

**CINEA INFORMATION NOTE**  
**TO CEF-BENEFICIARIES FOR FINAL PAYMENTS**  
**FOR ACTIONS WITH POOR, PARTIAL OR LATE IMPLEMENTATION**

**1. OBJECTIVE OF THE DOCUMENT**

The Grant Agreement foresees that the Agency may reduce the grant amount either for poor, partial or late implementation or for breach of contractual obligations (see Article. II.25.4).

The objective of this document is to provide information to beneficiaries as regards the way the Agency may apply such proportionate reduction when assessing Final Payment Requests. The document does not address breach of contractual obligations.

The document addresses the most common issues encountered in the implementation of grants that effect the calculation of the completion rate and the resulting maximum EU contribution.

Comprehensive information concerning **ERTMS** and **Rail Freight Noise** CEF1 Actions supported in the form of **Unit Contribution** is addressed in the **Annex IV** of this Information Note.

**2. REFERENCE POINT FOR THE DETERMINATION OF THE COMPLETION RATE**

In certain cases, often due to delays, the implementation of an Action is not fully completed by the Grant Agreement's end date. In such cases, the beneficiary normally continues the implementation and completes all activities gradually after the Grant Agreement's end date. **However, costs incurred after the end date of the Action as stipulated in the Grant Agreement are not eligible for reimbursement<sup>1</sup>.**

If the beneficiary can provide assurance to the Agency that the Action will be fully completed, the general guidance principle consists in applying a reduction at the pro-rata of the technical completion **by the date of submission of the final report**, provided that the final report is submitted within the limit laid down in the Grant Agreement (12 months for Transport and Energy and 60 days for Telecommunication), see **Annex I**, example 3.

Specific elements may have to be taken into account in the analysis. For example, there are cases where the completion date is an essential element explicitly defined in the call and/or in the Grant Agreement. Missing such a deadline may lead to the ineligibility of costs. Other cases (e.g. issuance of the permit by the competent authority) may be beyond the responsibility of the beneficiary, so this may not lead to a reduction of the Grant Agreement amount (see example 5 in **Annex I**).

More generally, when delays reduce significantly the EU added value or the impact of the Action with regard to its objectives as set out in Annex I of the grant agreement, the financial reduction to be applied due to the late implementation can be more severe than the one resulting from the application of the general guidance principle.

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<sup>1</sup> Except costs directly related to the final reporting including the Certificate of Financial Statement (CFS)

### 3. REDUCTION OF THE GRANT FOR LATE IMPLEMENTATION

Actions consist of several activities and the degree of technical completion is assessed first at the level of each activity. In a second step, the technical completion rate of the Action is obtained by weighting the technical completion rate of each activity. In a third step, the maximum amount of EU funding for the Action is computed. In addition, for Actions with multi-beneficiaries the total amount of EU funding has to be shared by the coordinator amongst beneficiaries.

#### 3.1. Step 1 - Technical completion rate at activity level

In its final report the beneficiary will indicate the completion rate of each activity at the date of the submission of the final report. The beneficiary has two possibilities:

- 1) to provide a detailed justification of the methodology used to determine the technical completion rate or
- 2) to consider that the technical completion rate is equal to the financial progress defined as

$$\frac{\text{costs incurred for the Activity by the date of submission final report}}{\text{best estimate of the total cost of the activity}} = \text{financial progress}$$

To that end, when an activity is not completed at the time of submitting the final report, the beneficiary should clearly indicate and describe the part that is not completed and provide an estimation of the costs for completing this missing part as well as the costs incurred between the end date of the Action and the date of submission of the final report. The Agency would like to recall that no costs are eligible after the end date of the Action. An example is given in **Annex II**.

In both cases, the Agency will assess the plausibility of this information based on a comparison of this rate with the technical achievements and expected results as described in the Grant Agreement and/or an analysis of the advancement of the different deliverables. In case of doubt, the Agency will ask the beneficiary for clarifications and may ultimately modify the technical completion rate in the context of processing the final payment claim.

For the transport and energy sector, beneficiaries indicate the technical completion rate per activity and Action level in the annual Action Status Report (ASR) and are requested to explain the applied methodology. However, the Agency's assessment of the ASR does not mean necessarily that the Agency will accept the methodology used by the beneficiary for the calculation of the technical progress in the context of the final payment.

Under both possibilities, the end result is a percentage for each activity.

