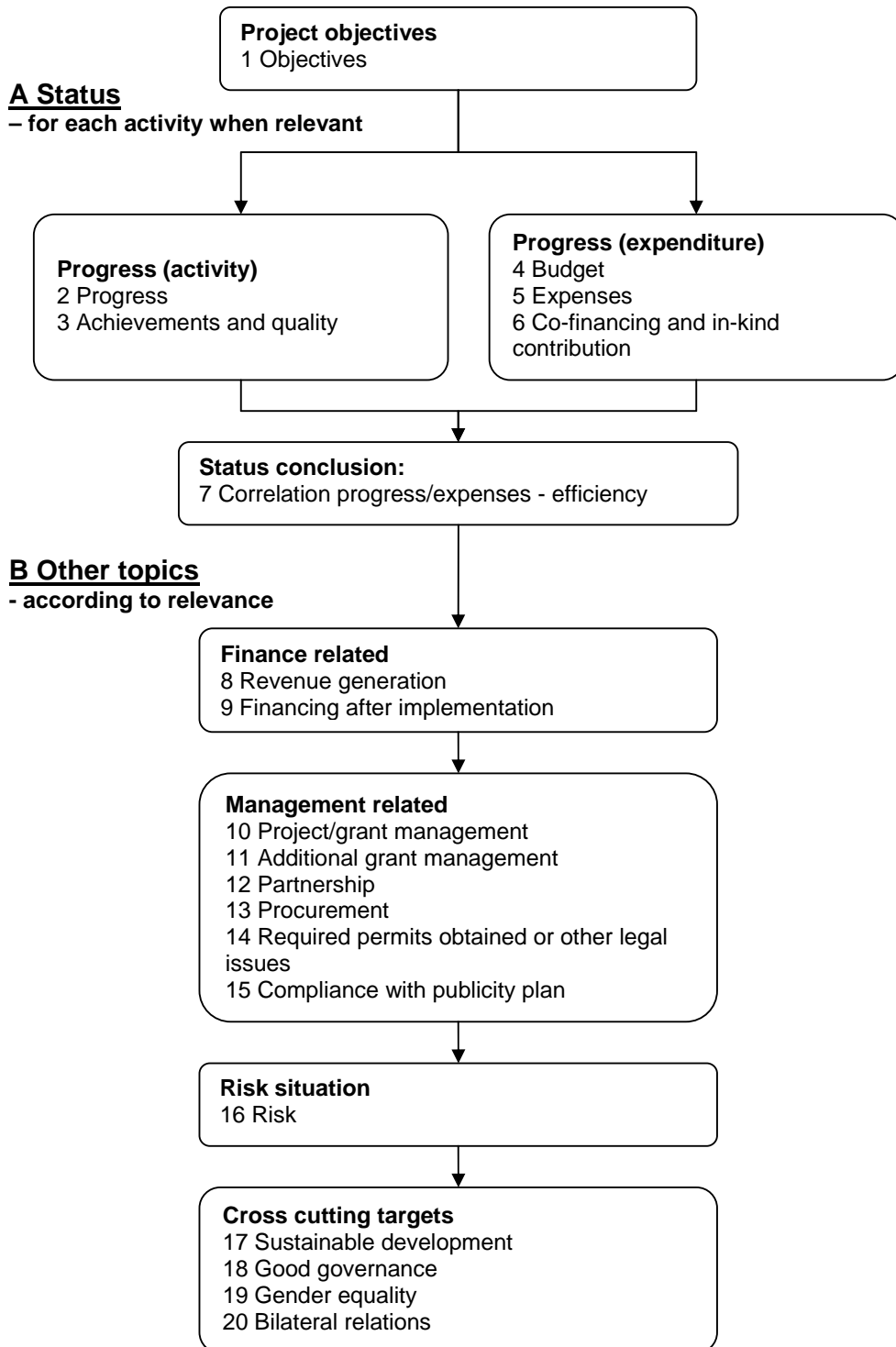
Necessary background or supporting information should be annexed to the report with clear references.

## **4.4 Overview of the overall monitoring**

The flow chart below is intended to give an overview of various aspects of relevance for the overall monitoring with reference to the headings for each topic given in appendix 1.

