



European Commission
Directorate-General for Development
and Cooperation - EuropeAid

DEVCO Companion to financial and
contractual procedures

Applicable to external actions financed from the general budget of
the EU and from the 11th EDF

Table of Contents

| | |
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| 3. DELEGATED COOPERATION, COOPERATION WITH PARTNER COUNTRIES AND WITH INTERNATIONAL ORGANISATIONS, CO-FINANCING AND MANAGEMENT MODES . . . | 5 |
| 3.1. GENERAL PRINCIPLES | 5 |
| 3.1.1. POLICY CONTEXT: PRINCIPLES OF AID EFFECTIVENESS? Aid effectiveness . . . | 5 |
| 3.1.2. ENHANCING AID EFFECTIVENESS BY CHOOSING THE APPROPRIATE AID DELIVERY METHOD | 6 |
| 3.1.3. CONDITIONS OF DELEGATED COOPERATION | 7 |
| 3.1.4. COMMISSION AS FUND-MANAGING DONOR | 9 |
| 3.1.4.1. BUDGET AND EDF | 9 |
| 3.1.4.2. EU TRUST FUND | 11 |
| 3.2. CO-FINANCING OF ACTIONS BY OTHER PARTNERS | 11 |
| 3.2.1. NOTIONAL APPROACH | 12 |
| 3.2.2. PRIORITY OF CONSUMPTION | 13 |
| 3.3. MANAGEMENT MODES | 15 |
| 3.3.1. INTRODUCTION | 15 |
| 3.3.2. DIRECT MANAGEMENT | 19 |
| 3.3.3. INDIRECT MANAGEMENT WITH MEMBER STATES' AGENCIES | 19 |
| 3.3.4. DELEGATED COOPERATION WITH THIRD DONOR COUNTRIES' AGENCIES | 21 |
| 3.3.5. INDIRECT MANAGEMENT WITH INTERNATIONAL ORGANISATIONS | 22 |
| 3.3.5.1. BASIC PRINCIPLES | 22 |
| 3.3.5.2. APPLICATION OF FRAMEWORK AGREEMENTS | 23 |
| 3.3.6. PILLAR ASSESSMENT | 25 |
| 3.3.7. INDIRECT MANAGEMENT WITH PARTNER COUNTRY | 27 |
| 3.3.7.1. INTRODUCTION | 27 |
| 3.3.7.2. INDIRECT MANAGEMENT WITH THE PARTNER COUNTRY VERSUS BUDGET SUPPORT | 28 |
| 3.3.7.3. SCOPE OF DELEGATION: BUDGET-IMPLEMENTATION TASKS DELEGATED | 29 |
| 3.3.7.4. FOR THE EDF, NATIONAL, REGIONAL, INTRA-ACP AND TERRITORIAL AUTHORISING OFFICERS | 32 |
| 3.3.8. INDIRECT MANAGEMENT WITH LEAD FINANCIAL INSTITUTION | 34 |
| 3.3.9. INDIRECT MANAGEMENT WITH EU SPECIALISED AGENCIES | 35 |
| 3.3.10. SUBDELEGATION BY THE ENTRUSTED ENTITY/DELEGATEE | 36 |
| 3.3.11. SHARED MANAGEMENT | 37 |
| 3.3.12. CHANGING THE DEGREE OF DELEGATION DURING IMPLEMENTATION | 37 |
| 3.3.13. ENTRUSTMENT OF BUDGET-IMPLEMENTATION TASKS VS SERVICE OR GRANT | 37 |
| 19. THE IMPLEMENTATION OF GRANT CONTRACTS - A USERS' GUIDE | 39 |
| 19.1. INTRODUCTION | 39 |

