TRADE RELATED FACILITY

Operational Guidelines

December 2015
## LIST OF ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>CfA</td>
<td>Call for Applications</td>
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<tr>
<td>CIP</td>
<td>Country Implementation Plan</td>
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<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
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<td>CoO</td>
<td>Certificate of Origin</td>
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<td>EC</td>
<td>European Commission</td>
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<td>EPA</td>
<td>Economic Partnership Agreement</td>
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<td>EU</td>
<td>European Union</td>
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<td>FP</td>
<td>(TRF) National Focal Point</td>
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<td>FSU</td>
<td>Facility Support Unit</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<td>ICPs</td>
<td>International Co-operating Partners</td>
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<td>MS</td>
<td>Member State</td>
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<td>NSA</td>
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<td>NTBs</td>
<td>Non-Tariff Barriers</td>
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<td>PPRM</td>
<td>Policy, Planning and Resource Mobilisation</td>
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<td>RDF</td>
<td>Regional Development Fund</td>
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<td>RoO</td>
<td>Rules of Origin</td>
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<td>SADC</td>
<td>Southern African Development Community</td>
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<td>SC</td>
<td>Steering Committee</td>
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<td>SPS</td>
<td>Sanitary and Phytosanitary Measures</td>
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<td>STP</td>
<td>SADC Protocol on Trade</td>
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<td>TBT</td>
<td>Technical Barriers to Trade</td>
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<td>TDCA</td>
<td>Trade and Development Cooperation Agreement</td>
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<td>TIFI</td>
<td>Trade, Industry, Finance and Investment</td>
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<td>TRF</td>
<td>Trade Related Facility</td>
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1. OVERVIEW OF THE TRADE RELATED FACILITY

1.1 Introduction

The concept of a SADC Trade Related Facility (TRF) came after reflection was made on the serious challenges that Member States are facing in implementing commitments they made under the SADC Protocol on Trade (STP) and those they may face with regard to commitments under the Economic Partnership Agreement (EPA) between the European Union (EU) and the SADC EPA Group. Lack of implementation of commitments hinders trade, yet the Member States sign trade agreements in the belief that full implementation of the agreed commitments would significantly increase trade within the region and with third parties, strengthen regional integration as well as improve the region’s trade competitiveness in the world.

The current design of the TRF arose from an extensive regional consultative process, involving interviews, seminars and workshops with stakeholders and a careful review of the relevant literature. The process started with the commissioning of an Identification Study by the European Union Delegation to Botswana (EUD) and the SADC Secretariat in October 2010, whose aim was to find a mechanism that would fund/support SADC Member States’ own initiatives in carrying out measures essential to give effect to regional integration and the EPA through effective trade. A year later, a Formulation Study was undertaken to assist in the preparation of a detailed programme design, containing all necessary documentation to support a successful submission of a TRF Action Fiche to the European Commission (EC). Thereafter, further consultations took place and a study on enhancing the conceptual design of the TRF was carried out.

The SADC TRF is a mechanism for financial and technical support to SADC Member States to assist them to implement commitments made under the SADC Protocol on Trade and the SADC-EU EPA. The major aim is to strengthen the process of regional integration in SADC, enhance trade with the EU and strengthen the region’s trade competitiveness globally.

SADC intends to establish a Regional Development Fund (RDF). The TRF is seen as a precursor to the SADC Integration and Adjustment Facility, which is one of the windows of the RDF. The TRF will therefore aim at building the necessary capacity within Member States and the Secretariat to contribute to sustainability of the Fund, particularly with respect to project formulation and management.

1.2 Objectives

The overall objective of the SADC Trade Related Facility is to improve the participation of SADC Member States in regional and international trade in order to contribute to sustainable development in the SADC region.

The specific objective of the facility is to enhance the implementation of the SADC Protocol on Trade and the SADC-EU EPA in order to increase intra-regional and inter-regional trade flows of the concerned Member States.
1.3 Expected results

The expected key results of the TRF are:

- **Key result 1**: Higher level of compliance and implementation of the SADC Trade Protocol’s commitments by the SADC Member States is achieved.
- **Key result 2**: SADC EPA Member States are better prepared to effectively implement and monitor the EPA and benefit from it, particularly in terms of improved market access.

2. ORGANS OF THE TRADE RELATED FACILITY

The main organs of the TRF are the Facility Support Unit (FSU), working under the TIFI Directorate; the TRF National Focal Points (NFPs); and the Steering Committee. The European Union Delegation (EUD) to Botswana and SADC is also an important institution for the effective functioning of the TRF.

2.1 The Facility Support Unit

The Facility Support Unit (hereafter referred to as the Unit) is the central organ that spearheads all the executive functions of the TRF. Being under the management of the SADC Secretariat entails that activities of the Unit will be mainstreamed under those of the Secretariat and reported as part of activities carried out under the TIFI Directorate. The Unit team will be directly accountable to both the TRF Steering Committee and TIFI Directorate, and will work closely with Member States through the TRF Focal Points.

The Unit will provide technical support to Member States throughout the implementation of the Trade Related Facility, including in areas such as the development of applications, impact assessment studies, training, or any related areas that Member States may find necessary. Where necessary and justified, the Unit's long-term experts may engage additional short-term experts.

Experts involved in the preparation of applications (either the Unit's long-term technical experts or additional short-term experts engaged through the Unit or otherwise) will not be allowed to take part in the evaluation of the applications. To avoid conflict of interest in this context, all members of the evaluation committee will be required to sign a ’declaration of objectivity and impartiality’, (Annex 4), ahead of the evaluation process.

**Functions**

The specific functions of the Facility Support Unit, under SADC Secretariat’s guidance, are:

- Act as the administrative body of the TRF;
- Manage the TRF activities, including supporting project preparation, launching of Calls for Applications, facilitating release of funds to qualifying Member States, monitoring of projects and provision of capacity building in appropriate areas to Member States as well as technical support;
• Report/Update the Steering Committee and other relevant stakeholders on the TRF activities;

• Facilitate short term consultancy work;

• Prepare relevant reports on TRF activities for each Steering Committee and the SADC Secretariat; and

• Carry out any TRF related functions as instructed by SADC Secretariat and the Steering Committee.

2.2 The TRF Focal Point

Member States will appoint a TRF Focal Point, which should ideally be a senior position (e.g. Director) in the Ministry of Trade. The Focal Point will oversee implementation of TRF related activities at national level, such as preparation and submission of project applications, oversight on implementation of TRF related activities and follow up activities and including answering queries raised by the Secretariat/FSU during project preparation and implementation. The Focal Point will ensure coordination with all relevant stakeholders at national level, including with Non State Actors and the private sector. The Focal Point will coordinate with the National Authorizing Officers at Member State level to facilitate release of funds and ensure that the TRF activities are not duplicating those carried out under the office of the National Authorising Officer.

Member States will nominate an Accounting Officer. The responsibilities of the Accounting Officer for the TRF are as follows:

• Proper stewardship of resources received from the SADC TRF through a Financing Agreement. This will entail ensuring: funding received is spent with regularity, propriety and with due regard to value for money and for the purpose it was intended; compliance with relevant Financial Regulations and Procurement Procedures of the Member State or SADC Procurement Policies where stipulated in the Agreement; and compliance with any conditionality stated in the Agreement.

• Promotion of good financial management so that funds are properly safeguarded at all times and used appropriately, economically, efficiently and effectively. This will entail: ensuring appropriate financial systems are in place that are transparent and have sufficient internal controls to safeguard TRF funds; preparation of financial reports; conducting internal audits should there be concerns regarding disbursement of funds; facilitating external audits by providing financial statements, accounting records and documentation; and reimbursing SADC of any amounts paid which do not meet conditions of eligibility under the Agreement.

2.3 The Steering Committee

A Steering Committee will be established as the governance structure of the TRF at the most senior level to provide oversight and strategic guidance to the operations of the Facility. The Steering Committee will review the overall effectiveness of the TRF, ensure transparency of all processes, as well as approve/endorse the recommendations on project applications.
Functions

The responsibilities and functions of the Steering Committee will include:

a) Ensuring that the implementation of the TRF is in accordance with the provisions of the Contribution Agreement.

b) Reviewing the overall effectiveness of the TRF including the functioning and performance of the Facility Support Unit, the efficiency of resource allocation and the evaluation of TRF activities.

c) Monitoring overall performance of the TRF programme.

d) Approving/endorsing recommendations on project applications.

e) Approving the nature of interventions that may be funded under TRF.

f) Approving the establishment of any necessary technical sub-committees to deal with specific issues that may warrant closer and/or professional attention.

g) Appointing new members to the Steering Committee at the expiry of the term of another Member State, Non-State Actor or Observer upon recommendation by the Secretariat.

h) Recommending funding agreements with other International Cooperating Partners to Council through the SADC Secretariat.

Composition

The Steering Committee will be composed of the following:

Full Members

(i) Three (3) representatives at director level from trade related Ministries in the eligible Member States, at least one of which should also be a SADC EPA State.

(ii) Three (3) representatives of regional Non State Actors (NSA), two of which will be from the private sector and one from civil society.

(iii) Three (3) representatives from the SADC Secretariat, including a senior representative from the Directorate of TIFI, the Directorate of Budget and Finance and the Directorate of Policy, Planning and Resource Mobilization (PPRM), one of whom will become the Chairperson of the Committee.

Observer Members

(iv) A representative from the EU Delegation in Botswana.

(v) Two representatives from International Cooperating Partners, who contribute to the facility or selected to ensure complementarity with other donor programmes.
(vi) A representative from the COMESA Secretariat working with the Regional Integration Support Mechanism.

**Ex-officio Members**

(vii) TRF Senior Programme Officer based at the SADC Secretariat.

(viii) The Facility Support Unit Project Manager.

**Decision making**

Decisions will be taken on the basis of consensus.

Decisions are only valid if a full quorum is present, which will be achieved if:

- At least two thirds (2/3) of the Member State representatives are present;
- At least two thirds (2/3) of SADC Secretariat representatives are present; and
- At least two thirds (2/3) of Non State Actors representatives are present.

The ex-officio and observer members will not participate in decision making by the Committee.

Where there is a clear conflict of interest, a Steering Committee member concerned will abstain from deliberations on a matter on which such conflict of interest has arisen. For example, a Member State sitting in the Committee will not adjudicate on project applications submitted by the same Member State.

**Meetings of the Steering Committee**

The Steering Committee shall meet at least twice a year.

Member States will sit on the Steering Committee based on an agreed rotation system. This will ensure that all members do not change at the same time and thereby providing an element of continuity. Generally, each Member State will sit in the Steering Committee for 12 months but this period could be increased to a maximum of 18 months to allow the incoming members to overlap with outgoing members.

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<thead>
<tr>
<th>STEERING COMMITTEE ROTATION SCHEDULE</th>
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<td>March – December 2015</td>
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<td>January – June 2016</td>
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In order to ensure that Steering Committee meetings take place as planned, it is necessary that for each substantive member of the Steering Committee, an alternate member is nominated to stand in if the substantive member is not available. The alternate members should be fully informed about the issues on the agenda so that they can make meaningful contributions.

Non-state Actors and ICPs will sit on the Steering Committee initially for a minimum of 12 months; SADC Secretariat will thereafter propose a rotational schedule as well as potential organisations/nominations for adoption by the Steering Committee.

Technical resource persons may be invited to participate in specific meetings of the Steering Committee at the expense of the TRF, depending on the nature of applications, to provide specialized expertise to the Committee which may not be available within the members of the Committee.

3. ELIGIBLE AREAS FOR FUNDING

3.1 Eligible areas for funding under both the SADC Protocol on Trade and EPA windows

The objective of the Trade Related Facility is to assist Member States in addressing the challenges they are experiencing in the implementation of their regional integration commitments mainly in the area of trade. The STP Window will support interventions that can enhance a higher level of compliance and implementation of commitments made under the SADC Protocol on Trade. The EPA Window is concerned with interventions that can prepare SADC EPA States to effectively implement and benefit from the Economic Partnership Agreement with the EU, particularly in terms of improved market access.

The following intervention areas are eligible for funding under both the SADC Protocol on Trade window and the EPA window. Indicative activities that can be undertaken are also identified under each intervention area.

(i) **Customs cooperation:** Annex II of the SADC Protocol on Trade commits Member States to simplify and harmonise their customs laws and procedures in order to effectively contribute to the development of intra-SADC trade and other intra-SADC exchanges. Implementation of internationally accepted standards and best practices in customs administration can enhance transparency, predictability, simplification and cooperation, thereby also reducing trade transaction costs.

Under this focus area, the TRF may support harmonisation and streamlining of customs and border procedures; use of modern technology to speed up customs and border processes; and legislative reform.

(ii) **Technical Barriers to Trade (TBT):** Article 17 of the SADC Protocol on Trade obliges Member States to use relevant international standards as a basis for their standards-related measures. Member States should also accept each others’ technical regulations as equivalents.

The TBT Annex to the Protocol on Trade seeks to facilitate harmonization of standards and technical regulations and their concomitant conformity assessment regimes, yet its implementation in Member States has faced a number of challenges. TRF support can be directed at interventions aimed at domestication of the TBT Annex in national regulatory frameworks and
supporting specific activities aimed at improving standards and quality infrastructure in Member States.

(iii) **Sanitary and Phytosanitary Measures (SPS):** Under Article 16 of the Protocol, Member States have committed to basing their sanitary and phyto-sanitary measures on international standards, guidelines and recommendations, and work towards mutual recognition of equivalence for specific SPS measures in accordance with the WTO SPS Agreement. The SPS Annex to the Protocol on Trade provides a regional SPS policy framework. Recent assessments on the implementation of the Annex suggest that there are critical gaps in the implementation of a number of provisions on transparency of SPS related laws, regulations and procedures; equivalence and risk assessment as well as determination of acceptable levels of protection.

Possible activities to be supported in this area include streamlining and harmonising standards and technical regulations in line with international best practice; certification and accreditation of laboratories; strengthening the capacity to respond to emergencies; setting-up or strengthening SPS frameworks.

(iv) **Rules of Origin:** Annex 1 of the Protocol deals with the rules of origin for products that should benefit from intra-SADC preferential tariff treatment. Many countries have experienced challenges in the implementation of SADC rules of origin. The TRF can support Member States to effectively implement rules of origin under these trading arrangements.

Activities to be supported include simplification and harmonization of Rules of Origin; development of effective systems for the implementation of Rules of Origin such as electronic certification and development of registers of approved exporters; and capacity building initiatives.

(v) **Trade Facilitation:** Under Article 5 of Annex III of the SADC Protocol on Trade, Member States have undertaken to initiate trade facilitation programmes for purposes of improving trade amongst themselves. Investing in trade facilitation provides a pathway for deepening regional integration.

Activities to be supported in this area may include improving trade-related infrastructure, establishment or strengthening of One Stop Border Posts, establishment or strengthening of integrated border management systems, enhancing the use of ICT and establishment of single window initiatives.

(vi) **Industrial Development:** Article 4(2) of the SADC Protocol on Trade provides that a phased reduction and eventual elimination of import duties on goods originating in SADC Member States should be accompanied by an industrialization strategy to improve the competitiveness of Member States. As a result, Member States have adopted the Industrial Upgrading and Modernisation Programme (IUMP); the Industrial Development Policy Framework; and the SADC Industrialization Strategy and Roadmap 2015-2063. All these are anchored on the promotion of value chains and production network linkages across borders, based on competitiveness.
Activities to be supported in this area may include formulation and implementation of sector development policies and programmes, improving policy and regulatory frameworks and strategies for the development of industries, promotion of domestic and regional value chains, industrial upgrading and modernization initiatives.