Part (A) concerns progress of the activity and status of expenditure. It includes a comparison of the two in order to assess how efficiently resources are being spent and the relation of this to plans. In many cases it may be necessary or practical to make a separate status assessment for each of the main project activities. If so, the relevant parts of appendix 1 need to be copied and completed for each activity.

Part (B) is a list of possible topics that may vary from project to project. It should serve as a checklist for the monitoring. To a large degree these topics cover the same areas as the appraisal, but the monitoring topics should not in any way be restricted to areas covered by the appraisal.



## **5 Selection for monitoring**

### **5.1 Large programmes and block grants**

The fund management and grant decisions have been delegated by the donor states to the beneficiary states in programmes and block grants. This means that FMO has no direct involvement in these types of grant assistance after the grant agreement has been signed.

For programmes and block grants, including any specific forms of grant assistance, see annex C of the MoUs, equal to or above 2.5 million Euro grant support, external monitoring will take place at least once during the project implementation. This monitoring shall check that all agreed procedures for the internal fund management regarding selection, disbursement, reporting, monitoring and auditing are being followed. This monitoring shall include a visit to the intermediary with a thorough review of all activities over the preceding period. The form in appendix 1 shall be completed as a minimum for each of these visits. Additional visits e.g. to verify payment claims, may also be made.

This monitoring may also include a number of the sub-projects randomly selected for monitoring. These projects shall also be visited at relevant site(s) and checked according to the form in appendix 1 as a minimum.

### **5.2 Large individual projects**

For individual projects equal to or above 2.5 million Euro grant support, external monitoring will take place at least once during the project implementation. The form in appendix 1 shall be completed as a minimum for each of these visits. Additional visits e.g. to verify payment claims may also be made.

### **5.3 Random selection of smaller projects and funds**

For individual projects, block grants and programmes falling below the threshold indicated in 5.1 and 5.2 above, external monitoring will in general be based on random selection. The monitoring shall normally include an on the spot check to verify that everything stated in the reports and claims is correct. This check includes the project progress, the quality of the project implementation and the status of the expenditure in accordance with appendix 1. The form in appendix 1 shall as a minimum be completed for each of these visits.

### **5.4 Selection for a specific reason**

The FMO may decide to monitor any project or payment claim for whatever reason. Such monitoring may not be an indication of any problem with the project or the payment claim chosen for monitoring.

Such specific monitoring may take place at any time and on short notice independent of the monitoring plan, also within the period from the grant decision until the project is included in the first monitoring plan.



## APPENDIX 1 - Monitoring Report - overall monitoring

The relevance of any section or question in this form must be considered from case to case. Irrelevant points may be marked as “not applicable for the project” whereas other points not mentioned in the form, but of relevance to compliance with the grant agreement or the success of the project, must be added.

### Identification data

Project registration number	
Title of the project	
Type of project assistance	
Name of project promoter	
Name of project partner(s)	
Total grant approved	
Date of grant approval	
Date of grant agreement	
Planned completion date	
Beneficiary state	
Key priority sector	
Previous monitoring reports	

### Reason for monitoring

Programme or block grant above 2.5 million euro

Individual projects, grant above 2.5 million euro

Random selection of other projects

Other specific reason

Background if other specific reason was chosen:


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### On the spot check data

Site(s) visited

Date(s) for visit

Name(s) of monitoring personnel involved

Name of monitoring agent

Name of promoter's contact person

Name(s) of other personnel involved


### Brief project description

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**Fulfilment of grant conditions**

**General condition(s)**


**Condition(s) before first disbursement**


**Condition(s) before completion**


**Post completion condition(s)**


## 1 Objectives

The project's purpose and overall objectives are given in the grant agreement. Any deviation from these objectives after the signature of the grant agreement must be approved by the donor state(s). It is also important to check that the objectives are still relevant.

Have any changes been made to the project objectives?	
Have the changes been approved by the donor state(s)?	
Has the relevance of any objective changed?	

If any changes to the objectives have not been approved or the relevance has changed, please respond to the following questions:

Specific reasons?	
What are the implications for the total project?	