| | |
|--|-----|
| 19.2. GENERAL AND ADMINISTRATIVE PROVISIONS | 40 |
| 19.2.1. ARTICLE 1 - GENERAL PROVISIONS | 40 |
| 19.2.1.1. DATA PROTECTION | 40 |
| 19.2.1.2. ROLE OF THE BENEFICIARY(IES) | 41 |
| 19.2.1.3. ROLE OF THE COORDINATOR | 45 |
| 19.2.2. ARTICLE 2 - OBLIGATION TO PROVIDE FINANCIAL AND NARRATIVE REPORTS | 48 |
| 19.2.3. ARTICLE 3 - LIABILITY | 54 |
| 19.2.4. ARTICLE 4 - CONFLICT OF INTERESTS | 55 |
| 19.2.5. ARTICLE 5 - CONFIDENTIALITY | 56 |
| 19.2.6. ARTICLE 6 - VISIBILITY | 57 |
| 19.2.7. ARTICLE 7 - OWNERSHIP/USE OF RESULTS AND ASSETS | 59 |
| 19.2.8. ARTICLE 8 - EVALUATION/MONITORING OF THE ACTION | 61 |
| 19.2.9. ARTICLE 9 - AMENDMENT OF THE CONTRACT | 62 |
| 19.2.10. ARTICLE 10 - IMPLEMENTATION | 71 |
| 19.2.10.1. IMPLEMENTATION CONTRACTS | 71 |
| 19.2.10.2. FINANCIAL SUPPORT TO THIRD PARTIES | 77 |
| 19.2.11. ARTICLE 11 - EXTENSION AND SUSPENSION | 85 |
| 19.2.11.1. EXTENSION | 85 |
| 19.2.11.2. SUSPENSION BY THE COORDINATOR | 86 |
| 19.2.11.3. SUSPENSION BY THE CONTRACTING AUTHORITY | 89 |
| 19.2.11.4. FORCE MAJEURE | 93 |
| 19.2.11.5. EXTENSION OF THE IMPLEMENTATION PERIOD FOLLOWING A SUSPENSION | 95 |
| 19.2.12. ARTICLE 12 - TERMINATION OF THE CONTRACT | 95 |
| 19.2.12.1. TERMINATION IN CASE OF FORCE MAJEURE | 95 |
| 19.2.12.2. TERMINATION BY THE CONTRACTING AUTHORITY | 96 |
| 19.2.12.3. TERMINATION OF A BENEFICIARY(IES) PARTICIPATION BY THE COORDINATOR | 99 |
| 19.2.12.4. END DATE | 100 |
| 19.2.12.5. EFFECTS OF TERMINATION | 101 |
| 19.2.12.6. ADMINISTRATIVE AND FINANCIAL PENALTIES | 101 |
| 19.2.13. ARTICLE 13 - APPLICABLE LAW AND DISPUTE SETTLEMENT | 103 |
| 19.3. FINANCIAL PROVISIONS | 104 |
| 19.3.1. ARTICLE 14 - ELIGIBLE COSTS | 104 |
| 19.3.1.1. COST ELIGIBILITY CRITERIA | 104 |
| 19.3.1.2. ELIGIBLE DIRECT COSTS | 112 |
| 19.3.1.3. SIMPLIFIED COST OPTIONS | 128 |
| 19.3.1.4. CONTINGENCY RESERVE | 130 |
| 19.3.1.5. INDIRECT COSTS | 134 |
| 19.3.1.6. IN KIND CONTRIBUTIONS | 139 |
| 19.3.1.7. NON-ELIGIBLE COSTS | 142 |

| | |
|---|-----|
| 19.3.2. ARTICLE 15 - PAYMENT AND INTEREST ON LATE PAYMENT | 143 |
| 19.3.2.1. PAYMENT PROCEDURES | 143 |
| 19.3.2.2. SUBMISSION OF FINAL REPORTS | 149 |
| 19.3.2.3. PAYMENT REQUEST | 150 |
| 19.3.2.4. PAYMENT DEADLINES | 150 |
| 19.3.2.5. SUSPENSION OF THE PERIOD FOR PAYMENTS | 151 |
| 19.3.2.6. INTEREST ON LATE PAYMENT | 153 |
| 19.3.2.7. EXPENDITURE VERIFICATION REPORT | 154 |
| 19.3.2.8. FINANCIAL GUARANTEE | 159 |
| 19.3.2.9. RULES FOR CURRENCY CONVERSION | 161 |
| 19.3.3. ARTICLE 16 - ACCOUNTS AND TECHNICAL AND FINANCIAL CHECKS . | 166 |
| 19.3.3.1. ACCOUNTS | 166 |
| 19.3.3.2. RIGHT OF ACCESS | 168 |
| 19.3.3.3. RECORD KEEPING | 170 |
| 19.3.4. ARTICLE 17 - FINAL AMOUNT OF THE GRANT | 179 |
| 19.3.4.1. FINAL AMOUNT | 179 |
| 19.3.4.2. NO PROFIT | 184 |
| 19.3.5. ARTICLE 18 - RECOVERY | 191 |
| 19.3.5.1. RECOVERY | 191 |
| 19.3.5.2. INTEREST ON LATE PAYMENTS | 192 |
| 19.3.5.3. OFFSETTING | 193 |
| 19.3.5.4. OTHER PROVISIONS | 194 |
| 19.4. | 194 |
| 22. List of Annexes | 195 |