(vii) **Trade Promotion and Development**: Article 26 of the Protocol commits Member States to adopt comprehensive trade development measures aimed at promoting intra-SADC and international trade. In addition, within the context of the SADC- EU EPA, trade development and promotion is regarded as an important tool, particularly in taking advantage of the duty-free, quota free market access to the EU market.

Potential activities to be supported include development of comprehensive trade development and promotion initiatives such as dissemination of market information, participation in trade fairs, exhibitions and trade promotion missions.

(viii) **Trade in Services**: Article 23 provides that Member States should adopt policies and implement measures with a view to liberalizing their services sectors. Looking beyond trade in goods, significant barriers to trade and investment in services exist in the SADC region. Such barriers do not only hamper trade and competitiveness in key services sectors but also undermine the development of value chains in the productive sector of the region’s economies.

Activities to be supported can include establishment or strengthening of regulatory frameworks on services, undertaking regulatory impact assessments, and strengthening regulatory as well as institutional capacity.

### 3.2 Additional eligible areas under the EPA window

Additional areas specific to the EPA window are:

(i) **Trade Defence Instruments**: In terms of the SADC-EU EPA, the Parties have agreed, with respect to the application of anti-dumping or countervailing measures, to be governed by the relevant WTO Agreements. However, there is a pronounced lack of the requisite institutional and legal capacity on trade remedies in the region.

Activities to be supported can include development and implementation of trade remedy legislation, establishment of trade remedy authorities, and capacity building in the application of trade remedies.

(ii) **Trade Related Adjustment**: In light of the expectation that SADC EPA Member States will lose some revenue as a result of implementing EPA trade liberalization commitments, activities to be funded may include assisting Member States to carry out impact assessment of revenue losses, development and implementation of fiscal reform measures especially those related to enhancement of revenue generation and collection capabilities.

(iii) **Competition Policy**: The SADC-EU EPA provides that Parties should cooperate on competition matters, particularly on the development of competition policy and law. Competition authorities in the region are relatively new or are still in the
process of being established. There is also inadequate investigative and enforcement capacity.

Activities that may be supported include formulation and implementation of national competition policies, establishment or strengthening of competition authorities, capacity building on enforcement of competition legislations and investigations.

4. ELIGIBILITY CRITERIA FOR FUNDING

4.1 Administrative criteria

In order to be eligible for Trade Related Facility support, a SADC Member State must have fulfilled the following criteria at the time the Programme was formulated or during implementation:

(i) Be a fully paid Member of SADC.

(ii) Have signed and ratified the SADC Trade Protocol, to benefit from the Trade Protocol Window.

(iii) Have signed the full SADC-EU EPA to benefit from the EPA Window.

(iv) Be a signatory to the Cotonou Agreement (South Africa is catered for by the Trade and Development Co-operation Agreement with the EU and so will not benefit from the facility).

(v) Have dedicated stable institutions and systems necessary for implementing and monitoring of proposed projects. In this regard, a TRF Focal Point and TRF Accounting Officer must be appointed in each eligible Member State.

(vi) Have credible financial systems to manage TRF funds. The TRF will use 2 separate financing mechanisms: (a) budget support modality, which will be available to those SADC Member States eligible to receive EU budget support. These Member States will be allowed to use their own financial and procurement systems. (b) project-based support, for use by those SADC Member States that are not eligible for EU budget support or where project-based support is preferred as a simpler and more efficient disbursement mechanism by the Member State concerned. These Member States will be required to use the SADC Secretariat’s financial and procurement procedures.

(vii) Show commitment to the application by providing for example, own funding or some other commitment such as passing enabling legislation for implementing a SADC Protocol on Trade/EPA commitment.

(viii) Show commitment to involve Non-State Actors in the identification, implementation, monitoring and evaluation of applications.

4.2 Technical criteria

Applications for projects/programmes submitted to the TRF must meet the following requirements:
(i) Applicants must be government ministries, departments and agencies and the dossier submitted must be accompanied by a document indicating the approval of the project by the Member State. Private sector entities are eligible to apply for support only in partnership with the respective governmental institutions. In such cases, the government institution will be directly and solely responsible for the successful implementation of the project.

(ii) Projects/programmes must be aimed at mitigating or overcoming adjustment challenges linked to the implementation of the SADC Protocol on Trade and/or the EPA in the Member State concerned.

(iii) Projects and programmes must be coherent with SADC’s integration strategy, the Member State’s national development plans and where applicable, the EPA.

(iv) The application must contain information showing the expected positive impact and contribution of the project with respect to enhancing and deepening SADC’s trade integration agenda.

(v) Projects/programmes must be consistent with the strategies and objectives of the TRF and fit within the areas of support under the TRF.

(vi) Projects/programmes must include realistic budget estimates, including where applicable, commitments from own resources and an indication of any complementary funding, as may be the case, to be contributed by third parties.

(vii) Projects/programmes submitted must have a minimum budget of Euro 250,000.

(viii) Projects/programmes submitted must be within the maximum allocations indicated in Table 1 below.

(ix) Subsequent applications are conditional upon satisfactory performance of previous projects/programmes.

5. FUNDING ALLOCATIONS

Indicative Nominal Allocations have been determined for each SADC Member State, which were eligible for the TRF at the time of programme formulation. The nominal allocations provide an indication of the maximum funds that a country can access. These may be reallocated following the mid-term reviews to be carried out during programme implementation (including to newly eligible Member States).
### Additional Funding

The TRF will initially be funded by the EU. However, other partners may provide additional funding to the Facility. The Steering Committee will recommend approval of additional funding to Council through the SADC Secretariat.

### 6. THE PROCESS FLOW

The process flow is presented in the flow diagram below (Figure 1).
6.1 The Application Process

The Facility Support Unit will launch a single Call for Applications on the SADC Website to receive applications under both the SADC Protocol on Trade and EPA windows in accordance with the Indicative Calendar for TRF Calls for Applications, set out in Annex 1 of these Operational Guidelines. The call will simultaneously be communicated to all eligible SADC Member States through their TRF Focal Points. Member States can submit their
applications to the TRF Facility Support Unit continuously as long as the call remains open. Several "cut-off" dates have also been established for evaluation purposes.

The Call for Applications will be accompanied by the Operational Guidelines and will include:

- The Facility Support Unit contact details for further information.
- An indicative calendar for the Call for Applications.
- The TRF’s website where the application documents can be downloaded.
- Format for request for technical assistance.

**Request and provision for technical support**

If a Member State needs technical support in developing an application, it will request this from the Facility Support Unit. The Unit will liaise with the Member State to determine the nature and extent of assistance required and deploy its expertise to assist the Member State prepare a project proposal. Where necessary and justified, the Unit will engage additional short-term experts to provide the necessary technical support for project preparation.

Member States can approach the FSU to request for specific technical assistance relevant to the conceptualization and preparation of project proposals. A specific template to request technical assistance is included in the Operational Guidelines as Annex 1 (B) – Template for Request for Technical Assistance.

**Completion and submission of Applications**

Member States may develop and submit applications to the Facility Support Unit continuously while the call for applications remains open. Submissions will be sent by email, addressed to the Manager of the Unit. Within two working days after receiving submission, the Unit will acknowledge receipt of the application. The application is to be submitted using Annex 2- “Application Form”.

After submission of an application, the Member State is able to re-submit/update/amend its application until the first cut-off date is reached; no alterations will be accepted after the cut-off date. Only the latest version of an application is retained by the FSU for evaluation.

Once a cut-off date has been reached, all received applications will be gathered by the FSU and submitted for administrative and technical evaluation as outlined below.

**6.2 Administrative and technical evaluation**

**Eligibility check**

The Unit will carry out an administrative evaluation (eligibility check) of the application immediately after the cut-off dates indicated in the calendar for the Call for Applications in Annex 1 and according to the criteria outlined in Annex 3 of this Guideline.

If the application passes the eligibility test, the Unit Manager will distribute copies of the application to the technical evaluators for the evaluation. Projects that fail the eligibility test will be rejected and the Unit Manager will inform the applicant Member State promptly.
about this decision. At this point the Unit will set a date for the next Steering Committee meeting and issue invitations to members.

**Technical evaluation**

A technical evaluation will be conducted by the Evaluation Committee, which will be constituted as follows:

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<td>TRF Senior Programme Officer</td>
<td>Chairperson</td>
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<tr>
<td>TIFI M&amp;E Officer</td>
<td>Evaluator</td>
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<tr>
<td>Relevant SADC component managers(^1)</td>
<td>Evaluators</td>
</tr>
<tr>
<td>FSU Manager</td>
<td>Non-voting Secretariat</td>
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<tr>
<td>TRF Finance Officer</td>
<td>Technical resource person(^2)</td>
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<tr>
<td>EU Delegation</td>
<td>Observer</td>
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The evaluators in every Evaluation Panel shall be an odd number. If necessary — e.g. where a sufficient number of technically qualified evaluators cannot be sourced from within the SADC Secretariat — the FSU may engage additional short-term experts to participate as assessors/evaluators within the evaluation proceedings.

Technical evaluation will be conducted using Annex 3 of the Operational Guidelines, “Evaluation Grid”. Each evaluator is to fill in an individual Evaluation Grid, which will be used as the basis for discussion in the evaluation meeting. Each evaluator will be required to sign a declaration of objectivity and impartiality before the start of the evaluation (Annex 4).

Evaluation meetings will be convened by the TRF Senior Programme Officer. The FSU Manager acts as secretariat to the evaluation committee.

Following the evaluation meeting, the Evaluation Committee will produce a report, with consensus reached on the recommendations to be submitted for approval or otherwise, to the TRF Steering Committee.

For each application, the evaluation report will summarise:

- Background
- Relevance against regional integration commitments
- Strengths and weaknesses
- Technical score
- Recommendations

When making a recommendation, the evaluation committee should clearly indicate if a project should be accepted, deferred or rejected on Annex 5, “The Project Evaluation Report”.

\(^1\) These are appointed by the TIFI Director depending on the technical nature of applications.

\(^2\) The role of the TRF Finance Officer in the evaluation committee is to provide an opinion on the financial aspects of the applications, which is to be taken on board by the evaluators when coming to a conclusion on recommendations to be included in the evaluation report.
6.3 Approval/endorsement of applications

The Steering Committee evaluation will be based on the reports and recommendations provided by the Evaluation Committee. The evaluation report, together with the applications submitted by Member States, will be circulated to the Steering Committee participants at least 10 working days before the meeting to allow for an informed discussion. Thereafter, the Steering Committee will meet.

The TRF Senior Programme Officer – in his/her capacity as chair of the evaluation committee – will present the findings/report of the evaluation committee to the Steering Committee, supported by the Senior Programme Officers who participated as evaluators and the FSU manager.

The FSU Manager will prepare a report on the proceedings and conclusions of the Steering Committee. This report will be shared with the members of the Steering Committee for comments/approval before being signed by the Chairperson of the Steering Committee as the basis for notification to Member States on their applications.

Final approval of applications to be financed

In case of countries eligible for EU budget support and submitting an application under this financing modality, the application will be submitted through the EU Delegation in Botswana to the relevant EU services in Brussels for a final endorsement of the Steering Committee decision for funding and to verify the country's eligibility to use budget support financing modality.

In the case of countries using project-based approach (i.e. those Member States not eligible for EU budget support or where project-based support is deemed a simpler, preferable and more efficient disbursement mechanism), the Steering Committee solely approves the project application.

Informing the successful Member States

The FSU Manager will notify all Member State about the development and outcomes of their applications immediately upon conclusion of the evaluation process and request the successful Member State to sign Annex 6, - the “Financing Agreement” with the SADC Secretariat.

6.4 Contracting

The Financing Agreement sets out the terms and conditions for the utilisation and management of financial support extended by the SADC Secretariat to the Member State.

For countries eligible for EU budget support and submitting their applications under this financing modality, financial management and procurement procedures will be in accordance with national policies, rules and regulations.

Where the country is not eligible for EU budget support, or where applications are submitted under the project based support modality as the preferable delivery mechanism, financial management and procurement procedures will be conducted in accordance with relevant SADC Financial Rules and Procedures. This will be elaborated in Appendix IV to the
Financing Agreement on the basis of a procurement and financial systems assessment to be done at national level in parallel to the technical evaluation of the application submitted.

For the purpose of this procurement and financial systems assessment, the FSU will engage short-term expertise to conduct an assessment within the relevant Member States. The assessment will focus on the preparedness and adequacy of the procurement and financial management structures that are proposed in the application and are responsible for implementation of the Financing Agreement to be established between the Secretariat and the Member State. Based on this ad-hoc procurement and financial systems assessment, the responsibility for procurement and financial management under the Financing Agreement may be transferred to the Member State (applying SADC Financial Rules and Procedures) or may be retained at central level within the SADC Secretariat Procurement Unit and Budget and Finance Directorate.

If a Member State should no longer be eligible for EU budget support after a financing agreement has already been signed, it is understood that the implementation modality will change to project-based support from the moment that the country is no longer eligible for EU budget support. In this case, the Contracting Authority will immediately notify the Member State in writing that all activities undertaken forthwith will be subject to an *ex ante* approval by the Contracting Authority, using SADC Financial Rules and Procedures. The Contracting Authority shall immediately launch an ad-hoc procurement and financial systems assessment. The outcome of the ad-hoc procurement and financial systems assessment will inform the revision of Appendix IV of the Financing Agreement. The revision will outline revised contract-award procedures; procurement and financial management arrangements reflecting the change to project-based support as well as whether procurement and financial management will be retained at the central level or transferred to the Member State.

However, where a Member State becomes eligible for EU budget support once a financing agreement has already been signed using project-based modality, a decision will be taken after consultation in the Steering Committee and in consultation with the Member State concerned, whether it is advisable and preferable to change the implementation modality to budget support or whether the implementation modality will remain project-based.

### 6.5 Progress reports

Member States will submit a narrative and financial report annually to the Facility Support Unit for projects/programmes with a duration exceeding a year. The Facility Support Unit will in turn prepare progress reports to be submitted ahead of each Steering Committee meeting to allow for monitoring of overall progress. In addition, interim narrative and financial reports will have to be submitted with each fund release (tranches) request (Annex 6, Appendix VI).

The narrative and financial report is to be structured in line with the agreed Performance Assessment Framework (PAF) and report against the achievement of the agreed progress indicators and final targets.
6.6 Release of funds

An initial payment of 30% of the agreed implementation plan/project budget will be made upon signature of the Financing Agreement. Subsequent payments will be made based on the assessment of achievements made (as reported in the regular technical and financial reports and through submission of Sources of Verification) against the benchmarks and indicators included in the agreed Performance Assessment Framework (PAF) for each Financing Agreement. Payments will be calculated as a percentage of the agreed budget, corresponding to the percentage of achievement against the agreed indicators.

In the case of countries implementing under budget support modality, the Facility Support Unit will monitor progress made in terms of achieving the agreed indicators, benchmarks, milestones and deliverables. The Unit will assess the narrative and financial reports submitted with each request for tranche release and forward the request to the EU Delegation in Botswana (via the SADC Secretariat) for an initial assessment and eventual onward transmission to EU DEVCO headquarters. Based on the EU Delegation's transmission, the DEVCO relevant directorate will make an assessment of the appropriateness of releasing payments. This assessment will be informed by the eligibility criteria used by the European Commission for its budget support operations. Actual disbursements will be made by the SADC Secretariat after receiving the approval of the EU DEVCO Geographical Director.