## **A - Status**

**- for each project activity, when relevant**

### 2 Progress

The project progress is a key subject for the monitoring visit. This point is an overall assessment of whether or not the project or a specific activity within the project is following the agreed timeline.

Indicate any deviation from agreed project timeline.	
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If any significant deviation is determined, please respond to the following questions:

Specific reasons for deviation?	
What are the implications for the total project?	
What actions will be taken?	

### 3 Achievements (indicators) and quality

This is a more detailed progress assessment. The achievements or the result indicators in the implementation phase are to be considered. It is important to confirm that the quality and the suitability of the implemented parts of the project are according to the requirements on which the grant agreement is based. Please complete the table below for each relevant indicator, which may be activity based or total project based. In cases with several indicators an overview table should also be prepared.

Indicator	
Planned achievement to date	
Actual achievement	

If any significant deviation is determined, please respond to the following questions:

Specific reasons for deviation?	
What are the implications for the total project?	
What actions will be taken?	

#### 4 Budget

The budget is given in the application and referred to in the grant agreement. Any modifications between budget headings in this budget after the signature of the grant agreement must be within the variation limit defined in the grant agreement or, if more significant, they must be approved by the donor state(s). It is also important to check that the budget is still realistic.

Have any adjustments been made to the project budget?	
Are any modifications to budget larger than the limit for approval?	
Have such modifications been approved by the donor state(s)?	
Is the budget still realistic or have circumstances changed that?	

If any adjustments have been made or the budget is not realistic anymore, please respond to the following questions:

Specific reasons?	
What are the implications for the total project?	
What actions will be taken?	

#### 5 Expenses

The project expenses are also a key element of the monitoring check. In some cases the monitoring check will include a direct payment claim check which requires a separate form for that purpose, see "Monitoring report – payment claim check, appendix 2 to the FMO-External monitoring manual". The main purpose of the questions below is to relate the actual expenses to the project plan.

Planned total eligible project expenses to date	
Planned claimed grant expenses to date	
Amount claimed to date	

If any significant deviation is determined, please respond to the following questions:

Specific reasons for deviation?	
What are the implications for the total project?	
What actions will be taken?	

#### 6 Co-financing and in-kind contributions

It is a requirement of the grant agreement that the co-financing is made available in proportion to the grant payment. It must be verified as part of the monitoring check that these funds have been made available for the project in the correct amounts. The in-kind contributions agreed as part of the co-financing must be verified in the same way.

Planned co-financing to date, including in-kind contributions	
Amount co-financed to date including in-kind contribution.	

If any significant deviation is determined, please respond to the following questions:

Specific reasons for deviation?	
What are the implications for the total project?	
What actions will be taken?	

**7 Correlation between progress and expenses, project efficiency**

This point is meant as a combination of findings described in points 2-6 above in order to verify that there is a clear, logical and proportional correlation between the verified project progress and the verified project expenses. The delivered and implemented quality is important also here and must relate to the costs and expenses claimed.

Is the actual progress according to the claimed expenses?	
If any significant deviation is determined, please respond to the following questions:	
Specific reasons for deviation?	
What are the implications for the total project?	
What actions will be taken?	

**B – Other topics according to relevance**

**8 Revenue generation**

Revenues may be generated during the project implementation and/or after the implementation. The revenues to date must be verified and compared to the revenues indicated in the agreed budget. This consideration must also include any changes of circumstances that may significantly change the revenue potential of the project, also after the implementation phase. Any indication of potential revenues that are not reported must be described.

Planned revenue generation to date	
Amount of revenue generated to date	
If any significant deviation is determined, please respond to the following questions:	
Specific reasons for deviation?	
What are the implications for the total project?	
What actions will be taken?	

**9 Commitments for financing after implementation**

It is very important that the required finances and organisational preparations are made in due time before the operational phase of the project starts, meaning the phase after the project implementation period. It may be that the expected revenues are a significant part of the finances, but it may also be that government commitment or other funding commitments such as e.g. the polluter pays principles, form part of this financing. The reality of such required long term commitments must, as much as possible, be verified. Any required follow up of commitments made as part of the grant agreements must be confirmed. This also includes reasonably required organisational preparations, such as preparations for obligations forming part of contracts with suppliers, operational organisation or maintenance organisation, including outsourcing arrangements if relevant, etc.