The calculation of the technical completion rate of ERTMS and Rail Freight Noise deployment works of CEF1 actual costs' Actions is based on a ratio of actually completed number of vehicles/on-board units/kilometres of double-track equivalent/wagons (as successfully demonstrated by means of technical deliverables) divided by the respective indicative values stipulated in the Grant Agreement in force.

#### 3.2. Step 2 - Technical completion rate at Action level

The global percentage of technical completion is calculated by applying a weighted average

of the completion rate of each activity. Weighting is done using the EU contribution of each Activity as indicated in the Grant Agreement. See example in **Annex III**.

### **3.3. Step 3 - Maximum amount of EU support to be paid**

The maximum amount of EU support that can be paid will be calculated, in principle, by multiplying the maximum amount indicated in the GA by the completion rate at Action level. Applying this methodology may result in practice in a transfer between overspending and underspending activities. Therefore the amount of EU support to be paid will be the lower of the two amounts:

- a cap obtained by applying the completion rate to the maximum EU support, or
- the maximum contribution based on the costs considered eligible by CINEA, which is obtained by applying the co-funding rate to the costs declared for each activity.

See example in **Annex III**.

### **3.4. Sharing the EU support between beneficiaries**

In case of multi-beneficiaries Actions with a coordinator, it is up to the coordinator to transfer the granted EU support to the beneficiaries. Experience shows that, in a number of cases, having the information of the allocation of EU support at activity level is useful to carry out the transfers between activities. The Agency may provide a possible methodology to the coordinator on request.

## **4. REDUCTION OF THE GRANT FOR PARTIAL IMPLEMENTATION**

The concept of partial implementation refers to cases where the Action will never be completed or beyond a reasonable date for monitoring by the Agency. These are cases where the beneficiary cannot provide assurance to the Agency that the Action will be ever fully completed. In all these cases, the Agency will assess on a case by case analysis, whether the partial implementation at the time of assessing the Final Report contributes to the objectives of the Action and may apply a bigger or full reduction than the reduction for late implementation as calculated in this document. See example 4 in **Annex I**.

# Annex I

## EXAMPLES RELATED TO THE REFERENCE DATE FOR CALCULATING THE COMPLETION RATE IN CASE OF LATE IMPLEMENTATION

In the following examples, the following is assumed:

- the Action was funded under transport or energy (1 year to transmit the final report after the end date of the Action), the end date was 31.12.2018 (= end of eligibility period) and the final report was sent on 30.11.2019;
- the co-funding rate is 50%;
- there is a single activity;
- the maximum EU contribution for the Action is 10M€ based on 20M€ of eligible costs;
- the costs declared are considered eligible by CINEA.

### **Example 1**

Costs incurred during eligible period: 24 M€

Situation 31.12.2018	Situation 30.11.2019
Technical completion : 90%	Technical completion : 100%

In this case, the Action is fully completed when the final report is submitted. The full amount of the EU contribution will be paid = 10M€.

### **Example 2**

Costs incurred during eligible period: 16 M€

Situation 31.12.2018	Situation 30.11.2019
Technical completion : 90%	Technical completion : 100%

In this case, the Action is fully completed when the final report is submitted but there are fewer costs incurred than foreseen. The EU contribution corresponding to the costs incurred will be paid = 8M€.

### **Example 3**

Costs incurred during eligible period: 20 M€

Situation 31.12.2018	Situation 30.11.2019 as described in the final report
Technical completion : 90%	Technical completion : 95%

In this case, the Action is not yet fully completed when the final report is submitted. Therefore, a technical limitation applies (95% of 10M€). An EU contribution of 9.5M€ will be paid.

### **Example 4**

Costs incurred during eligible period: 20 M€

Situation 31.12.2018	Situation 30.11.2019 as described in the final report
Technical completion : 40%	Technical completion : 50%

In this case, the Action is not fully completed when the final report is submitted. Given the relatively low implementation rate, such case needs to be further analysed, in particular whether it contributes to the objectives of the Action and whether the methodology used to determine the degree of technical completion is reliable. A reduction for partial implementation should be applied, which might be higher than the calculated technical limitation (50 % of 10 M€).

### **Example 5**

Costs incurred during eligible period: 21 M€

Situation 31.12.2018	Situation 30.11.2019 as described in the final report
Technical completion : 80%	Technical completion : 100% (requested permit still to be issued, while the beneficiary has tabled a complete request/application to the competent authorities)

In this case, the Action may be considered technically completed by 30.11.2019 as the remaining step is of administrative nature outside the control of the beneficiary. Therefore, the full amount of the EU contribution may be paid = 10M€.