In the case of countries using project based support, the Facility Support Unit will monitor progress made in terms of achieving the agreed indicators, benchmarks, milestones and deliverables. The Unit will assess the narrative and financial reports submitted with each request for tranche release and transmit the reports with their recommendation to the TIFI Director for approval. Following the approval, the SADC Secretariat executes the disbursement to the concerned SADC Member State.

7. COMMUNICATION AND VISIBILITY

The FSU Manager will be tasked with the development and implementation of a coherent and appropriate communication and visibility plan such that visibility forms part of all the activities undertaken and/or supported by the TRF.

Procured equipment will bear SADC and EU logos (and, where applicable, other donors to the TRF). These measures will comply with the rules laid down and published by the Commission on the visibility of external operations.

SADC and Member States shall take all appropriate measures to publicise TRF activities. Information given to the press, the beneficiaries of the action, all related publicity material, official notices, reports and publications shall acknowledge the fact that implementation was carried out with funding from the EU (and other donors where applicable).
Annex 1 - Call for Applications

Trade Related Facility

A. CALL FOR APPLICATIONS

The SADC Trade Related Facility (TRF) is seeking applications from SADC Member States for programmes/projects to assist them implement commitments made under the SADC Protocol on Trade (STP) and the Economic Partnership Agreements (EPA) between SADC EPA States and the European Union (EU).

The STP Window seeks to ensure a higher level of compliance and implementation of commitments taken by SADC Member States under the Protocol on Trade. The EPA Window seeks to facilitate effective implementation and monitoring of the SADC-EU EPA with a view to enhance its potential benefits, particularly in terms of improved trade with the European Union.

Eligible Member States can apply for funding under the STP Window or EPA Window. A combined application can also be submitted.

Who can apply?

- All SADC Member States that had signed and ratified the STP at the time the TRF Programme was formulated, in this case Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Tanzania, Swaziland, Zambia and Zimbabwe.
- All SADC Member States that belong to the SADC-EU EPA group and have finalized negotiations with the EU, being Botswana, Lesotho, Mozambique, Namibia and Swaziland. South Africa is not included as it is benefitting under a separate arrangement with the EU.

What can be funded?

Projects and activities aimed at fulfilling commitments made under the SADC Protocol on Trade and the EPA between the EU and SADC EPA Group.

Detailed information about the project can be found on the SADC website www.sadc.int or you can contact the Facility Support Unit at the following address:

Project Manager TRF Facility Support Unit, SADC Secretariat, Plot 54353, CBD Masa Tower, 3rd Floor, Unit 3B, P.O. Box 72 AAH, Gaborone, Botswana

Email address: ghope@sadc.int
The Call for Applications will remain open until 16 January 2017, which is the final deadline for submission of applications. Member States may submit applications at any moment in time. Evaluation of applications will start after the cut-off dates included in the Indicative Calendar for the TRF Call for Applications as indicated in this Call for Applications.

**Indicative Calendar for the Trade Related Facility Call for Applications**

Member States will be allowed to submit applications based on three (3) deadlines, following the issuance of a Call for Applications as provided for in the Calendar below. The first-cut off date is by 29 February 2016, leading to signature of the Financing Agreement and commencement of implementation by 27 May 2016 (in case of project-based support countries) or by 8 July 2016 (in case of budget-support countries). Should a Member State not be ready to submit an application to meet the first deadline, the application can then be submitted before the next deadline. The final deadline for submission of applications will be 16 January 2017 so as to meet the D+3 rule which provides that all TRF contracts should be concluded by the 28 July 2017. All TRF projects must be completed by 30 September 2019.

<table>
<thead>
<tr>
<th>Process/step in procedure</th>
<th>Timeframe (working days)</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Submit applications by MS</td>
<td>(latest by) cut-off date</td>
<td>29/02/16 22/07/16 16/01/17</td>
</tr>
<tr>
<td>2 Administrative evaluation (FSU)</td>
<td>+ max. 5 days</td>
<td>07/03/16 29/07/16 23/01/17</td>
</tr>
<tr>
<td>3 Notify MS on administrative evaluation (FSU)</td>
<td>+ max. 2 days</td>
<td>09/03/16 02/08/16 25/01/17</td>
</tr>
<tr>
<td>4 Technical evaluation (Evaluation Committee)</td>
<td>+ max. 15 days</td>
<td>30/03/16 23/08/16 15/02/17</td>
</tr>
<tr>
<td>5 Complete evaluation report &amp; submit to SC members (FSU)</td>
<td>+ max. 2 days</td>
<td>01/04/16 25/08/16 17/02/17</td>
</tr>
<tr>
<td>6 Meeting of Steering committee</td>
<td>+ max. 10 days</td>
<td>15/04/16 08/09/16 03/03/17</td>
</tr>
<tr>
<td>7 Complete final report SC (incl. electronic 'no objection' and signature by chair; FSU)</td>
<td>+ max. 5 days</td>
<td>22/04/16 15/09/16 10/03/17</td>
</tr>
<tr>
<td>8 Notify MS on outcomes/decisions SC: application rejected/application accepted/application submitted to EUD for verification on use of Submit applications to EUD where budget support modality is proposed (FSU), for</td>
<td>+ max. 5 days</td>
<td>29/04/16 22/09/16 17/03/17</td>
</tr>
<tr>
<td></td>
<td>Description</td>
<td>Timeframe</td>
</tr>
<tr>
<td>---</td>
<td>----------------------------------------------------------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>9</td>
<td>Signature Financing Agreement SADC-MS &amp; start implementation (SADC Secretariat/MS)</td>
<td>+ max. 20 days</td>
</tr>
<tr>
<td>10</td>
<td>EU endorsement to SC approvals of applications under budget support modality (EUD)</td>
<td>+ max. 25 working days</td>
</tr>
<tr>
<td>11</td>
<td>Notification to MS on applications under budget support modality (FSU)</td>
<td>+ max. 5 working days</td>
</tr>
<tr>
<td>12</td>
<td>Signature Financing Agreement SADC – MS &amp; start implementation under budget support modality (SADC Secretariat/MS)</td>
<td>+ max. 20 working days</td>
</tr>
</tbody>
</table>

**CONTRACTING DEADLINE (TRF): 28/07/2017**
### B. TEMPLATE FOR REQUEST FOR TECHNICAL ASSISTANCE

<table>
<thead>
<tr>
<th>Member State</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Name and contact address of TRF Focal Point</td>
<td></td>
</tr>
<tr>
<td>Name of Agency responsible for the implementation of the intervention</td>
<td></td>
</tr>
</tbody>
</table>
| For which window do you intend to submit an application? | ☐ SADC Trade Protocol Window  
☐ EPA Window  
☐ Both windows (combined application) |
| Specify intervention area(s) to be supported | Area: |
| Briefly describe the issues/gaps to be addressed by the application. |  |
| Outline the expected outcomes/outputs of the project to be developed. |  |
| Please identify specific activities to be undertaken by the technical assistance |  |
| Signature: | Date: |
The Trade Related Facility (TRF) is seeking project applications from eligible SADC Member States to help them implement the commitments they made under the SADC Protocol on Trade and / or the SADC-EU Economic Partnership Agreement.

Eligible SADC Member States are required to submit an application package, which should include:

(i) A Completed Application Form; and
(ii) Any other supporting documents.

Applications must be submitted to:

Project Manager  
TRF Facility Support Unit, SADC Secretariat  
Plot 54353, CBD Masa Tower, 3rd Floor, Unit 3B  
P.O.Box 72 AAH, Gaborone, Botswana  
E-mail address: ghope@sadc.int
### SECTION 1: SUMMARY INFORMATION

<table>
<thead>
<tr>
<th>Application/Project Title</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Thematic (Intervention) Area</td>
<td></td>
</tr>
<tr>
<td>Member State</td>
<td></td>
</tr>
<tr>
<td>Ministry in Charge</td>
<td></td>
</tr>
<tr>
<td>Programme/Project Duration</td>
<td></td>
</tr>
<tr>
<td>Total Programme/Project Cost</td>
<td></td>
</tr>
<tr>
<td>TRF funding Sought</td>
<td></td>
</tr>
</tbody>
</table>

**Window this application is being submitted for (please tick)**

| SADC Protocol on Trade Window  | Yes ☐ | No ☐ |
| E.P.A. Protocol on Trade Window| Yes ☐ | No ☐ |
| Combined application to both windows | Yes ☐ | No ☐ |

Date of submission

For official use only:

Date received

Reference No.
### SECTION 2: DETAILS OF THE APPLICANT

| Name of organization |  
|----------------------|---|
| Type of organization |  
| Address |  
| Website |  
| **TRF Focal Point (Contact Office)** | Ministry:  
| | Department:  
| | Name of contact person:  
| | Position:  
| | E-mail:  
| | Telephone:  
| | Fax:  
| **Accounting Officer** | Ministry:  
| | Department:  
| | Name of contact person:  
| | Position:  
| | E-mail:  
| | Telephone:  
| | Fax:  

<table>
<thead>
<tr>
<th>Authorised contract signatory</th>
<th>Ministry:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Department:</td>
</tr>
<tr>
<td></td>
<td>Name of contact person:</td>
</tr>
<tr>
<td></td>
<td>Position:</td>
</tr>
<tr>
<td></td>
<td>E-mail:</td>
</tr>
<tr>
<td></td>
<td>Telephone:</td>
</tr>
<tr>
<td>Fax:</td>
<td></td>
</tr>
</tbody>
</table>

Name of Partner, subcontractors and associates that will be involved in the implementation of the Action, if any.

2.1 Provide a brief profile of the organization (and partners) proposing the activities /project, including previous experience of the applicant and partners in similar activities/projects and mandate of the applicant to apply for financial support.

SECTION 3: COUNTRY’S OVERALL TRADE AND REGIONAL INTEGRATION STRATEGY

3.1 Provide the country’s economic context, focusing on economic/trade performance.

3.2 Elaborate the country’s national trade/development strategy.

3.3 Elaborate the country’s medium to short-term strategic vision with regard to SADC regional integration, bearing in mind the revised SADC Regional Indicative Strategic Development Plan (RISDP), and specifically highlighting critical implementation challenges being encountered.

3.4 Provide an analysis of the country’s implementation of the commitments under the SADC Protocol on Trade and/or the SADC-EPA, highlighting the challenges/obstacles faced, and possible strategies to overcome such challenges.

3.5 Has the country submitted a similar application under the COMESA Regional Integration Support Mechanism (RISM) programme or the equivalent EU-funded EAC programme? If yes, please provide details (date of submission; details of application; status of implementation (pending, completed, ongoing, etc.)); please equally provide relevant information on other parallel programmes implemented at regional/national level that complement the present application.
SECTION 4: DESCRIPTION OF THE ACTION

4.1 Describe the current/baseline situation, highlighting implementation challenges/deficits in identified priority areas eligible for support under the TRF with respect to implementation of SADC Protocol on Trade and/or EPA commitments.

4.2 Describe the specific actions/plans (for which SADC TRF funding is being requested), to address the challenges and gaps identified in priority area(s).

4.3 Provide the overall and specific objectives as well as expected results and impact of the proposed intervention(s).

4.4 Provide a Performance Assessment Framework (against the strategy/plans/actions to be implemented), including details of the current baseline, key progress indicators for achieving the overall and specific objectives as well as final targets and relevant Sources of Verification (SoV).

*Note that this Performance Assessment Framework (PAF) is subject to discussion and agreement at the time of signature of the Financing Agreement and will form the basis for the calculation of the release of corresponding payments.*

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Progress Indicator</th>
<th>Baseline (month, year)</th>
<th>Interim Target/Milestone (Month, year)</th>
<th>Final Target</th>
<th>SOURCES of VERIFICATION (SoV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example:</td>
<td>% NTBs removed</td>
<td>20% of reported NTBs removed</td>
<td>50% of reported NTBs removed by December 2016</td>
<td>100% of reported NTBs removed by December 2017</td>
<td></td>
</tr>
</tbody>
</table>

4.5 Provide a brief summary of the anticipated key outputs and key indicators for achieving the outputs?

<table>
<thead>
<tr>
<th>Period</th>
<th>Duration</th>
<th>Outputs</th>
<th>Key indicators for achieving the outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 4</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.6 Describe the flow of activities for each output, indicating the beginning and end date (required for project-based support applications).

<table>
<thead>
<tr>
<th>Output</th>
<th>Activities</th>
<th>Period (from month, year – to month, year)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.7 Provide a costed implementation plan of the overall strategy under implementation in Euro, which should be sufficiently detailed to allow for appreciation of resources required for interventions financed with TRF financial support (required for budget support applications).

4.8 Provide a results-based budget in EUR and detailed work plan (required for project-based support applications. Templates for guidance can be downloaded at www.sadc.int/TIFI)

4.9 Provide a proposal for tranches to be released during the implementation lifetime of the application, as well as corresponding targets/indicators to be achieved to trigger release of the tranches. Achievement of targets/indicators will need to be proven through submission of agreed Sources of Verification (SoV).

Please note that this payment schedule will be subject to negotiation at the time of signature of the Financing Agreement.

SECTION 5: ADDITIONAL INFORMATION

5.1 Describe programme / project implementation arrangements, specifically related to management, monitoring and evaluation arrangements.

5.2 Elaborate the extent of stakeholders’ involvement in the design and implementation of such plans and activities, including the role of Non State Actors.

5.3 Identify the possible risks and assumptions as well as risk and mitigation strategies, including sustainability issues.

5.4 Provide any further information/documents relevant to this application.
### Annex 3 – Evaluation Grid

#### Trade Related Facility

#### EVALUATION GRID

<table>
<thead>
<tr>
<th>Section I: Administrative Evaluation</th>
<th>Circle the relevant</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I Eligibility of the applicant</strong></td>
<td></td>
</tr>
<tr>
<td>1. Is the Member State a fully paid member of SADC?</td>
<td>Yes</td>
</tr>
<tr>
<td>2. Is the Member State a signatory to the Cotonou Agreement?</td>
<td>Yes</td>
</tr>
<tr>
<td>3. Has the Member State appointed a TRF Focal Point?</td>
<td>Yes</td>
</tr>
<tr>
<td>4. Has the Member State appointed an Accounting Officer?</td>
<td>Yes</td>
</tr>
<tr>
<td>(relevant to SADC Protocol on Trade window)</td>
<td></td>
</tr>
<tr>
<td>5. Has the Member State ratified the STP?</td>
<td>Yes</td>
</tr>
<tr>
<td>(only relevant for the EPA window)</td>
<td></td>
</tr>
<tr>
<td>6. Has the Member State signed the SADC-EU EPA?</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>II Eligibility of the application</strong></td>
<td></td>
</tr>
<tr>
<td>1. Is the application submitted on time (i.e. before cut-off date/time)?</td>
<td>Yes</td>
</tr>
<tr>
<td>2. Is the required application form format used?</td>
<td>Yes</td>
</tr>
<tr>
<td>3. Does the application package include all the required supporting documents? (budget, work plan, performance assessment framework, underpinning strategy etc.)</td>
<td>Yes</td>
</tr>
<tr>
<td>4. Is the application submitted by a government institution/entity?</td>
<td>Yes</td>
</tr>
<tr>
<td>5. Is the application signed by the Authorized Signatory/TRF Focal Point?</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Proceed to section III if all the answers to the above questions are Yes. Reject if any of the answers is No.