Have required commitments been	
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made for the operational phase financing?

Have reasonable organisational preparations been made for the operation and maintenance of the project after implementation?

If any significant deviation is determined, please respond to the following questions:

Specific reasons for deviation?

What are the implications for the total project?

What actions will be taken?

## 10 Project or grant management systems

The availability of project management resources necessary to execute the project in a professional manner and according to the project plan must be assessed. This includes but is not limited to any provisions made in order to monitor the compliance with the grant conditions internally.

Are the required management systems in place?

Are effective monitoring and controlling systems in place?

If any significant deviation is determined, please respond to the following questions:

Specific reasons for deviation?

What are the implications for the total project?

What actions will be taken?

## 11 Additional grant management

This topic is intended for block grant and programmes only. The grant management systems established must be assessed for appropriateness, efficiency and compliance with the grant conditions, and specifically with Annex III to the Grant Agreement. Any indication of systems not being sufficient for the purpose must be reported.

Is the grant application procedure functioning according to the agreement?

Is the sub-project/component project selection process independent and transparent?

Is the agreed auditing arrangement in place?

If any significant deviation is determined, please respond to the following questions:

Specific reasons for deviation?

What are the implications for the total project?

What actions will be taken?

## 12 Partnership

The actual role of each project partner must be assessed and compared with the information given in the application. Any changes in the actual roles of the partners or the partnership itself must be reported. If any kind of cooperation problems exist between the partners, they must be discussed.

What is the actual role each partner is playing in the project?

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Are there any problems in the partnerships?

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If any significant deviation from the grant agreement is determined, please respond to the following questions:

Specific reasons for deviation?

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What are the implications for the total project?

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What actions will be taken?

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### 13 Procurement

Both EU and national rules for public procurement must be obeyed. The monitoring must include a review of any procurement made above such threshold limits that exists for the procurement rules and conclude whether the rules have been followed or not.

Have public procurement procedures been used for items or services above the threshold limits?

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Give references and documentation if relevant.

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If any deviation from the public procurement rules is determined, please answer the following questions:

Specific reasons for deviation?

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What are the implications for the total project?

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What actions will be taken?

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### 14 Required permits obtained, or other legal issues

In case certain permits need to be obtained in relation to the project implementation it is important to check the status of such actions and possible influence on the project. There may be other legal issues of relevance, e.g. related to EU law, that either has been known or come up during implementation.

Are all required permits obtained?

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Are there any legal issues that may influence the implementation?

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If any issues are determined, please respond to the following questions:

What are the reasons?

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What are the implications for the total project?

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What actions will be taken?

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### 15 Compliance with publicity plan

A review of the publicity plan and the compliance to it is part of the monitoring.

Have the principles defined in the publicity plan been complied with?

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If any significant deviation is determined, please respond to the following questions:

Specific reasons for deviation?

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What actions will be taken?

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## 16 Risk

The risk situation regarding both previous incidents and risk management in accordance with the plans must be briefly assessed. Any apparent changes in risk both regarding likelihood and potential impacts to the project must be determined.

Has the project experienced risk related incidents, and how have they been managed?

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Are there any changes to the risk situation on the project?

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If any significant change in the risk is determined, please respond to the following questions:

Specific reasons for the change?

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What are the implications for the total project?

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What actions will be taken?

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## 17 Sustainable development

Sustainable development is a cross-cutting target that must be considered for all projects. It is important that any issue that may reduce the project's contribution to sustainable development is assessed and commented. Please refer to the Sustainable Development Policy and Guide.

Are the project activities in accordance with the principles of sustainable development?

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Has the sustainable development dimension of the project been implemented as planned?

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If any significant deviation is determined, please respond to the following questions:

Specific reasons for deviation?

--

What are the implications for the total project?

--

What actions will be taken?

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## 18 Good governance

Good governance is a cross-cutting target that must be considered for all projects. Any governance issue relevant to the project must be assessed in the monitoring. Please refer to the Good Governance Policy and Guide.

Is the project contributing to good governance as planned?