# Annex II

## EXAMPLE RELATED TO THE TECHNICAL COMPLETION RATE OF AN ACTIVITY BEING CONSIDERED EQUAL TO THE FINANCIAL PROGRESS

By the end date of the Grant Agreement, the beneficiary has incurred costs of 5M€ for the activity which is not yet fully completed. These costs can be considered eligible.

In the final report submitted after the end date of the Action, the beneficiary indicates that the cost incurred so far for this activity are at 6M€ and he estimates the total cost of the activity at 9M€. The following calculation applies subject to the Agency approving the plausibility of the information given:

$$\text{financial progress} = \frac{\text{Costs incurred for the Activity by the date of submission final report}}{\text{best estimate of the total cost of the activity}}$$
$$\text{financial progress} = \frac{6\text{M€}}{9\text{M€}} = 66\%$$

The technical completion of this activity is therefore 66%.

# Annex III

## EXAMPLE RELATED TO THE COMPLETION RATE AT ACTION LEVEL

The Action has 4 activities. The beneficiary declares the costs indicated in column (b) and declares the technical completion rates indicated in column (c). After technical assessment, the Agency accepts these technical completion rates and accepts all costs as being eligible. The situation is therefore as follows:

	Costs G.A.	declared costs	technical completion	EU funding rate	Maximum EU support (GA)
	(a)	(b)	(c)	(d)	(e) = (a)x(d)
activity 1	1,000,000	1,100,000	80%	50%	500,000.00
activity 2	1,000,000	900,000	90%	30%	300,000.00
activity 3	1,000,000	1,200,000	75%	30%	300,000.00
activity 4	1,000,000	700,000	80%	50%	500,000.00
Total	4,000,000	3,900,000			1,600,000.00

In this case, the completion rate would be calculated as follows:  $\frac{80\% \xi 500,000 + 90\% \xi 300,000 + 75\% \xi 300,000 + 80\% \xi 500,000}{1,600,000} = 81\%$

The total EU support will be the lower of the two amounts:

- applying the completion rate to the maximum EU support of  $81\% \times 1,600,000 = 1,296,000\text{€}$   
or
- the maximum contribution based on the declared costs = 1,530,000€ as indicated in the table below:

maximum possible contribution based on declared costs			
	declared	co-funding	contribution
activity 1	1,100,000	50%	550,000.00
activity 2	900,000	30%	270,000.00
activity 3	1,200,000	30%	360,000.00
activity 4	700,000	50%	350,000.00
Total	3,900,000		1,530,000.00

In this example, the Agency will therefore pay 1,296,000€ to the coordinator/beneficiary.

# Annex IV

## ERTMS AND RAIL FREIGHT NOISE UNIT (RFN) CONTRIBUTION (UC) CEF1 ACTIONS

To be considered successfully implemented, the scope of ERTMS and RFN UC Actions, including electronic interlocking (IXL) and Class A radio communication system (GSM-R), must:

- i) be physically deployed within the eligibility period, i.e. between start and the end date as stipulated in the latest Grant Agreement (GA) in force, and
- ii) correspond to the GA scope (traceability) and be TSI-compliant, as demonstrated by comprehensive set of deliverables defined in the GA.

Item i) concerns an ERTMS/RFN Unit, i.e. kilometre of a double track equivalent/On-Board Unit (OBU)/wagon. It corresponds to the notion of incurred costs used for actual costs type of Actions.

Item ii) represents how implementation of the UC Action scope is evaluated. It corresponds to technical completion of an “actual costs” type of Action calculated at the final payment claim (FPC) stage.

Administrative procedures related with achieving point ii) can be completed after the Action end date and demonstrated together with the FPC. Comprehensive set of deliverables submitted to CINEA at the latest with the FPC shall demonstrate successful completion of the ERTMS/RFN deployment fulfilling point i) above.

For the sake of CEF1 ERTMS Actions, “physical deployment” means that the system, including Hardware (HW) and Software (SW, if applicable) is deployed (delivered, installed), but not necessarily authorised. Subsequent stages, notably i) Notified Body verification and ultimate ii) Authorisation, could follow after the Action end date until the submission of the request for payment of the balance. For Action covering only SW deployment, the “physical deployment” means installation of SW. Timing of the “physical deployment” is to be demonstrated by deliverables provided by the beneficiary with the FPC.

Units physically deployed with ETCS/IXL/GSM-R/silent brake blocks before the Action start date or after the Action end date do not account for incurred costs during the eligibility period, regardless if respective deliverables are available at the FPC stage.