

## Guidance for completing the forecast of likely payment applications

The forecast shall be submitted to the FMO via the Certifying Authority (CA) four times a year as indicated in article 9.5 of the Regulation (20 February, 20 April, 20 September, 20 November), and the PIA where Fund Operators are concerned.

**The forecast of likely payments represents the amounts to be paid by the FMO each calendar year**

### Why is it important to provide an accurate forecast?

The forecast submitted to the FMO allows both the FMO and the Donor States to plan for their annual budget and cash flow needs. Each Donor State includes the needs in their national budget. Any major variation must be justified towards National Finance Ministries and/or Parliaments.

**The forecast should be accurate as this input is essential for the financial management of the Financial Mechanisms**

### Forecasted amounts

The forecast represents the estimated amounts to be requested from the FMO in the Interim Financial Reports and advance payments. These are the amounts to be paid by the FMO (Programme Grant amount), thus it excludes the national co-financing.

**Particular attention should be paid to the current and following year as this information will be used by the Donor States and the FMO for budgetary and cashflow planning**

Beneficiary States and Programmes should prepare a detailed forecast at the beginning of the implementation and update it regularly according to the progress of the programmes. The forecast should be prepared well ahead of the deadline and relevant stakeholders should be consulted. The following elements should be considered:

- ✓ **Timing of the calls:** Payments to projects are linked to the timing of the calls. The timing of the calls will impact the contracting phase and the timing of the first advance payments to projects.
- ✓ **Call size and maximum grant:** The amount needed to make payments to projects will vary depending on the size of the call and the contracted projects.
- ✓ **Level of advance:** The maximum advance payment to projects is normally set in the Programme Agreement. The level of the advance payment impacts the cash-flow needs of the programme when releasing the first payments.
- ✓ **Planned payments:** The amount of the advance and interim payments varies depending on the frequency of the payments and the pace of the implementation. Both aspects should be considered in the forecast.
- ✓ **Interim Financial Report:** The payments from the FMO to the Programmes are normally made twice a year, by 15 April and 15 October. The timing of these payments influences the forecasted amounts. For example, the forecast to be submitted in November should match the amounts paid in April and October of the same year.
- ✓ **Unspent funds from previous year:** The unspent funds should be considered in the forecast since they are deducted from the requested amounts in the IFRs. There are only two IFRs per year and it is essential that the amounts paid through the IFRs are in line with the annual forecast.
- ✓ **Delays during the implementation:** Delays at programme or project level may influence the amount requested from the FMO. Delays in public procurement, launching calls or contracting projects will influence the amounts requested from the FMO in a particular year.

**Be realistic! There is no need to include a reserve in your forecast. The forecasted amounts will not limit the amount to be paid by the FMO, should the needs slightly exceed the forecast.**

**Information to be provided**

The forecast of likely payments should cover the payments from the current year to 2025 in accordance with the eligibility periods. During the current year the forecast should include amounts already paid by the FMO within the year and the expected amounts until the end of the year.

The forecast should contain the amount to be paid by the FMO (disbursements) for each Financial Mechanism (in case the programme is financed by both Mechanisms) and a brief narrative explaining the main differences compared to the previous forecast submitted to the FMO. This narrative is essential as it helps the FMO and the Donors to justify the differences.

Please see the examples below:

**Bad example:** Disbursements are much lower than expected and there is no clear explanation of the deviations.

Programme X	2019	2020	2021	2022	2023	2024
EEA	€10.08	€5.91	€3.98	€3.74	€2.52	€1.77
<b>Descriptions for 2019:</b>	<ul style="list-style-type: none"> <li>• Due to better knowledge of calls within a programme, higher amounts have been requested.</li> <li>• Projects will be implemented according to plan</li> </ul>					



	Disbursed amount at the end of 2019
Programme X	€ 0.54
<b>What happened:</b>	<ul style="list-style-type: none"> <li>• Only requested programme management cost</li> </ul>



**Good example:** The forecast is accurate and provides a precise justification of the deviation.

Programme Y	2019	2020	2021	2022	2023	2024
NOR	€ 1.20	€1.80	€1.75	€2.60	€4.59	€2.92
<b>Description s for 2019:</b>	<ul style="list-style-type: none"> <li>• PO has included in the forecast all the management cost foreseen in 2019 (0.20 € mil) and the first advance payment (1 mil) to projects under the small grant scheme call (Foreseen in November). The amount will be requested in the September IFR.</li> <li>• For 2020 the forecasted amounts correspond to the interim payments under call #1 (1 mil. Will be expected in the March 2020 IFR and 0.8 in the September 2020 IFR)</li> <li>• The call #2 has been postponed to the end of 2020 therefore the amounts are now forecasted in 2021.</li> </ul>					



	Disbursed amount at the end of 2019
Programme Y	€ 1.1
<b>What happened:</b>	<ul style="list-style-type: none"> <li>• The management cost was incurred as planned</li> <li>• The amount granted under the small grant scheme call was 90% of the total amount planned.</li> </ul>