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If any significant deviation is determined, please respond to the following questions:

Specific reasons for deviation?

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What are the implications for the total project?

--

What actions will be taken?

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**19 Gender equality**

Gender equality is a cross-cutting target that must be considered for all projects. Any gender equality issue relevant to the project must be assessed in the monitoring. Please refer to the Gender Equality Policy and Guide.

Is the project contributing to gender equality as planned?

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If any significant deviation is determined, please respond to the following questions:

Specific reasons for deviation?

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What are the implications for the total project?

--

What actions will be taken?

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**20 Bilateral cooperation**

Any bilateral cooperation issue relevant to the project must be assessed in the monitoring.

Is the project contributing to bilateral cooperation with donor states as planned?

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If any significant deviation is determined, please respond to the following questions:

Specific reasons for deviation?

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What are the implications for the total project?

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What actions will be taken?

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**21 Any other findings of significance for monitoring**

The above points are intended as a guide for the monitoring and as a minimum checklist. It is also a monitoring responsibility to cover any other topic relevant to compliance with the grant conditions and to the success of the project.

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**22 Comments from the project promoter on EEA Grants procedures**

Points from the project promoter about any issues with the grant implementation procedures, either related the beneficiary state procedures or the donor procedures.

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**23 Conclusions and recommendations**

Completed by \_\_\_\_\_ (typed name)

\_\_\_\_\_ (signature)

\_\_\_\_\_ (date)

\_\_\_\_\_ (company)

## APPENDIX 2 - Monitoring Report - payment claim check

### Project identification data

Project registration number	
Title of the project	
Type of project assistance	
Name of project promoter	
Name of project partner(s)	
Total grant approved	
Date of grant agreement	
Planned completion date	
Beneficiary state	
Key priority sector	
Previous monitoring reports	

### Payment claim identification

Claim registration number	
Date of claim	
Amount claimed	

### Reason for monitoring

Programme or block grant above 2.5 mill grant

Individual projects above 2.5 mill grant

Random selection of other projects

Other specific reason (background enclosed)

Background if other specific reason was chosen:


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### On the spot check data

Site(s) visited

Date(s) for visit

Name(s) of monitoring personnel involved

Name of Monitoring Agent

Name of promoters contact person

Name(s) of other personnel involved by the promoter


### Brief project description

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**Please answer each question and give comments whenever relevant regarding deviations, explanations and possible follow up measures.**

Is the summary of eligible expenses submitted by the promoter of the project in full conformity with the supporting documents*?	
Have the supporting documents been found to be authentic, correct and accurate?	
Are the documents based on verifiable accounting which is in compliance with sound accounting principles and methods?	
Do the claimed expenses fall within eligible expenses under Detailed Eligibility Provisions – Expenditures?	
Are the claimed expenses incurred as part of the implementation of the project in accordance with this Grant Agreement?	
Has the co-financing from other sources been made available in relation to the amount of the payment claim?	
Does sufficient audit trail exist?	
Any other relevant findings or remarks?	
Conclusion and recommendation	

\* by supporting documents is to be understood the Project Interim Report including the payment claim, the Grant Agreement and any other document relevant for the payment claim.

Completed by \_\_\_\_\_ (typed name)  
 \_\_\_\_\_ (signature)  
 \_\_\_\_\_ (date)  
 \_\_\_\_\_ (company)

## APPENDIX 3 - Monitoring Plan

Country	
Year	

Project no	Title	Grant size	Project start date	Planned compl. date	Number of previous monitoring	Selection for monitoring (1/0)			
						1 Large Block Grants and Programmes	2 Large individual projects	3 Random selection of other projects	4 Other reason
<b>Block Grants and Programmes of 2.5 million Euro and above</b>									
							n/a	n/a	
							n/a	n/a	
							n/a	n/a	
							n/a	n/a	
<b>Individual Projects of 2.5 million Euro and above</b>									
						n/a		n/a	
						n/a		n/a	
						n/a		n/a	
						n/a		n/a	
						n/a		n/a	
<b>All Projects below 2.5 million Euro and above</b>									
						n/a	n/a		
						n/a	n/a		
						n/a	n/a		
						n/a	n/a		
						n/a	n/a		
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