Signature of Facility Support Unit Manager:

<table>
<thead>
<tr>
<th>Section III: Technical Evaluation</th>
<th>Score</th>
<th>Max. possible</th>
</tr>
</thead>
</table>
1. Relevance of the application: please provide scores to one of the 3 questions below based on the window the application is submitted under:

<table>
<thead>
<tr>
<th>Question</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a. How relevant is the project in the fulfilment of commitments under the SADC Protocol on Trade and regional integration? (only for applications under the STP window)</td>
<td>20</td>
</tr>
<tr>
<td>1b. How relevant is the application in the fulfilment of the commitments under the SADC-EU EPA and trade with the EU? (only for applications under the EPA window)</td>
<td>20</td>
</tr>
<tr>
<td>1c. How relevant is the application in the fulfilment of the commitments under the SADC Protocol on Trade and SADC-EU EPA? (only for applications under both windows simultaneously)</td>
<td>20</td>
</tr>
</tbody>
</table>

2. Does the proposed intervention sufficiently address the identified gap? 10

3. Are the proposed objectives [overall objective, purpose (specific objective) and results] clear and logical and are activities well defined and in support of the objectives; do they address clearly identified needs and problems? 20

4. Do the objectives, results and activities match with the proposed budget and are they realistic within the proposed timeframe (i.e. are they not over ambitious)? 10

5. Is the project aligned to a national strategy? And how does it address the needs identified in that strategy? 10

6. What level of commitment has been shown? 10

8. How credible and realistic is the budget? 20

9. Are the project indicators, milestones and deliverables clear, realistic and measurable? 20

10. Are the activities clear, logical and coherent? 10

11. Has the project impact been well-defined and is it overall positive in relation to the baseline situation? 10

12. How clear and credible is the proposed methodology in achieving the desired results? 10

13. How involved are the stakeholders in the project design/implementation and how clear are the stakeholders’ roles? 10

14. Have Non State Actors been involved in the identification of activities in the application? Are Non State Actors proposed to be engaged in the implementation/monitoring/evaluation of the activities in the application? 10
<table>
<thead>
<tr>
<th>Question</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>15. Have the project risks and assumptions been clearly identified? Are adequate risk mitigation strategies identified?</td>
<td>10</td>
</tr>
<tr>
<td>16. Have the elements supporting future sustainability been properly analysed and taken into account?</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total score achieved (in points)</strong></td>
<td>200</td>
</tr>
<tr>
<td><strong>Score in Percentage [Total points achieved/Total possible score (200)] * 100</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Comments by the Evaluator on the complementarity with other actions at national/regional level – has the applicant shown complementarity with other ongoing interventions and how is overlap of activities addressed?</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Overall comments by the Evaluator:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Evaluator assessment:</strong></td>
<td></td>
</tr>
<tr>
<td>1. Recommend for funding</td>
<td></td>
</tr>
<tr>
<td>2. Propose adjustments and revision to applicant</td>
<td></td>
</tr>
<tr>
<td>3. Reject</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
1= Forward to Steering Committee for adjudication
2= State areas to be revised
3= Provide reasons for rejecting the application
DECLARATION OF OBJECTIVITY AND IMPARTIALITY

APPLICATIONS CUT-OFF DATE:

TITLE OF APPLICATION:

I, the undersigned, hereby declare and affirm, that I will comply with the following:

1. I agree to participate in the evaluation of the above-mentioned application. I confirm that I have taken the appropriate steps to familiarize myself with the information available to date concerning this application.

2. I shall execute my responsibilities on this Committee in an honest, objective and impartial manner.

3. I declare that, to my knowledge, I have no conflict of interest with any of the parties stated in the application.

4. I confirm that, if I discover during the evaluation that such conflict exists or might exist, I shall declare it immediately to the chairperson of the evaluation committee. In the case that such conflict is confirmed by the chairperson, I agree to cease from participating in the evaluation committee.

5. I confirm that I have not participated in the design, identification, or preparation of the application being considered.

6. I undertake to use this information only in the context, and for the purposes of the evaluation.

Name:  
Title:  
Organisation and Department:  
Signature:  
Date:  

Trade Related Facility
Annex 5: Project Evaluation Report

Summary

<table>
<thead>
<tr>
<th>Project title</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total project budget (Euro)</td>
<td></td>
</tr>
<tr>
<td>Other contributors</td>
<td></td>
</tr>
<tr>
<td>Project Start Date</td>
<td></td>
</tr>
<tr>
<td>Project End Date</td>
<td></td>
</tr>
<tr>
<td>Member State</td>
<td></td>
</tr>
</tbody>
</table>

Introduction

A technical evaluation of the project titled (XXXXX) submitted by (MEMBER STATE) was undertaken on (DATE) in Gaborone Botswana. In line with requirements of the Operational Guidelines, an Evaluation Panel comprising the following officials was constituted:

Chairperson ......................................................
Member ..............................................................
Member ..............................................................
Member ..............................................................
Secretariat ..........................................................

This report details the results of the technical evaluation of the project.

1. Technical Evaluation

(a) Background of the project and Problem Analysis

To provide a background of the project and a description of the action that has been submitted for funding under the TRF. This will be extracted from the Application Form. The action should also outline previous or existing interventions to address the gaps/problem and indicate planned interventions and project implementation methodology.

A case for TRF funding should also be made in this section.

(b) Relevance against regional integration commitments

a) Relevance of the application: The following points will be assessed:

   (i) How relevant is the project in the context of regional integration? (only for applications under the STP window)
(ii) How relevant is the application in the context of trade with the EU? (only for applications under the EPA window)

(iii) How relevant is the application in the context of regional integration and trade with the EU? (only for applications under both windows simultaneously)

(iv) Has the gap analysis been sufficiently done?

(v) Is the project aligned to a national strategy?

(c) Project Strengths and weaknesses

This provides a qualitative assessment of the project based on its relevance to the SADC regional economic integration agenda (as represented by the intermediate outcomes to which the TRF programme contributes), contribution to the beneficiary country’s progress in implementing its STP/EPA commitments, quality of project design and adequacy of implementation arrangements including robustness of project results framework.

(i) Project Technical score

This is the aggregate total of the scores as allocated against each technical criterion in the evaluation forms used by the evaluators.

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<tr>
<th>Evaluator</th>
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(ii) Recommendation

The recommendation of the evaluation committee clearly indicates if a project should be recommended, deferred or rejected.

Done in Gaborone, on <insert date>

Signature of Evaluation Committee Chairperson: 

Annexes:

- evaluation reports as established by individual evaluators; and
- application as submitted by Applicant Member State
FINANCING AGREEMENT {Draft to be negotiated}
- SADC TRADE RELATED FACILITY -
  <Financing Agreement identification number >
  (the ‘Agreement’)

The Southern African Development Community
Plot 54385, CDB Square, Private Bag 0095, Gaborone
referred to as the "Contracting Authority"

and

<Full name of SADC Member State as mentioned in the application>

of the other part,

have agreed as follows:
Special conditions

Article 1 — Purpose

1.1 The purpose of this Financing Agreement is to provide financial support by the Contracting Authority to finance the implementation of the project entitled: <title of the Application> (the Action) described in Appendix I.

1.2 The Beneficiary(ies) shall be provided the financial support on the terms and conditions set out in this Agreement, which consists of these special conditions (the ‘Special Conditions’) and the appendices, which the Beneficiary(ies) hereby declares it has noted and accepted.

1.3 The Beneficiary(ies) accepts the financial support and undertakes to be responsible for carrying out the Action.

Article 2 — Implementation period of the Action

2.1 This Financing Agreement shall enter into force on the date when the second of the two Parties signs.

2.2 Implementation of the Action shall begin on:

choose one of the following:

- <the day following that on which the second of the two Parties signs>
- <a later date (specify the date)>

2.3 The implementation period of the Action, as laid down in Appendix I, is <number of> months.

2.4 The execution period of this Financing Agreement shall end when the payment of the balance is made by the Contracting Authority and, in any event, at the latest 6 months after the end of the implementation period [insert date] as stipulated in Article 2.3 unless postponed in accordance with Article 11 of Appendix II.

Article 3 — Financing the Action

3.1 The total eligible costs are estimated at <EUR ...>. [The Action will be co-financed through (financial) contributions from ...].

3.2 The Beneficiary undertakes to reimburse SADC of any amounts paid, which do not meet conditions of eligibility under the Agreement and has been declared so by the Contracting Authority.

3.3 The Contracting Authority undertakes to finance a maximum amount of <EUR ...>.

Article 4 — Reporting and payment arrangements

4.1 Payments shall be made in accordance with Article 15 of Appendix II as set out in Article 15.1. Payments will be made in tranches and subject to the necessary criteria being met as articulated in Appendix 1 of this Financing Agreement:
Schedule of tranches

Initial pre-financing payment of EUR ... (equivalent to 30% of the Contracting Authority's contribution as specified in Article 3.2)

Interim payments will be made based on the provisions set out in Appendix I of the Financing Agreement and will be determined based on percentage achievement of the indicators/targets agreed in the Performance Assessment Framework and verified through submission of Sources of Verification, attached to Appendix I of the current Agreement.

4.2 Narrative and Financial Reports shall be produced in support of payment requests in compliance with Articles 2 and 15.2 of Appendix II.

4.3 Narrative and Financial Reports shall be forwarded to the Contracting Authority every 12 month period where the implementation of this Agreement exceeds such a period.

Article 5 — Contact addresses

5.1 Any communication relating to this Financing Agreement shall be in writing, stating the number and title of the Action and be sent to the following addresses:

For the Contracting Authority

Payment requests and attached reports, including requests for changes to bank account arrangements shall be sent to:

Southern African Development Community
Plot 54385
CBD Square
Private Bag 0095
Gaborone
Botswana

For the attention of SADC TRF FSU

For the Beneficiary

<Name of the TRF Focal Point and Accounting officer representing the Beneficiary>

<address of the Beneficiary for correspondence>

<Telephone>

<Email>

Article 6 — Appendices

6.1 The following documents are appended to these Special Conditions and form an integral part of the Financing Agreement:

Appendix I: Description of the Action (Approved Application)

Appendix II: General Conditions applicable to Financing Agreement for the SADC Trade Related Facility

Appendix III: Budget for the Action (as included in the Approved Application)

Appendix IV: Contract-award procedures and Procurement Arrangements

Appendix V: Standard Request for Payment form

Appendix VI: Narrative and Financial Report template

Appendix VII: Expenditure Verification Report templates
6.2 In the event of a conflict between the provisions of the present Special Conditions and any appendix thereto, the Special Conditions shall take precedence. In the event of a conflict between the provisions of Appendix II and those of the other appendices, those of Appendix II shall take precedence.

**Article 7 — Other specific conditions applying to the Action**

7.1 The General Conditions are supplemented by the following:

7.1.1 The Responsibilities of the Nominated Accounting Officer for the TRF are as follows:

- **Proper stewardship of resources received from the SADC TRF through a Financial Agreement**
  - Funding received is spent with regularity, propriety and with due regard for value for money and for the purpose it was intended.
  - Compliance with the relevant Financial Regulation and Procurement Procedures of the member state or SADC Procurement Policies where stipulated in the agreement.
  - Compliance with any conditionality stated in the Agreement.

- **Promotion of good financial management so that the funds are properly safeguarded at all times and used appropriately, economically, efficiently and effectively**
  - Ensure that appropriate financial systems are in place which are transparent and have sufficient internal controls to safeguard TRF funds.
  - Preparation of Financial Reports required by the SADC TRF.
  - To conduct internal audit should there be concerns regarding the disbursement of TRF funds.
  - To facilitate external audits by providing financial statements, accounting records and documentation, upon the request of the Contracting Authority.
  - To reimburse SADC of any amounts paid, which do not meet conditions of eligibility under the Agreement and has been declared so by SADC.

Done in English in two originals: one original being for the Contracting Authority and one original being for the Beneficiary(ies).

**For the Beneficiary(ies)**

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APPENDIX I
Description of the Action

<Insert the Approved Application, including Performance Assessment Framework (with Sources of Verification) and workplan>
APPENDIX II
General Conditions applicable to the Financing Agreement for the SADC Trade Related Facility

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Article 5 - Confidentiality........................................................................................................4
Article 6 - Visibility .................................................................................................................4
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GENERAL AND ADMINISTRATIVE PROVISIONS

ARTICLE 1 - GENERAL OBLIGATIONS
1.1. The Beneficiary shall implement the Action under its own responsibility and in accordance with the Application in Appendix I with a view to achieving the objectives laid down therein.

1.2. The Beneficiary shall implement the Action with the requisite care, efficiency, transparency and diligence, in line with best practice in the field concerned and in compliance with this Agreement.

For this purpose the Beneficiary shall mobilise all the financial, human and material resources required for full implementation of the Action as specified in the Application.

1.3. The Beneficiary alone shall be accountable to the Contracting Authority for the implementation of the Action. It shall undertake that the conditions applicable to it under Articles 1, 3, 4, 5, 6, 7, 8, 10, 14, 16 and 17 shall also apply to its partners, and those applicable under Articles 1, 3, 4, 5, 6, 7, 8, 10 and 16 to all its contractors. It shall include provisions to that effect as appropriate in its contracts with them.

1.4. The Beneficiary and the Contracting Authority are the only parties to this Agreement.

ARTICLE 2 - OBLIGATION TO PROVIDE INFORMATION AND FINANCIAL AND NARRATIVE REPORTS

2.1. The Beneficiary must provide the Contracting Authority with all required information on the implementation of the Action. To that end, the Beneficiary must draw up interim reports and a final report. These reports shall consist of a narrative section and a financial section and shall conform to the model in Appendix VI. They shall cover the Action as a whole, regardless of which part of it is financed by the Contracting Authority. Each report must provide a full account of all aspects of the Action's implementation for the period covered.

2.2. The Contracting Authority may request additional information at any time and that information must be supplied within 30 days of the request.

2.3. The reports shall be drafted in English. They shall be submitted to the Contracting Authority according to the Article 4.2 of the Special Conditions. Interim narrative and financial reports must accompany every request for payment;

The final report shall be forwarded no later than three months after the end of the implementation period as defined in Article 2 of the Special Conditions.

2.4. Any additional reporting requirement shall be set out in the Special Conditions.

2.5. If the Beneficiary fails to supply the Contracting Authority with a final report by the final report deadline laid down in Article 2.3 of the Special Conditions, and fails to furnish an acceptable and sufficient written explanation of the reasons why it is unable to comply with this obligation, the Contracting Authority may terminate the Agreement in accordance with Article 12.2 a) and recover the amounts already paid and not substantiated.

ARTICLE 3 - LIABILITY

3.1. The Contracting Authority cannot under any circumstances or for any reason whatsoever be held liable for damage or injury sustained by the staff or property of the Beneficiary while the Action is being carried out or as a consequence of the Action. The Contracting Authority cannot therefore accept any claim for compensation or increases in payment in connection with such damage or injury.
3.2. The Beneficiary shall assume sole liability towards third parties, including liability for damage or injury of any kind sustained by them while the Action is being carried out or as a consequence of the Action. The Beneficiary shall discharge the Contracting Authority of all liability arising from any claim or Action brought as a result of an infringement by the Beneficiary or the Beneficiary's employees or individuals for whom those employees are responsible of rules or regulations, or as a result of violation of a third party's rights.

ARTICLE 4 - CONFLICT OF INTERESTS

4.1 The Beneficiary undertakes to take all necessary precautions to avoid conflicts of interests and shall inform the Contracting Authority without delay of any situation constituting or likely to lead to any such conflict.

4.2 There is a conflict of interests where the impartial and objective exercise of the functions of any person under this Agreement is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with another person.

ARTICLE 5 - CONFIDENTIALITY

Subject to Article 16, the Contracting Authority and the Beneficiary undertake to preserve the confidentiality of any document, information or other material communicated to them in confidence until at least seven years after the final payment. Where the European Commission is not the Contracting Authority it shall still have access to all documents communicated to the Contracting Authority and shall maintain the same confidentiality.