3. DELEGATED COOPERATION, COOPERATION WITH PARTNER COUNTRIES AND WITH INTERNATIONAL ORGANISATIONS, CO-FINANCING AND MANAGEMENT MODES

[The content of this chapter is under the responsibility of Unit R3 . The last update was made in June 2014.]

3.1. GENERAL PRINCIPLES

3.1.1. POLICY CONTEXT: PRINCIPLES OF AID EFFECTIVENESS? Aid effectiveness

The European Union, along with its Member States, is party to a number of international initiatives aimed at improving the effectiveness of aid: the Paris Declaration on Aid Effectiveness (2005), followed by the High-Level Forums in Accra resulting in the Accra Agenda for Action (2008) and in Busan, resulting in the Busan Partnership for effective Development Cooperation (2011)¹.

At the EU level, the European Consensus on Development (2006)² and the EU Code of Conduct for the Division of Labour (2007)³ deal with aid effectiveness. As set out in the Commission communication "Agenda for Change"⁴, the EU is committed to improving the impact of development assistance in order to speed up progress towards the internationally agreed Millennium Development Goals (MDGs).

These initiatives identify the following aid effectiveness principles:

- a) *Ownership* - Developing countries exercise effective leadership over their development policies and strategies and coordinate development efforts. At the level of programming, ownership is ensured by taking utmost account of the partner countries' own national development strategies. At the level of implementation, ownership is expressed by the conclusion of the Financing Agreement with the partner country.
- b) *Alignment* - Donors base their overall support on partner countries' national development strategies, institutions and procedures.

¹ Find these documents at <http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>

² Joint declaration by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission on the development policy of the European Union entitled The European Consensus (OJ C 46, 24.2.2006).

³ Communication from the Commission to the Council and the European Parliament of 28 February 2007 entitled EU Code of Conduct on Division of Labour in Development Policy (COM(2007) 72 final not published in the OJ).

⁴ Communication from the Commission to the European Parliament, the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 13 October 2011, "Increasing the impact of EU Development Policy: an Agenda for Change" (COM(2011) 637 final).

The use of the partner countries' institutions, rules, procedures and systems in financial implementation, even if partial, has the objective of enhancing the capacity of public finances management, in particular management of expenditure, in these countries (capacity building). This principle is reflected in the situations where partner countries manage EU funds, i.e. under indirect management with partner countries. However, this use is limited (e.g. obligation to use EU procurement and grant award procedures) and subject to ex-ante and ex-post controls. Full use of the partner countries' institutions, rules, procedures and systems, previously known as “substantial decentralisation” continues to be an option not used by DG DEVCO.

c) *Harmonisation* - Donors aim to be more harmonised, collectively effective and less burdensome, especially on those partner countries, such as fragile states, that have weak administrative capacities.

Harmonisation of donors can be achieved by the following mechanisms:

- *Joint Programming*: donors coordinate their actions at the stage of planning them. A substantial proportion of EU aid under the MFF 2014-2020 is jointly programmed;

- *Division of Labour*: donors agree among themselves that each one only focuses on certain areas or sectors while withdrawing from others;

- *Delegated Cooperation*: while certain donors remain active in a certain area or sector, they (co-financing donors) agree among themselves that their funds will be administered by one of them (fund-managing donor). As regards the EU, the Commission will in principle only agree to be co-financing or fund-managing donor in those sectors falling within the policy priorities outlined by the Agenda for Change. Delegated cooperation hence reduces aid fragmentation and proliferation of aid channels; it also reduces transaction costs and increases economies of scale. Member States, the EU and third donor countries are to be considered donors in this context (apart from possible cases of large-scale private donors).

d) *Managing for results* - Both donors and partner countries manage resources and improve decision-making for results.

e) *Mutual accountability* - Donors and developing countries pledge that they will hold each other mutually accountable for development results.