ARTICLE 6 - VISIBILITY

Unless the European Commission agrees or requests otherwise, the Beneficiary must take all necessary steps to publicise the fact that the European Union has financed or co-financed the Action. Such measures must comply with the Communication and Visibility Manual for EU External Actions laid down and published by the European Commission, that can be found at: http://ec.europa.eu/europeaid/work/visibility/documents/communication_and_visibility_manual_en.pdf.

ARTICLE 7 - OWNERSHIP/USE OF RESULTS AND ASSETS

7.1. Ownership of, and title and intellectual and industrial property rights to, the Action's results, reports and other documents relating to it shall be vested in the Beneficiary.

7.2. Notwithstanding the provisions of Article 7.1 and subject to Article 5, the Beneficiary grants the Contracting Authority and the European Commission the right to use freely and as it sees fit all documents deriving from the Action, other than those reports referred to in Article 2, whatever their form, provided it does not thereby breach existing industrial and intellectual property rights.

ARTICLE 8 – EVALUATION/MONITORING OF THE ACTION

8.1. If the Contracting Authority and/or the European Commission carries out an interim or ex post evaluation or a monitoring mission, the Beneficiary shall undertake to provide it and/or the persons authorised by it with any document or information which will assist with the evaluation or monitoring mission, and grant them the access rights described in Article 16.2.

8.2. If either party (or the European Commission) carries out or commissions an evaluation in the course of the Action, it must provide the other party and the European Commission (or the Parties) with a copy of the evaluation report.
ARTICLE 9 - AMENDMENT OF THE AGREEMENT

9.1. Any amendment to the Agreement, including the appendices thereto, must be set out in writing in an addendum. This Agreement can be modified only during its execution period. If an amendment is requested by the Beneficiary, it must submit that request to the Contracting Authority thirty days before the date on which the amendment should enter into force, unless there are special circumstances duly substantiated by the Beneficiary and accepted by the Contracting Authority.

9.2. However, where the amendment to the Budget or Description of the Action does not affect the basic purpose of the Action and the financial impact is limited to a transfer between items within the same main budget heading including cancellation or introduction of an item, or a transfer between main budget headings involving a variation of 15% or less of the amount originally entered (or as modified by addendum) in relation to each concerned main heading for eligible costs, the Beneficiary may amend the budget and inform in writing without delay the Contracting Authority accordingly. Changes of address or, bank account may simply be notified, although this does not stop the Contracting Authority from opposing the Beneficiary's choice of bank account.

9.3. An addendum may not have the purpose or the effect of making changes to the Agreement that would call into question the award decision or be contrary to the equal treatment of applicants. The maximum financial support referred to in Article 3.2 of the Special Conditions may not be increased.

ARTICLE 10 - ASSIGNMENT

The Agreement and the payments attached to it may not be assigned to a third party in any manner whatsoever without the prior written consent of the Contracting Authority.

ARTICLE 11 - IMPLEMENTATION PERIOD OF THE ACTION, EXTENSION, SUSPENSION, FORCE MAJEURE AND END DATE

11.1. The implementation period of the Action is laid down in Article 2 of the Special Conditions. The Beneficiary must inform the Contracting Authority without delay of any circumstances likely to hamper or delay the implementation of the Action. The Beneficiary may request an extension of the Action's implementation period in accordance with Article 9. The request must be accompanied by all the supporting evidence needed for its appraisal.

11.2. The Beneficiary may suspend implementation of all or part of the Action if circumstances (chiefly force majeure) make it too difficult or dangerous to continue. The Beneficiary must inform the Contracting Authority without delay and provide all the necessary details. Each party may terminate the Agreement in accordance with Article 12.1. If the Agreement is not terminated, the Beneficiary shall endeavour to minimise the time of its suspension and shall resume implementation once circumstances allow, and shall inform the Contracting Authority accordingly.

11.3. The Contracting Authority may request the Beneficiary to suspend implementation of all or part of the Action if circumstances (chiefly force majeure) make it too difficult or dangerous to continue. Each party may terminate the Agreement in accordance with Article 12.1. If the Agreement is not terminated, the Beneficiary shall endeavour to minimise the time of its suspension and shall resume implementation once circumstances allow, after obtaining the prior written approval of the Contracting Authority.

3 Budget headings as per approved budget for the Action.
11.4. The implementation period of the Action shall be extended by a period equivalent to the length of suspension, without prejudice to any amendment to the Agreement that may be necessary to adapt the Action to the new implementing conditions.

11.5 In case a country that has signed a Financing Agreement under the budget support implementation modality becomes no longer eligible for EU budget support, all activities undertaken will immediately be subject to ex ante approval by the Contracting Authority and undertaken in line with the SADC Financial Rules and Regulations. The Contracting Authority will immediately launch an ad-hoc procurement and financial systems assessment and subsequently amend the Financing Agreement with the outcomes of the procurement and financial systems assessment to reflect the change to project-based support and ensure compliance with the SADC Financial Rules and Regulations.

11.6. Force majeure shall mean any unforeseeable exceptional situation or event beyond the parties’ control which prevents either of them from fulfilling any of their contractual obligations, is not attributable to error or negligence on their part (or the part of their subcontractors, agents or employees), and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure. A party shall not be held in breach of its contractual obligations if it is prevented from fulfilling them by force majeure. Without prejudice to Articles 12.2 and 12.4, the party faced with force majeure shall inform the other party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage.

11.7. The payment obligations of the Contracting Authority under this Agreement shall end 6 months after the implementation period laid down in Article 2 of the Special Conditions, unless the Agreement is terminated under Article 12. The Contracting Authority shall notify the Beneficiary of any postponement of the end date.

ARTICLE 12 - TERMINATION OF THE AGREEMENT

12.1. If a party believes that the Agreement can no longer be executed effectively or appropriately, it shall consult the other party. Failing agreement on a solution, either party may terminate the Agreement by serving two months’ written notice, without being required to pay compensation.

12.2. The Contracting Authority may terminate the Agreement, by giving a seven day notice and without paying compensation of any kind:

a) where the Beneficiary fails, without justification, to fulfil any of the obligations incumbent on it and, after being given notice by letter to comply with those obligations, still fails to do so or to furnish a satisfactory explanation within 30 days of sending of the letter;

b) where the Contracting Authority has evidence on the Beneficiary or any related entity or person, of grave professional misconduct; this also applies to partners and agents of the Beneficiary;

c) where the Contracting Authority has evidence on the Beneficiary or any related entity or person, of fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the Contracting Authorities’ financial interests; this also applies to partners and agents of the Beneficiary;

d) where the Beneficiary does not comply with Articles 4, 10 and 16;

e) where the Beneficiary makes false or incomplete statements to obtain the funding provided for in the Agreement or provides reports that do not reflect reality;
f) where the Contracting Authority has evidence on the Beneficiary or any related entity or person, of substantial errors, irregularities or fraud in the award procedure or the performance of the action; this also applies to partners and agents of the Beneficiary;

12.3. In the event of termination the Beneficiary shall be entitled to payment of funds only for the part of the Action carried out, excluding costs connected with current commitments that would be implemented after termination. For this purpose the Beneficiary shall introduce a payment request and a final report in accordance with Article 2.

12.4. However, in the event of termination of the Agreement by the Beneficiary under the cases specified in points c) and e) of Article 12.2, the Contracting Authority may request full or partial repayment of sums already paid from the agreement, in proportion to the gravity of the failings in question and after allowing the Beneficiary to submit its observations.

12.5. Prior to, or instead of, terminating the Agreement as provided for in this Article, the Contracting Authority may suspend payments as a precautionary measure without prior notice.

12.6. This Agreement shall be terminated automatically if it has not given rise to any payment by the Contracting Authority within 18 months of its signature.

ARTICLE 13 - APPLICABLE LAW AND DISPUTE SETTLEMENT

13.1. This Agreement shall be governed by the laws of Botswana.

13.2. The Parties shall do everything possible to settle amicably any dispute arising between them during implementation of this Agreement. To that end, they shall communicate their positions and any solution that they consider possible in writing, and meet each other at either's request. A party must reply to a request for an amicable settlement within 30 days. Once this period has expired, or if the attempt to reach amicable settlement has not produced agreement within 120 days of the first request, each party may notify the other that it considers the procedure to have failed.

13.3. In the event of failure to reach an amicable agreement, the dispute may by common agreement of the Parties be submitted to the conciliation of the European Commission. If no settlement is reached within 120 days of the opening of the conciliation procedure, each party may notify the other that it considers the procedure to have failed.

13.4. In the event of failure of the above procedures, each party may submit the dispute to the courts of Botswana.

FINANCIAL PROVISIONS

ARTICLE 14 - ELIGIBLE EXPENDITURES

14.1. To be eligible, expenditure must be:

a) necessary for the execution of the actions foreseen in the project
b) mentioned in the budget of the project
c) incurred during the implementation period of the project [insert date]. An exception is made for costs relating to final reports, including expenditure verification, audit and final evaluation of the Action, which may be incurred after the implementation period of the Action.
d) financially executed by the Beneficiary of the financing agreement
e) identifiable, verifiable and being recorded in the accounting records of the Beneficiary in accordance with the applicable accounting standards of the country where the Beneficiary is established and the Beneficiary's usual cost accounting practices.
f) costs incurred should be paid before the submission of the final reports. They may be paid afterwards, provided they are listed in the final report together with the estimated date of payment.

14.2. Types of authorised expenditure: The types of expenditure that can be financed within the Agreement include in particular:
- service contracts;
- supply contracts;
- works contracts;
- additional staff costs such as the wages, salaries and allocations of staff recruited for the project shall be provided for in line with costs normally borne by the Beneficiary;
- administrative expenditure such as the rent of offices and houses, supplies, vehicle costs, mission and travel expenses, per diems, etc.;
- Bank charges of operations linked to implementation of the project

14.3. The following costs shall not be considered eligible:
- debts and debt service charges;
- provisions for losses or potential future liabilities;
- interest owed;
- costs declared by the Beneficiary and covered by another Project, project or work programme;
- purchases of land or buildings, except where necessary for the direct implementation of the Project, in which case ownership must be transferred to the final beneficiaries and/or local partners, at the latest at the end of the Project;
- currency exchange losses;
- taxes, including VAT, unless the Beneficiary (or, where applicable, its partners) can show it cannot reclaim and the applicable regulations do not exclude coverage of taxes;
- credits to third parties, unless otherwise specified in the Special Conditions.

ARTICLE 15 - PAYMENT AND INTEREST ON LATE PAYMENT

15.1. Payment procedures are set out in Article 4 of the Special Conditions. The Contracting Authority shall make payment according to the schedule and conditions indicated in Article 4.1 of the Special Conditions and Appendix I to the Financing Agreement:

Option 1 Budget Support Approach

- within 35 working days, an advance of 30% of the overall budget for the costed implementation plan of the strategy submitted, shall be paid by the Contracting Authority upon signature of the Financing Agreement;
- within 35 working days by the Contracting Authority after the relevant chain of approval approving the interim report in accordance with Article 15.2, accompanied by a request for payment conforming to the model in Appendix V;
- the balance within 35 working days by the Contracting Authority after the relevant chain of approvals for the final report in accordance with Article 15.2, accompanied by: a request for payment of the balance conforming to the model in Appendix V.

Option 2: Project Approach

---

4 It should be noted that to the extent possible, existing structures and staff should be used for the implementation of the Financing Agreement; only where necessary and justifiable, can additional project-specific staff be recruited.
within 35 working days, an advance of 30% of the overall estimated contribution of the Contracting Authority to the results-based budget for the project shall be paid by the Contracting Authority, upon signature of the Financing Agreement;

• within 35 working days by the Contracting Authority after the relevant chain of approval approving the interim report in accordance with Article 15.2, accompanied by a request for payment conforming to the model in Appendix V;

• the balance within 35 working days by the Contracting Authority after the relevant chain of approvals for the final report in accordance with Article 15.2, accompanied by: a request for payment of the balance conforming to the model in Appendix V and an Expenditure Verification Report conforming to the model in Appendix VII.

15.2. Any report shall be considered approved:

Option 1: Budget Support Approach

If there is no written reply from the Contracting Authority within 50 working days of its receipt accompanied by the required documents. Approval of the reports shall not imply recognition of their regularity nor of the authenticity, completeness and correctness of the declarations and information they contain.

Sources of Verification (SoV) will need to be submitted to demonstrate achievement of progress indicators and targets. Where Sources of Verification are unclear or insufficient, the Contracting Authority shall suspend the release of the payment until such a time when the Beneficiary has submitted adequate and acceptable Sources of Verification. Failure to submit Sources of Verification will result in transfer of a reduced payment as per the agreed payment schedule in Appendix I of this Financing Agreement.

Option 2: Project Support Approach

If there is no written reply from the Contracting Authority within 35 working days of its receipt accompanied by the required documents. Approval of the reports shall not imply recognition of their regularity nor of the authenticity, completeness and correctness of the declarations and information they contain.

The Contracting Authority may suspend the time-limit for approval of a report by notifying the Beneficiary that the report cannot be approved and that it finds it necessary to carry out additional checks. Suspension shall take effect when the notification is sent by the Contracting Authority. In such cases, the Contracting Authority may request clarification, alteration or additional information, which must be produced within 30 days of the request. The time-limit starts running again on the date the required information is received.

Reports shall be presented in accordance with Article 2 of these General Conditions and Article 4.2 of the Special Conditions and shall accompany any payment request. The payment request shall be drafted using the model in Appendix V and shall be accompanied by an expenditure verification report as required by Article 15.7 of the General Conditions.

Sources of Verification (SoV) will need to be submitted to demonstrate achievement of progress indicators and targets. Where Sources of Verification are unclear or insufficient, the Contracting Authority shall suspend the release of the payment until such a time when the Beneficiary has submitted adequate and acceptable Sources of Verification. Failure to submit Sources of Verification will result in transfer of a reduced payment as per the agreed payment schedule in Appendix I of this Financing Agreement.
15.3. The time-limits for payment referred to in Article 15.1 above shall expire on the date on which the Contracting Authority's account is debited. Without prejudice to Article 12.6, the Contracting Authority may suspend this time-limit by notifying the Beneficiary that the request for payment is inadmissible, either because the amount in question is not due or because proper supporting documents have not been supplied or it thinks it is necessary to conduct further checks, including on-the-spot checks, to make sure that the expenditure is eligible. Suspension shall take effect when the notification is sent by the Contracting Authority. The time-limit for payment shall start running again on the date on which a correctly formulated request for payment is recorded.

15.4. Where the award procedure or performance of the Agreement is vitiated by substantial errors or irregularities or by fraud attributable to the Beneficiary, the Contracting Authority may withhold payments or may recover amounts already paid, in proportion to the seriousness of the errors, irregularities or fraud.

15.5. The Contracting Authority shall make payments in Euro.

15.6. All references to days in this Article 15 are to calendar days unless specified otherwise.

15.7. **Expenditure Verification Report**

Expenditure verification reports are only a requirement for Beneficiaries using the project-based support modality. The Beneficiary must provide an expenditure verification report based on TORs and templates in Appendix VII for:

- a) Any request for further pre-financing payment of 50% or more of the total contribution as specified in Article 3.2 of the Special Conditions;
- b) Any final report, related to the release of the final payment of the contribution specified in Article 3.2 of the Special Conditions.