Furthermore, the EU uses the expertise of international organisations and, to a limited extent, of EU specialised (traditional/regulatory) agencies, and entrusts them its funds.

3.1.2. ENHANCING AID EFFECTIVENESS BY CHOOSING THE APPROPRIATE AID DELIVERY METHOD

In line with its commitments on aid effectiveness:

- The Commission strongly encourages its services to move towards programme-based approaches directly in line with partner country policies, jointly programmed and funded with other donors and, most importantly, under the lead role of partner countries.

- The Commission discourages its services from designing small stand-alone projects funded only by the Commission.
- Joint working with other donors through Delegated Cooperation (harmonisation and alignment), with the partner countries (ownership) and with international organisations covers the whole project cycle: alignment with the partner country's policy and jointly with the partner country; joint (partner country with all donors) analysis and identification of programme objectives and outputs; joint programme design and implementation planning that specifies the role and responsibility of each partner; joint monitoring; joint auditing; and joint evaluation and lesson learning.

The Communication on Division of Labour outlines how donors should streamline their participation in a specific country by focusing on a limited number of sectors per country⁵. Delegated cooperation can aid this process.

Remember that, where it appears to be the most efficient way to implement the action in question, and following the assessment of the partner country's Public Financial Management system, the Commission is encouraged to fund such programmes as sector budget support, using partner country systems (see Development Assistance Committee (DAC) definition⁶) to ensure the support is reported and implemented through the partner country's budget. It is a major advantage to have ownership and leadership by the partner country together with a reduced management burden as there is then no need to prepare reports for donors separately. Where the project approach is chosen, services are encouraged to give priority to indirect management by the partner country over other management modes (see below).

3.1.3. CONDITIONS OF DELEGATED COOPERATION

Policy considerations

Delegated Cooperation among donors (EU and Member States, or also including third donor countries) requires trust, agreement on objectives and priorities and a like-minded approach to development, e.g. active support of international declarations on poverty reduction and aid effectiveness, country programme preparation processes, aid modalities, decentralised operations, and programme cycle management focused on results. Two or more donors with a like-minded approach and an interest in jointly funding a partner country's existing programme should consider Delegated Cooperation.

The Commission encourages Member States to delegate their funds to it where appropriate, in particular for budget support actions.

Delegated Cooperation consisting in the Commission delegating funds to an entity outside of the EU (i.e. the development agency of a third donor country) should only occur in exceptional and duly

⁵ European Union Code of Conduct of Division of Labour, Conclusions of the Council and of the Representatives of the Governments of the Member States meeting with the Council (15 May 2007).

⁶ <http://www.oecd.org/dataoecd/0/45/38597363.pdf>.

justified cases and on condition of reciprocity.

- Delegated Cooperation should be considered, already during the identification and formulation phases of the programme cycle management, in order to:
- deliver aid more efficiently by sharing and maximising use of technical and management capacity and systems;
- promote 'better donorship' practice with EU donors based on a systematic assessment of better cost/benefit/impact ratio;
- promote the role of the EU with interested Member States, particularly when these wish to delegate authority to the Commission;
- promote ownership and leadership of development programmes by partner countries and their accountability to people;
- encourage use of common monitoring, evaluation and accounting procedures to reduce the number of separate donor reviews and different accounting procedures;
- Delegated Cooperation should not be considered if there are no clear benefits for the EU visibility and enhanced aid effectiveness.