**ARTICLE 16 - ACCOUNTS AND TECHNICAL AND FINANCIAL CHECKS**

16.1. The Beneficiary shall keep accurate and regular accounts of the implementation of the Action using an appropriate accounting and double-entry book-keeping system. These systems may either be an integrated part of the Beneficiary’s regular system or an adjunct to that system. This system shall be run in accordance with the accounting and bookkeeping policies and rules that apply in the country concerned. Accounts and expenditure relating to the Action must be easily identifiable and verifiable. This can be done by using separate accounts for the Action concerned or by ensuring that expenditure for the Action concerned can be easily identified and traced to and within the Beneficiary’s accounting and bookkeeping systems. Accounts must provide details of interest accruing on funds paid by the Contracting Authority.

The Beneficiary shall ensure that the financial report (both interim and final) as required under Article 2 can be properly and easily reconciled to the Beneficiary’s accounting and bookkeeping system and to the underlying accounting and other relevant records. For this purpose the Beneficiary shall prepare and keep appropriate reconciliations, supporting schedules, analyses and breakdowns for inspection and verification.

16.2. The Beneficiary shall allow any external auditor authorised by the Contracting Authority and European Commission to conduct a full audit, to give appropriate access to the supporting documents for the accounts, accounting documents and any other document relevant to the financing of the Action. These inspections may take place up to 7 years after the payment of the balance.
Documents must be easily accessible and filed so as to facilitate their examination and the Beneficiary must inform the Contracting Authority of their precise location.

16.3. In addition to the reports mentioned in Article 2, the documents referred to in Article 16.2 include:

- Accounting records (computerised or manual) from the Beneficiary’s accounting system such as general ledger, sub ledgers and payroll accounts, fixed assets registers and other relevant accounting information;
- Proof of procurement procedures such as tendering documents, bids from tenderers and evaluation reports;
- Proof of commitments such as contracts and order forms;
- Proof of delivery of services such as approved reports, time sheets, transport tickets (including boarding passes), proof of attending seminars, conferences and training courses (including relevant documentation and material obtained, certificates), etc;
- Proof of receipt of goods such as delivery slips from suppliers;
- Proof of completion of works, such as acceptance certificates;
- Proof of purchase such as invoices and receipts.
- Proof of payment such as bank statements, debit notices, proof of settlement by the contractor;
- For fuel and oil expenses, a summary list of the distance covered, the average consumption of the vehicles used, fuel costs and maintenance costs;
- Staff and payroll records such as contracts, salary statements, time sheets. For local staff recruited on fixed-term contracts, details of remuneration paid, duly substantiated by the person in charge locally, broken down into gross salary, social security charges, insurance and net salary.

16.4 All the supporting documents shall be available in the original form and in electronic form.

ARTICLE 17 - FINAL AMOUNT OF FINANCING BY THE CONTRACTING AUTHORITY

17.1. The total amount to be paid by the Contracting Authority to the Beneficiary may not exceed the maximum financial support laid down in Article 3.2 of the Special Conditions.

17.2. The Beneficiary accepts that the funding can under no circumstances result in a profit for itself and that it must be limited to the amount required to balance income and expenditure for the Action. Profit shall be defined as:

A surplus of actual receipts over the actual costs of the Action in question when the request is made for payment of the balance

17.3. In addition and without prejudice to the right to terminate the Agreement in accordance with Article 12.2, the Contracting Authority may, by a duly reasoned decision, if the Project is not implemented or is implemented poorly, partially or late, reduce the financial support initially provided for in line with the actual implementation of the Project on the terms laid down in this Agreement.

ARTICLE 18 - RECOVERY

18.1. The Beneficiary undertakes to repay any amounts paid in excess of the final amount due to the Contracting Authority in Euro within 45 days of the issuing of the debit note, the latter being the letter by which the Contracting Authority requests the amount owed by the Beneficiary.

18.2. Amounts to be repaid to the Contracting Authority may be offset against amounts of any kind due to the Beneficiary. This shall not affect the Parties’ right to agree on payment in instalments.
18.3. Bank charges incurred by the repayment of amounts due to the Contracting Authority shall be borne entirely by the Beneficiary.
APPENDIX III

BUDGET FOR THE ACTION

<Insert the budget breakdown for the Project as per the Approved Application and proposed payment schedule as included in Art. 4.1 of the Special Conditions and Appendix I to the Financing Agreement (Description of the Project)>

The Budget template can be downloaded on the following Website: www.sadc.int/TIFI
APPENDIX IV
Contract-Award Procedures and Procurement Arrangements

This is a template – how to complete this appendix:

- < ... >, enter the information relevant to the Financing Agreement in question.
- The phrases within [ ] should only be included if appropriate.
- the paragraphs shaded in grey should be amended/included where appropriate, dictated by the requirements of a particular call for applications procedure and Financing Agreement.

In no circumstances may you alter any other part of these standard instructions.
Please remember to delete this paragraph, any other text with yellow/grey highlighting and all such brackets in the final version.

PRINCIPLES

If the implementation of an Action requires procurement by <insert name of beneficiary country>, the contract must be awarded to the tender offering best value for money (i.e. the tender offering the best price-quality ratio) or, as appropriate, to the tender offering the lowest price. In doing so, <insert name of beneficiary country> shall avoid any conflict of interests and respect the following basic principles:

Where <insert name of beneficiary country> does not launch an open tender procedure it shall justify the choice of tenderers that are invited to submit an offer.

<insert name of beneficiary country> shall evaluate the offers received against objective criteria which enable measuring the quality of the offers and which take into account the price (the offer with the lowest price shall be awarded the highest score for the price criterion).

<insert name of beneficiary country> shall keep sufficient and appropriate documentation with regard to the procedures applied and which justify the decision on the pre-selection of tenderers (where an open tender procedure is not used) and the award decision.

The provisions of this Appendix apply mutatis mutandis to contracts to be concluded by <insert name of beneficiary country>'s partners, sub-contractors and associates as defined in the "Appendix 1".

TRF FUNDING MECHANISMS AND IMPLEMENTATION MODALITIES

The Trade Related Facility operates with different funding mechanisms or implementation modalities, depending on the applications submitted:

- Where an application has been submitted under the 'budget support' modality and eligibility of the applicant for this modality has been established, the Financing Agreement is concluded on the basis of 'budget support' modality.
- Where an application has been submitted under 'project-support modality' (either due to absence of eligibility for budget support or where project support is the preferred modality), the Financing Agreement is concluded on the basis of 'project support modality'.
- However, where Member States become eligible for EU budget support once a financing agreement has already been signed using project-support modality, a decision will be taken after consultation in the Steering Committee and in consultation with the Member State concerned, whether it is advisable and preferable to change the implementation modality to budget support or whether the implementation modality will remain project-support. Any
changes to the implementation modality can only be validated by an addendum to the Financing Agreement.

Please insert this paragraph if a country has submitted under budget support and is eligible to sign the financing agreement on that basis:

[<insert name of country>, being eligible to receive EU budget support and having submitted a project proposal on that understanding, will be entitled to use national financial and procurement procedures in the implementation of this Financing Agreement. The European Commission will periodically re-establish <insert name of country>’s eligibility for budget support and communicate any changes in <insert name of country>’s status to the Contracting Authority immediately.

If <insert name of country> should no longer be eligible for EU budget support after a financing agreement has already been signed, it is understood that the implementation modality will change to project-based support (i.e. application of SADC Financial Rules and Regulations) from the moment that the country is no longer eligible for EU budget support.

Once the European Commission notifies the Contracting Authority on the fact that <insert name of country> is no longer eligible for EU budget support, the Contracting Authority will immediately notify <insert name of country> in writing that all activities undertaken forthwith will be subject to an ex ante approval by the Contracting Authority, using SADC Procurement Rules. The Contracting Authority shall immediately launch an ad-hoc procurement assessment. The outcome of the ad-hoc procurement assessment will inform the contents of an addendum to this Financing Agreement, in particular related to Appendix IV, and will outline the revised contract-award procedures and procurement arrangements pertaining to this Financing Agreement following the change to project-based support.]

Or insert this paragraph for countries that have been awarded on the basis of project-based support:

[<insert name of country> having submitted an application under project-based support modality, will be required to use SADC Financial and Procurement Rules and Guidelines in the implementation of this Financing Agreement. The applicable rules can be found at: www.sadc.int/Documents-publications.

SADC Secretariat, as the Contracting Authority, has assessed the procurement and financial management capacities available within <insert name of implementing agency/entity> in <insert name of country> as outlined in the application. Based on this ad-hoc procurement and financial systems assessment (cf. report attached to this appendix), the Contracting Authority and <insert name of country> agree that:

[Insert where a country has been assessed as having adequate procurement and financial management capacities: <insert name of country> has the required capacities and skills to implement the Financing Agreement in line with the SADC Financial and Procurement Rules and Guidelines. <insert name of country> is therefore directly responsible to ensure all required procurement and financial management is done in line with the SADC Procurement Rules and Guidelines. Failure to comply with these Rules and Guidelines would render the related expenditure ineligible for TRF funding.]

[Insert where a country has been assessed as having inadequate procurement and financial management capacities, SADC Secretariat will take responsibility for procurement: SADC Secretariat will be responsible to assist <insert name of country> with all procurement related to the implementation of this Financing Agreement. The SADC Secretariat Procurement Unit is to be informed upfront by the Beneficiary of all procurement plans during the implementation of the Financing Agreement. <insert name of country> shall establish – after consultation with the SADC Procurement Unit – a procurement schedule to facilitate implementation in accordance with the SADC Financial and Procurement Rules and Guidelines.
With respect to financial management, operations in <insert name of country> will be on an imprest basis with a predetermined limit. <insert name of country> will be allowed to make limited payments. Payments above a specified threshold will be made directly from the SADC Secretariat to suppliers.

**Compliance Assessment**

The SADC Secretariat will carry out *ex post* checks on <insert name of beneficiary country>’s compliance with the SADC Procurement principles. Failure to comply with these principles or rules would render the related expenditure ineligible for TRF funding.
## APPENDIX V

**Standard Request for Payment Form**

<table>
<thead>
<tr>
<th>Request No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Issue: ____________________________________________</td>
</tr>
<tr>
<td>Financing Agreement No: ____________________________________</td>
</tr>
<tr>
<td>Paying Agent: _____________________________________________</td>
</tr>
<tr>
<td>Name of Address of Recipient: _______________________________</td>
</tr>
<tr>
<td>Recipient Bank Details: _____________________________________</td>
</tr>
<tr>
<td>Reference: ________________________________________________</td>
</tr>
<tr>
<td>Amount: ___________________________________________________</td>
</tr>
<tr>
<td>Currency: __________________________________________________</td>
</tr>
<tr>
<td>Amount in words: ___________________________________________</td>
</tr>
</tbody>
</table>

**Declaration of honour:**

I, the undersigned, certify that the information presented in this request is full, reliable and true, and is substantiated by adequate supporting documents that can be checked.

Signed by

**Accounting Officer**

*(include stamp)*

Date: ____________
APPENDIX VI

NARRATIVE AND FINANCIAL REPORT

Summary Information

<table>
<thead>
<tr>
<th>Project title</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Start Date of Reporting Period</td>
<td></td>
</tr>
<tr>
<td>End Date of Reporting Period</td>
<td></td>
</tr>
<tr>
<td>Member State</td>
<td></td>
</tr>
</tbody>
</table>

1. Implementation of Action activities

1.1. Executive summary of the Action

(a) Provide a global overview of the Action’s implementation for the reporting period/past year.

(b) List the indicators of the Specific Objective, and provide level of achievement if available at this stage:

- "Indicator 1" : target value

- "Indicator 2" : target value

1.2. Results and Activities

What is your assessment of the results of the Action so far? Include observations on the performance and the achievement of outputs, outcomes and impact in relation to specific and overall objectives, and whether the Action has had any unforeseen positive or negative results. Also, describe the difficulties encountered in implementation and measures taken to overcome problems.

Using the Performance Assessment Framework and agreed Payment Schedule, indicate progress on the related indicators and all the related activities implemented during the reporting period.

Quantify the achievement of each result from the beginning of the action (eg. "Indicator 1": target value’) and explain any changes, especially any underperformance.

In the case of activities, report on "Title of the activity: Conference at location A with B participants for C days on D dates"

Outline the topics/activities covered; Reason for any changes in the planned activity (e.g. delay, cancellation, postponement of activities) which have arisen and how they have been addressed, (if applicable):

Please list any risks that might have jeopardised the realisation of some activities and explain how they have been tackled.

2. Other Management information
2.1. Communication and Visibility Actions
To provide details of communication and visibility actions undertaken during the period together with an assessment of their relevance, effectiveness and impact.

2.2. Risk Analysis
Please assess and update the risks attached to the programme/project as follows:

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Risk category</th>
<th>Risk probability/impact</th>
<th>Mitigation strategies</th>
<th>Responsibility</th>
<th>Actions taken</th>
</tr>
</thead>
</table>

2.3. Planned Activities for the Next Period
To provide a detailed plan and budget for the next period specifying outputs, targets and performance indicators

3. Financial Performance

- Provide an assessment of financial performance of the action for the reporting period (assessment against budget and analysis of variances and causes and actions taken to improve performance to attain targets).
- Provide the following financial statements for the period covered (templates appended):
  - Trial balance;
  - Budget Consumption Summary;
  - Detailed Expenditure Table;
  - Bank Reconciliations;
  - Bank Statements;
  - Schedules supporting Receivable accounts eg VAT, Imprest

Name of the contact person for the Action: ………………………………………………

Signature: …………………………….. Location: ………………………………………

Date report prepared: …………………………………
<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Debits</th>
<th>Credits</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Advances and Replenishments</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Bank Interest received</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Expenditure</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Bank Account</td>
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<tr>
<td></td>
<td><strong>Total</strong></td>
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<td></td>
</tr>
<tr>
<td>Code</td>
<td>Descriptions</td>
<td>Project Estimate</td>
<td>Previous Expenditure</td>
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</tbody>
</table>
### Detailed Expenditure Table

<table>
<thead>
<tr>
<th>Trans. No.</th>
<th>Budget/Allocation</th>
<th>Nature of Expenditure</th>
<th>Voucher No.</th>
<th>Payment Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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<td>7</td>
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<tr>
<td><strong>Total</strong></td>
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</tbody>
</table>
APPENDIX VII

Expenditure Verification Report templates

All text highlighted in yellow in this model report is for instruction only and auditors should remove it after use. Information requested in pointed brackets <……..> (e.g. <name of the Beneficiary >) must be filled in by the auditor.

<To be printed on AUDITOR’S letterhead>

Annex 3-Report for an Expenditure Verification of a Financing Agreement
External Actions of the Southern African Development Community
<Title of and number of the Financing Agreement >

TABLE OF CONTENTS

Report of Factual Findings
1 Information about the Financing Agreement
2 Procedures performed and Factual Findings
Annex 1 Financial report for the Financing Agreement
Annex 2 Terms of Reference Expenditure Verification

Report of Factual Findings

<Name of contact person(s)>, < Position>
< name of the Coordinator>
<Address>

<dd Month yyyy>
Dear <Name of contact person(s)>
In accordance with the terms of reference dated <dd Month yyyy> that you agreed with us, we provide our Report of Factual Findings (‘the Report’), with respect to the accompanying Financial Report for the period covering <dd Month yyyy — dd Month yyyy> (Annex 1 of this Report). You requested certain procedures to be carried out in connection with your Financial Report and the Southern African Development Community financed Financing Agreement concerning <title and number of the contract>, the ‘Financing Agreement’.

Objective
Our engagement was an expenditure verification, which is an engagement to perform certain agreed-upon procedures with regard to the Financial Report for the Financing Agreement between you and <the Southern African Development Community>, the ‘Contracting Authority’. The objective of this expenditure verification is for us to carry out certain procedures to which we have agreed and to submit to you a report of factual findings with regard to the procedures performed.