From an operational point of view, the criteria to consider for delegated cooperation are:

- a programme owned and led by the partner country (i.e. resulting from the partner country's national development plan and priorities) requires financial support, and two or more donors, including the Commission, within their respective strategies and programming, have agreed to provide the funding (this does not apply where there is no direct cooperation between the EU and the partner country, e.g. under Article 96 of the Cotonou Agreement for the EDF);
- the partner country agrees with this management arrangement (this does not apply where there is no direct cooperation between the EU and the partner country, e.g. under Article 96 of the Cotonou Agreement for the EDF);
- one of the donors has the well-established and recognised technical and financial management capacity to lead on behalf of other donors and is willing to take on this role;
- the fund-managing donor has a significant pipeline by way of projected investments, to ensure that it will remain in the programme or sector in the near future, and it is willing to pool and share its expertise with other donors;
- Delegated Cooperation results in visibility gains for the EU, as well as in efficiency gain and reduced transaction costs for both the EU and the partner country;
- Delegated Cooperation results in larger and cost-effective programmes with a measurable or quantifiable operational impact;

- Delegated Cooperation covers large programmes and the EU amount delegated to the fund-managing donor is not less than EUR 3 million (smaller amounts may be authorised in justified cases (e.g. small insular states) by DEVCO Management);
- appropriate visibility of each of the donors involved must be ensured;
- projects concerning pure technical assistance where a Member State authority uses mainly its staff to implement the project should not be considered under indirect management (see section 3.3.), but instead through a service contract;
- operational co-financing of the fund-managing donor should be, in principle, a major pre-requisite for the Commission to delegate authority to manage funds to that donor.

Where the above criteria are considered, Delegated Cooperation can be given serious consideration as an option. However, further work will be required by the participating donors to validate the compatibility and standards of the fund-managing donor's technical and financial management rules, procedures and systems ("Pillar Assessment", see below), as well as to agree the rest of the delegated authority arrangements, e.g. specific outputs and outcomes of the project or programme being co-financed and its operational and financial management, outlining the respective roles of the partner country and individual co-financing donors with regard to the project or programme's implementation, monitoring, reporting and evaluation.

Delegated Cooperation is a policy choice of cooperation, which first has to be considered under the responsibility of the authorising officer. EU Delegations can take the initiative to consult other donors about the possibility of managing funds on the Commission's behalf or to delegate fund management to it. DG DEVCO (Directors concerned and through them the other interested services) must be informed well in advance in order to launch the appropriate procedures if necessary (e.g. the Pillar Assessment, see below).

The Commission may increase its funding for a specific project already delegated to a fund-managing donor if the project is deemed especially successful in meeting the criteria listed above and when this is in line with the policy priorities outlined in the Agenda for Change.

3.1.4. COMMISSION AS FUND-MANAGING DONOR

3.1.4.1. BUDGET AND EDF

The possibility for the Commission to be the fund-managing donor under Delegated Cooperation is provided for in the Financial Regulations (Budget and 11th EDF). The co-financing donor may be an EU Member State (or its entity operating at national or federal level), or in exceptional and duly justified cases, any other donor country (including its public and semi-public agencies) or even a private entity. The notion of donor country should be assessed in the light of each specific action; a public body from a country beneficiary of EU development aid can act as a donor for a specific action in a different country.

Any action implemented by the Commission on the above basis will always be jointly co-financed by other donors.

The financed activities must fit the Commission's programme priorities, as defined in the strategies and programming documents adopted.

Note that the receipt of funds from another donor is not a management mode (see section 3.3), but a solution to engage in Delegated Cooperation when the Commission is the fund-managing donor pooling within the Budget or the EDF these sources with those of other donors to co-finance an action. Once pooled, the funds will be disbursed through whatever management mode is chosen by the Commission in the corresponding FinDec&AAP/M. A share of the donor's funds will be used to finance the Commission's administrative costs.

For implementation purposes, such funds will be treated as external assigned revenue, in accordance with Article 21(2) FR and Article 9(2)(a) (or (b)) of the 11th EDF FR.

DG DEVCO has developed a reporting system by which services involved in discussions regarding possible receipt and management of funds by the Commission will systematically report as soon as they have sufficient details about the projected agreements. On the basis of the IMDA/Transfer Agreements Assessment Sheet, filled in to the best of their knowledge, they will submit the option to receive and manage funds from other donors to the responsible Director for an approval in principle. Following that approval, the IMDA/Transfer Agreement Assessment Sheet will be further completed and will feed the project identification process. The reception of the other donors' funds will also be foreseen in the Action Document and adopted in the FinDec&AAP/M.