Standards and Ethics

63
Our engagement was undertaken in accordance with:
International Standard on Related Services (‘ISRS’) 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the International Federation of Accountants (‘IFAC); and the Code of Ethics for Professional Accountants issued by the IFAC.

Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Contracting Authority requires that the auditor also complies with the independence requirements of the Code of Ethics for Professional Accountants.

Procedures performed
As requested, we have only performed the procedures listed in Annex 2A of the terms of reference for this engagement (see Annex 2 of this Report). These procedures have been determined solely by the Contracting Authority and the procedures were performed solely to assist the Contracting Authority in evaluating whether the expenditure claimed by you in the accompanying Financial Report is eligible in accordance with the terms and conditions of the Financing Agreement.

Because the procedures performed by us did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the accompanying Financial Report.

Had we performed additional procedures or had we performed an audit or review of the financial statements of the Beneficiary in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

Sources of Information
The Report sets out information provided to us by you in response to specific questions or as obtained and extracted from your accounts and records.

Factual Findings
The total expenditure which is the subject of this expenditure verification amounts to €<xxxxxx>. The Expenditure Coverage Ratio is <xx%). This ratio represents the total amount of expenditure verified by us, expressed as a percentage of the total expenditure which is the subject of this expenditure verification. The latter amount is equal to the total amount of expenditure reported by you in the Financial Report and claimed by you for deduction from the total sum of pre-financing under the Financing Agreement as per your Payment Request of <dd Month yyyy>.

We report the details of our factual findings which result from the procedures that we performed in Chapter 2 of this Report.

Use of this Report
This Report is solely for the purpose set forth under objective stated above.
This report is prepared solely for your own confidential use and solely for the purpose of submission by you to the Contracting Authority in connection with the requirements as set out in Article 15 of the General Conditions of the Financing Agreement. This report may not be relied upon by you for any other purpose, nor may it be distributed to any other parties.

The Contracting Authority is not a party to the agreement (the terms of reference) between you and us and therefore we do not owe or assume a duty of care to the Contracting Authority, who may rely upon this expenditure verification report at its own risk and discretion. The Contracting Authority can assess for itself the procedures and findings reported by us and draw its own conclusions from the factual findings reported by us.

This Report relates only to the Financial Report specified above and does not extend to any of your financial statements.

We look forward to discussing our Report with you and would be pleased to provide any further information or assistance which may be required.

Yours sincerely,

[person or firm or both, as appropriate and in accordance with company policy]

[person or firm or both, as appropriate]

[office having responsibility for the engagement]

[dd Month yyyy] [date when the final report is signed]
1 Information about the Financing Agreement

Chapter 1 should include a brief description of the Financing Agreement and the Action, the Beneficiary(ies)/Partners, and key financial/budget information (maximum 1 page).

2 Procedures performed and factual findings

We have performed the following specific procedures listed in Annex 2A of the terms of reference for the expenditure verification of the Financing Agreement (‘ToR’):

1. General procedures
2. Procedures to verify conformity of expenditure with the budget and analytical review
3. Procedures to verify selected expenditure

We have applied the rules for selection of expenditure and the principles and criteria for verification coverage as set out in Annex 2B (sections 3 and 4) of the ToR for this expenditure verification.

Explain here any difficulties or problems encountered

The total expenditure verified by us amounts to € <xxxx> and is summarised in the table below. The overall Expenditure Coverage Ratio is <xx%>.

Provide here a summary table of the Financial Report in Annex 1, presenting for each (sub) heading the total expenditure amount reported by the Beneficiary, the total expenditure amount verified and the percentage of expenditure covered.

We have verified the selected expenditure as shown in the above summary table and we have carried out, for each expenditure item selected, the verification procedures specified at point 3.1 to 3.7 of Annex 2A of the ToR for this expenditure verification. We report our factual findings resulting from these procedures below.

1. General Procedures

1.1 Terms and Conditions of the Financing Agreement

We have obtained an understanding of the terms and conditions of this Financing Agreement in accordance with the guidelines in Annex 2B (section 2) of the ToR.

Describe factual findings and specify errors and exceptions. Procedures 1.1–1.6 in Annex 2A. If there are no factual findings, this should be explicitly stated as follows for each procedure: ‘No factual findings have arisen from this procedure’.

1.2 Financial Report for the Financing Agreement

1.3 Rules for Accounting and Record Keeping

1.4 Reconciling the Financial Report to the Beneficiary’s Accounting System and Records

2. Procedures to verify conformity of Expenditure with the Budget and Analytical Review

2.1 Budget of the Financing Agreement

2.2 Amendments to the Budget of the Financing Agreement

Describe factual findings and specify errors and exceptions. Procedures 2.1–2.2 in Annex 2A. If there are no factual findings this should be explicitly stated as follows for each procedure: ‘No factual findings have arisen from this procedure’.
3 Procedures to verify selected Expenditure

We have reported further below all the exceptions resulting from the verification procedures specified at point 3.1–3.7 of Annex 2A of the ToR for this expenditure verification insofar as these procedures applied to the selected expenditure item. We have quantified the amount of the verification exceptions found and the potential impact on the SADC contribution, should SADC declare the expenditure item(s) concerned ineligible (where applicable taking into account the percentage of SADC funding and the impact on indirect expenditure (e.g. administrative costs, overheads)).

We have reported all the exceptions found, including the ones for which we cannot quantify the amount or the potential impact on the SADC contribution.

Specify the expenditure amounts / items for which exceptions (= deviations between facts and criteria) were found, and the nature of the exception — this means which of the specific condition(s) described in point 3.1–3.7 of Annex 2A of the ToR were not respected. Quantify the amount of verification exceptions found and the potential impact on the SADC contribution, should SADC declare the expenditure item(s) concerned ineligible.

3.1 Eligibility of Costs

We have verified, for each expenditure item selected, the eligibility criteria set out at procedure 3.1 in Annex 2A of the ToR for this expenditure verification.

Describe factual findings and specify errors and exceptions. Procedure 3.1 in Annex 2A: eligibility of costs and the eligibility criteria (1) to (9). Example: we found that an expenditure amount of €6500 included in subheading 3.2 (furniture, computer equipment) of the Financial Report was not eligible. An amount of €2000 related to expenditure incurred outside the implementation period. Supporting evidence was not available for 3 transactions totalling €1.200. The required procurement rules for purchases of office computers for €3.300 were not respected. (Note: relevant details such as accounting record references or documents should be provided).

3.2 Eligible Direct Costs (Article 14.2)

3.6 Non-eligible costs (Article 14.3)

3.7 Revenues of the Action

[Describe factual findings and specify errors and exceptions. Procedures 3.2–3.7 in Annex 2A]

Annex 1 Financial Report for the Financing Agreement

[Annex 1 should include the Beneficiary’s financial report for the Financing Agreement which is the subject of the verification. The financial report should be dated and indicate the period covered.]

Annex 2 Terms of Reference Expenditure Verification

[Annex 2 should include a signed and dated copy of the terms of reference for the expenditure verification of this Financing Agreement including Annex 1 (information about the Financing Agreement) and Annex 2A (Listing of the specific procedures to be performed).]
TERMS OF REFERENCE FOR EXPENDITURE VERIFICATION

The following are the terms of reference (‘ToR’) under which <name of the Beneficiary> agrees to engage <name of the audit firm> (‘the Auditor’) to perform an expenditure verification and to report in connection with a Southern African Development Community financed Financing Agreement for an external action concerning <title of the action and number of the Financing Agreement> (the ‘Financing Agreement’). Where in these ToR the ‘Contracting Authority’ is mentioned, this refers to the Southern African Development Community, which has signed the Financing Agreement with the Beneficiary and is providing the financial support. The Contracting Authority is not a party to this agreement.

1.1. Responsibilities of the Parties to the Engagement

The term “Beneficiary(ies)” refers collectively to all Beneficiaries of the Action.

- The Beneficiary is responsible for providing a Financial Report for the action financed by the Financing Agreement which complies with the terms and conditions of the Financing Agreement and for ensuring that this Financial Report reconciles to the Beneficiary’s accounting and bookkeeping system and to the underlying accounts and records. The Beneficiary is responsible for providing sufficient and adequate information, both financial and non-financial, in support of the Financial Report.

- The Beneficiary accepts that the ability of the Auditor to perform the procedures required by this engagement effectively depends upon the Beneficiary(ies), and as the case may be its partners, providing full and free access to its (their) staff and its (their) accounting and bookkeeping system and underlying accounts and records.

- ‘The Auditor’ is responsible for performing the agreed-upon procedures as specified in these ToR. ‘Auditor’ refers to the audit firm contracted for performing this engagement and for submitting a report of factual findings to the Beneficiary. ‘Auditor’ can refer to the person or persons conducting the verification, usually the engagement partner or other members of the engagement team. The engagement partner is the partner or other person in the audit firm who is responsible for the engagement and for the report that is issued on behalf of the firm, and who has the appropriate authority from a professional, legal or regulatory body.

By agreeing these ToR the Auditor confirms that he/she meets at least one of the following conditions:

- The Auditor and/or the firm is a member of a national accounting or auditing body or institution which in turn is member of the International Federation of Accountants (IFAC).

- The Auditor and/or the firm is a member of a national accounting or auditing body or institution. Although this organisation is not member of the IFAC, the Auditor...
The Auditor and/or the firm is registered as a statutory auditor in the public register of a public oversight body in a SADC member state.

- The Auditor and/or the firm is registered as a statutory auditor in the public register of a public oversight body in a third country and this register is subject to principles of public oversight as set out in the legislation of the country concerned (this applies to auditors and audit firms based in a third country).

1.2. Subject of the Engagement

The subject of this engagement is the <interim or final; remove what is not applicable> Financial Report in connection with the Financing Agreement for the period covering <dd Month yyyy to dd Month yyyy> and the action entitled <title of the action>, the 'Action'. Annex 1 to these ToR contains information about the Financing Agreement.

1.3. Reason for the Engagement

The Beneficiary is required to submit to the Contracting Authority an expenditure verification report produced by an external auditor in support of the payment requested by the Beneficiary under Article 15 of the General Conditions of the Financing Agreement. The Authorising Officer of the Contracting Authority requires this report because the payment of expenditure requested by the Beneficiary is conditional on the factual findings of this report.

1.4. Engagement Type and Objective

This expenditure verification is an engagement to perform certain agreed-upon procedures with regard to the Financial Report for the Financing Agreement. The objective of this expenditure verification is for the Auditor to carry out the specific procedures listed in Annex 2A to these ToR and to submit to the Beneficiary a report of factual findings with regard to the specific verification procedures performed. Verification means that the Auditor examines the factual information in the Financial Report of the Beneficiary and compares it with the terms and conditions of the Financing Agreement. As this engagement is not an assurance engagement the Auditor does not provide an audit opinion and expresses no assurance. The Contracting Authority assesses for itself the factual findings reported by the Auditor and draws its own conclusions from these factual findings.

1.5. Standards and Ethics

The Auditor shall undertake this engagement in accordance with:

- the International Standard on Related Services ('ISRS') 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the IFAC;
- the IFAC Code of Ethics for Professional Accountants, developed and issued by IFAC's International Ethics Standards Board for Accountants (IESBA), which establishes fundamental ethical principles for Auditors with regard to integrity, objectivity, independence, professional competence and due care,
confidentiality, professional behaviour and technical standards. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Contracting Authority requires that the Auditor is independent from the Beneficiary(ies) and complies with the independence requirements of the IFAC Code of Ethics for Professional Accountants.

1.6. Procedures, Evidence and Documentation
The Auditor plans the work so that an effective expenditure verification can be performed. The Auditor performs the procedures listed in Annex 2A of these ToR (‘Listing of specific procedures to be performed’) and applies the guidelines in Annex 2B (Guidelines for specific procedures to be performed). The evidence to be used for performing the procedures in Annex 2A is all financial and non-financial information which makes it possible to examine the expenditure claimed by the Beneficiary in the Financial Report. The Auditor uses the evidence obtained from these procedures as the basis for the report of factual findings. The Auditor documents matters which are important in providing evidence to support the report of factual findings, and evidence that the work was carried out in accordance with ISRS 4400 and these ToR.

1.7. Reporting
The report on this expenditure verification should describe the purpose, the agreed-upon procedures and the factual findings of the engagement in sufficient detail to enable the Beneficiary and the Contracting Authority to understand the nature and extent of the procedures performed by the Auditor and the factual findings reported by the Auditor.

The use of the Model Report for an Expenditure Verification of a SADC Financing Agreement in Annex 3 of these ToR is compulsory. This report should be provided by the Auditor to <name of the Beneficiary> within <xx; number of working days to be indicated by the Beneficiary> working days after the day of signature of these ToR.

1.8. Other Terms
The fee for this engagement shall be <fee amount and currency> [The Beneficiary may want to agree a fixed fee for the engagement or otherwise. The Beneficiary and the Auditor may want to agree specific terms if the Auditor needs to extend the verification coverage from 65% to 85%. The Beneficiary should specify any reimbursable expenses and allowances (e.g. travelling, other) agreed with the Auditor and whether VAT and/or other relevant taxes are included in the fees/expenses.] [The Beneficiary and the Auditor can use this section to agree any other specific terms]

Annex 1 Information about the Financing Agreement
Annex 2A Listing of specific procedures to be performed
Annex 2B Guidelines for specific procedures to be performed
Annex 3 Model report for an expenditure verification of a SADC Financing Agreement

For the Beneficiary: For the Auditor:
Signature  
<name and function>  
<date>  

Signature  
<name and function>  
<date>
### Annex 1  Information about the Financing Agreement

| **Reference number and date of the Financing Agreement** | < Contracting Authority’s reference for the Financing Agreement > |
| **Financing Agreement title** | |
| **Country** | |
| **Beneficiary** | < full name and address of the Beneficiary as per the Financing Agreement > |
| **Beneficiary(ies)** | < full name and address of the Beneficiary(ies) as per the Financing Agreement > |
| **Start date of the implementation period of the Action** | |
| **End date of the implementation period of the Action** | |
| **Total eligible cost of the Action** | <amount(s) in Art. 3.1 of the Special Conditions of the Financing Agreement > |
| **Financing Agreement maximum amount** | <amount in Art. 3.2 of the Special Conditions of the Financing Agreement > |
| **Total amount received to date by the Beneficiary from Contracting Authority** | < Total amount received as per dd.mm.yyyy > |
| **Total amount of the payment request** | < provide the total amount requested for payment as per Appendix V to the Special Conditions for Financing Agreement s (Payment Request for a Financing Agreement for Southern African Development Community external actions) > |
| **Contracting Authority** | <Provide the name, position/title, phone and E-mail of the contact person at the Contracting Authority> |
| **Auditor** | < Name and address of the audit firm and names/positions of the auditors> |
Annex 2A  Listing of Specific Procedures to be performed

[This Annex is a standard listing of specific procedures to be performed and it shall not be modified]

2. General Procedures

2.1. Terms and Conditions of the Financing Agreement

The Auditor:
- obtains an understanding of the terms and conditions of the Financing Agreement by reviewing the Financing Agreement and its annexes and other relevant information, and by inquiry of the Beneficiary;
- obtains a copy of the original Financing Agreement (signed by the Beneficiary(ies) and the Contracting Authority) with its annexes;
- obtains and reviews the Report (which includes a narrative and a financial section) as per Article 2.1 of the General Conditions;

2.2. Financial Report for the Financing Agreement

The Auditor verifies that the Financial Report complies with the following conditions of Article 2 of the General Conditions of the Financing Agreement:

- The Financial Report must conform to the model in Annex VI of the Financing Agreement;
- The Financial Report should cover the eligible costs of the Action as a whole, regardless of which part of it is financed by the Contracting Authority;
- The Financial Report should be drawn up in the language of the Financing Agreement;

2.3. Rules for Accounting and Record keeping

The Auditor examines — when performing the procedures listed in this Annex — whether the Beneficiary(ies) have complied with the following rules for accounting and record keeping of Article 16 of the General Conditions of the Financing Agreement:

The accounts kept by the Beneficiary(ies) for the implementation of the Action must be accurate and up-to-date;

The Beneficiary(ies) must have a double-entry book-keeping system;

The accounts and expenditure relating to the Action must be easily identifiable and verifiable.

2.4. Reconciling the Financial Report to the Beneficiary(ies)’s Accounting System and Records

The Auditor reconciles the information in the Financial Report to the Beneficiary(ies)’s accounting system and records (e.g. trial balance, general ledger accounts, sub ledgers etc.).
3. Procedures to verify conformity of Expenditure with the Budget and Analytical Review

3.5. Budget of the Financing Agreement


The Auditor verifies that the budget in the Financial Report corresponds with the budget of the Financing Agreement (authenticity and authorisation of the initial budget) and that the expenditure incurred was indicated in the budget of the Financing Agreement.

3.6. Amendments to the Budget of the Financing Agreement

The Auditor verifies whether there have been amendments to the budget of the Financing Agreement. Where this is the case the Auditor verifies that the Beneficiary has:

- requested an amendment to the budget and obtained an addendum to the Financing Agreement if such an addendum was required (Article 9 of the General Conditions).
- informed the Contracting Authority about the amendment if the amendment was within the scope of Article 9.2 of the General Conditions, and an addendum to the Financing Agreement was not required.

4. Procedures to verify selected Expenditure

4.7. Eligibility of Costs

The Auditor verifies, for each expenditure item selected, the eligibility criteria set out below.

1. Actual costs incurred (Article 14.1)

The Auditor verifies that the actual expenditure for a selected item was incurred by and pertains to the Beneficiary(ies). The Auditor should take into account the detailed conditions for actual costs incurred as set out in Article 14.1.(i) to (iii). For this purpose the Auditor examines supporting documents (e.g. invoices, contracts) and proof of payment. The Auditor also examines proof of work done, goods received or services rendered and he/she verifies the existence of assets if applicable.

At final reporting stage the costs incurred during the implementation period but not yet paid can be accepted as actual costs incurred, provided that (1) a liability exists (order, invoice or equivalent) for services rendered or goods supplied during the implementation period of the action, (2) the final costs are known and (3) these costs are listed in the final Financial Report (Annex VI) together with the estimated date of payment (see Article 14.1.a).(ii) of the General Conditions). The Auditor verifies whether these cost items have effectively been paid at the moment of the auditor’s verification.
2. **Cut-off — Implementation period (Article 14.1 c)**

The Auditor verifies that the expenditure for a selected item was incurred during the implementation period of the Action. An exception is made for costs relating to final reports including expenditure verification, audit and final evaluation reports of the Action and which may be incurred after the implementation period of the Action.

3. **Budget (Article 14.1b)**

The Auditor verifies that the expenditure for a selected item was indicated in the Action budget.

4. **Necessary (Article 14.1a)**

The Auditor verifies whether it is plausible that the expenditure for a selected item was necessary for the implementation of the Action and that it had to be incurred for the contracted activities of the Action by examining the nature of the expenditure with supporting documents.

5. **Records (Article 14.ef)**

The Auditor verifies that expenditure for a selected item is recorded in the Beneficiary(ies)’s accounting system and was recorded in accordance with the applicable accounting standards of the country where the Beneficiary is established and the Beneficiary’s usual cost accounting practices.

6. **Applicable legislation (Article 14.2)**

The Auditor verifies that expenditure complies with the requirements of tax and social security legislation where this is applicable (for example: employer’s part of taxes, pension premiums and social security charges).

7. **Justified**

The Auditor verifies that expenditure for a selected item is substantiated by evidence (see section 1 of Annex 2B, Guidelines for Specific Procedures to be performed) and supporting documents as specified in Article 16.3 and 16.4 of the General Conditions of the Financing Agreement.

8. **Valuation**

The Auditor verifies that the monetary value of a selected expenditure item agrees with underlying documents (e.g. invoices, salary statements) and that correct exchange rates are used where applicable.

9. **Classification**

The Auditor examines the nature of the expenditure for a selected item and verifies that the expenditure item has been classified under the correct (sub)heading of the Financial Report.

10. **Compliance with Procurement Rules**

Where applicable the Auditor examines which procurement rules apply for a certain expenditure (sub)heading, a class of expenditure items or an expenditure item. The
Auditor verifies whether the expenditure was incurred in accordance with such rules by examining the underlying documents of the procurement and purchase process. Where the Auditor finds issues of non-compliance with procurement rules, he/she reports the nature of such issues as well as their financial impact in terms of ineligible expenditure. When examining procurement documentation the Auditor takes into account the risk indicators listed in Annex 2B and he/she reports, if applicable, which of these indicators were found.

4.8. Eligible Direct Costs (Article 14.2)

(1) The Auditor verifies that expenditure for selected items which are recorded under one of the direct costs headings of the Financial Report, are covered by the direct costs as defined in Article 14.2 by examining the nature of these expenditure items.

4.9. (2) The Auditor verifies that duties, taxes and charges, including VAT which are recorded under direct costs are not recoverable by the beneficiary(ies) (see Article 14.3) of the General Conditions. The Auditor obtains evidence that the Beneficiary(ies) cannot reclaim the duties, taxes or charges, including VAT through an exemption system and/or a refund \textit{a posteriori}.

Non-eligible costs (Article 14.3)

The Auditor verifies that the expenditure for a selected item does not concern an ineligible cost as described in Article 14.3 of the General Conditions. These costs include \textit{inter alia} currency exchange losses.

4.10. Revenues of the Action

The Auditor examines whether the revenues which should be attributed to the Action (including grants and funding received from other donors and other revenue generated by the Beneficiary as part of the Action) have been allocated to the Action and disclosed in the Financial Report. For this purpose the Auditor inquires with the Beneficiary and examines documentation obtained from the Beneficiary(ies). The Auditor is not expected to examine the completeness of the revenues reported.
Annex 2B  Guidelines for Specific Procedures to be performed

[This Annex provides standard guidelines for the specific procedures to be performed and these guidelines must not be modified]

5. Verification Evidence

When performing the specific procedures listed in Annex 2A, the Auditor may apply techniques such as inquiry and analysis, (re)computation, comparison, other clerical accuracy checks, observation, inspection of records and documents, inspection of assets and obtaining confirmations.

The Auditor obtains verification evidence from these procedures to draw up the report of factual findings. Verification evidence is all information used by the Auditor in arriving at the factual findings and it includes the information contained in the accounting records underlying the Financial Report and other information (financial and non-financial).

The contractual requirements that relate to verification evidence are:

- Expenditure should be identifiable, verifiable and recorded in the accounting records of the Beneficiary(ies) (Article 14.1.f of the General Conditions of the Financing Agreement);

- The Beneficiary(ies) will allow any external auditor to carry out verifications on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the Action. The Beneficiary(ies) give access to all documents and databases concerning the technical and financial management of the Action (Article 16.2 of the General Conditions);

- Article 16.3 of the General Conditions of the Financing Agreement provides a list of the types and nature of evidence that the Auditor will often find in expenditure verifications.

Moreover, for the purpose of the procedures listed in Annex 2A, records, accounting and supporting documents:

- shall be easily accessible and filed so as to facilitate their examination (Article 16.2 of the General Conditions);

- shall be available in the original form, including in electronic form (Article 16.4).

Guidance: records and accounting and supporting documents should be available in documentary form, whether paper, electronic or other medium (e.g. a written record of a meeting is more reliable than an oral presentation of the matters discussed). Electronic documents can be accepted only where:

- the documentation was first received or created (e.g. an order form or confirmation) by the Beneficiary(ies) in electronic form; or

- the Auditor is satisfied that the Beneficiary uses an electronic archiving system which meets established standards (e.g. a certified system which complies with national law).

- should preferably be obtained from independent sources outside the entity (an original supplier’s invoice or contract is more reliable than an internally approved receipt note);
which is generated internally is more reliable if it has been subject to control and approval;

obtained directly by the Auditor (e.g. inspection of assets) is more reliable than evidence obtained indirectly (e.g. inquiry about the asset).

If the Auditor finds that the above criteria for evidence are not sufficiently met, he/she should detail this in the factual findings.

6. Obtaining an understanding of the terms and conditions of the Financing Agreement (Annex 2A — procedure 1.1)

The Auditor obtains an understanding of the terms and conditions of the Financing Agreement. He/she should pay particular attention to Annex I of the Financing Agreement (the Description of the Action), Annex II (General Conditions) and Annex IV (Contract-award procedures) which provides rules for procurement (including nationality and origin rules) by beneficiaries in a SADC external actions. Failure to comply with these rules makes expenditure ineligible for SADC financing. These procurement rules apply to all contracts but depending on the legal basis for the Financing Agreement, nationality and origin rules may vary. The Auditor ensures with the Beneficiary that the applicable nationality and origin rules are clearly identified and understood.

If the Auditor finds that the terms and conditions to be verified are not sufficiently clear he/she should request clarification from the Beneficiary.

7. Selecting Expenditure for Verification (Annex 2A — procedures 3.1 – 3.7)

Expenditure subheadings can be based on the selected expenditure items or classes of expenditure items of the results based budget. The form and nature of the supporting evidence (e.g. a payment, a contract, an invoice etc.) and the way expenditure is recorded (e.g. journal entries) vary with the type and nature of the expenditure and the underlying actions or transactions. However, in all cases expenditure items should reflect the accounting (or financial) value of the underlying actions or transactions, whatever the type and nature of the action or transaction concerned.

Value should be the principal factor used by the Auditor to select expenditure items or classes of expenditure items for verification. The Auditor selects high-value expenditure items to ensure an appropriate coverage of expenditure.

8. Verification Coverage of Expenditure (Annex 2A — procedures 3.1 – 3.7)

The Auditor applies the principles and criteria set out below when planning and performing the specific verification procedures for selected expenditure in Annex 2A (procedures 3.1–3.7).

Verification by the Auditor and verification coverage of expenditure items does not necessarily mean a complete and exhaustive verification of all the expenditure items that are included in a specific expenditure heading or subheading. The Auditor should ensure a systematic and representative verification. Depending on certain conditions
(see further below) the Auditor may obtain sufficient verification results for an expenditure heading or subheading by looking at a limited number of selected expenditure items.

The Auditor may apply statistical sampling techniques for the verification of one or more expenditure headings or subheadings of the Financial Report. The Auditor examines whether ‘populations’ (i.e. expenditure subheadings or classes of expenditure items within expenditure subheadings) are suitable and sufficiently large (i.e. are made up of large numbers of items) for effective statistical sampling.

If applicable the Auditor should explain in the report of factual findings for which headings or subheadings of the Financial Report sampling has been applied, the method used, the results obtained and whether the sample is representative.

The Expenditure Coverage Ratio (‘ECR’) is the total amount of expenditure verified by the Auditor, expressed as a percentage of the total amount of expenditure reported by the Beneficiary in the Financial Report. This amount is reported in Annex V of the Financing Agreement.

The Auditor ensures that the overall ECR is at least 65%. If he/she finds an exception rate of less than 10% of the total amount of expenditure verified (i.e. 6.5%) the Auditor finalises the verification procedures and continues with reporting.

If the exception rate found is higher than 10% the Auditor extends verification procedures until the ECR is at least 85%. The Auditor then finalises verification procedures and continues with reporting regardless of the total exception rate found. The Auditor ensures that the **ECR for each expenditure heading and subheading** in the Financial Report is at least 10%.

9. Procedures to verify selected Expenditure (Annex 2A — procedures 3.1 – 3.7)

The Auditor verifies the selected expenditure items by carrying out procedures 3.1–3.7 listed in Annex 2A and reports all the factual findings and exceptions resulting from these procedures. Verification exceptions are all verification deviations found when performing the procedures set out in Annex 2A.

The Auditor quantifies the amount of verification exceptions found and the potential impact on the SADC contribution, should SADC declare the expenditure item(s) concerned ineligible (taking into account the percentage of funding by SADC and the impact on indirect expenditure (e.g. administrative costs, overheads)). The Auditor reports all exceptions found, including those for which he/she cannot quantify the amount of the verification exception found and the potential impact on the SADC contribution.

**Example:** if the Auditor finds an exception of €1 000 with regard to procurement rules for Financing Agreement where SADC finances 60% of the expenditure and where indirect costs represent 7% of total direct eligible expenses, the Auditor reports an exception of €1 000 and a financial impact of 642€ (€1 000 x 60% x 1.07).
Specific guidance for procedure 3.1.9 Compliance with Procurement Rules

The Auditor verifies whether the expenditure for a selected item was incurred in accordance with the applicable procurement rules by examining the underlying documents on the procurement and purchase processes (as per Annex IV). These documents relate to the opening of tenders, the assessment of the eligibility of tenderers and conformity of tenders, the evaluation of the tenders and the decisions with regard to the awarding of the contract. When examining these procurement documents the Auditor takes into account the risk indicators listed at the end of this Annex and he/she reports, if applicable, which of these indicators were identified.
RISK INDICATORS PROCUREMENT

- Inconsistencies in the dates of the documents or illogical sequence of dates. Examples:
  - Tender dated after the award of contract or before the sending of the invitations to tender
  - Tender by the winning tenderer dated before the publication date of the tender or dated significantly later than tenders from other tenderers
  - Tenders by different candidates all having the same date
  - Dates on documents not plausible/consistent with dates on accompanying documentation (e.g. date on the tender not plausible/consistent with the postal date on the envelope; date of a fax not plausible/consistent with the printed date of the fax machine)

- Unusual similarities in tenders by candidates participating in the same tender. Examples:
  - Same wording, sentences and terminology in tenders from different tenderers
  - Same layout and format (e.g. font type, font size, margin sizes, indents, paragraph wrapping, etc.) in tenders from different tenderers
  - Similar letterhead paper or logos
  - Same prices used in tenders from different tenderers for a number of subcomponents or line items
  - Identical grammar, spelling or typing errors in tenders from different tenderers
  - Use of similar stamps and similarities in signatures

- Financial statement or other information indicating that two tenderers participating in the same tender are related or part of the same group (e.g. where financial statements are provided, the notes to the financial statements may disclose ultimate ownership of the group. Ownership information may also be found in public registers for accounts.)

- Inconsistencies in the selection and award decision process. Examples:
  - Award decisions not plausible / consistent with selection and award criteria
  - Errors in the application of the selection and award criteria
  - A regular supplier of the beneficiary participates as a member of a tender evaluation committee

- Other elements and examples indicating a risk of a privileged relationship with tenderers:
  - The same tenderer (or small group of tenderers) is invited with unusual frequency to tender for different contracts
  - The same tenderer (or small group of tenderers) wins an unusually high proportion of the bids
  - A tenderer is frequently awarded contracts for different types of goods or services
  - The winning tenderer invoices additional goods not provided for in the tender (e.g. additional spare parts invoiced without clear justification, installation costs invoiced although not provided for in the tender).
- Other documentation, issues and examples indicating a risk of irregularities:
  - Use of photocopies instead of original documents
  - Use of pro-forma invoices as supporting documents instead of official invoices
  - Manual changes on original documents (e.g. figures manually changed, figures ‘tippexed’, etc.)
  - Use of non-official documents (e.g. letterhead paper not showing certain official and/or compulsory information such as commercial registry number, company tax number, etc.)