The IMDA/Transfer Agreement Assessment Sheet essentially includes an assessment of the relevance and feasibility of the action for the EU, for the partner country or regional organisation and for the donor. It asks whether the relevant Delegated Cooperation contributes to the strengthening and rationalisation of a wider division of labour process, whether the delegated action corresponds to EU priorities in the partner country or region and whether the Commission has the capacity to implement the delegated action. With regard to the partner country or regional organisation, it asks whether the delegated action is aligned with its development strategy and is owned and led by the partner country or regional organisation and whether it agrees with the management mode of the action. It also asks about the efficiency gain and reduced transaction costs of the action. As regards the donor, the fiche asks about its objectives for transferring funds.

In the Transfer Agreement, the obligations of donors wishing to entrust funds will differ depending on the level of their involvement, i.e. whether the donors wish to be involved in regular activities (annual reviews, policy dialogue etc.), or whether they will be silent partners, entrusting the Commission with all the tasks of managing the action and expecting only to receive a copy of the annual progress report.

As regards the timing of the conclusion of the Transfer Agreement, it must be concluded after the adoption of the corresponding FinDec&AAP/M where the Commission officially accepts this co-financing and hence gives authority to the responsible authorising officer to sign the Transfer Agreement. Before the adoption of a FinDec&AAP/M, a confirmation of the donor's intention to

provide the contribution should be obtained (letter of intent) or the Transfer Agreement should be signed by the donor (and only by the donor). Following the entry into force of the Transfer Agreement, a debit note requesting the payment will be sent to the donor.

The templates for a **transfer agreement** may be found at

Annex C1 : IMDA/Transfer Agreement Assessment Sheet

Annex C2a : Transfer Agreement: Special Conditions

Annex C2b : Transfer Agreement: General Conditions (Annex II)

The Commission will follow its own rules and procedures as regards programming, financing and implementation. These co-financed activities should be included in the joint annual reviews, the mid-term reviews and the end-of-term reviews.

Alternative solutions, where transfer of funds is neither possible nor appropriate, may also be explored, such as joint procurement procedures to be launched by the Commission and Member States together⁷, or operations coordinated by the Commission, where each donor makes its payments via its own staff and preserves its own visibility, but the Commission designs the programme and coordinates its implementation.

3.1.4.2. EU TRUST FUND

Article 187 of the EU Budget Financial Regulation and Article 42 of the EDF BF FR enable the creation of EU Trust Funds. Such a trust fund is composed of pooled funds from the EU Budget or the EDF on the one hand, and from a contribution of one or more other donors which may be Member States or third donor countries. Chapter 21 is dedicated to EU Trust Funds.

3.2. CO-FINANCING OF ACTIONS BY OTHER PARTNERS

An action is always financed by the EU Budget or the EDF. However, other partners may, and indeed should, co-finance the action together with the EU. These partners are essentially Member States or third donor countries, partner countries and international organisations. Private organisations, such as foundations and charities, could also provide co-financing.

Two types of co-financing should be distinguished: parallel and joint co-financing.

- **Parallel co-financing:** the action is broken down into clearly identifiable sub-actions, each funded by a different co-financing partner. The funds of each donor are earmarked. Normally, each sub-action will be subject to the rules and procedures imposed by the donor financing that sub-action.

⁷ Article 104 FR and Article 125(c) RAP.

- **Joint co-financing:** the total cost of the action is divided between the co-financing partners and all the funds are pooled, with the result that the source of funding for a specific activity within the action cannot be identified (no traceability). Funds of the donors are hence not earmarked. As it is virtually impossible to apply each donor's rules and procedures, the donors agree on the common rules to be applied. A jointly co-financed action is known as multi-donor action.

If the fund-managing entity is a Member State's or third donor country's agency, or an international organisation, the application of common rules implies a flexibility of the EU rules to accept the fund-managing entity's ones: the equivalence of the rules, procedures and systems of the donor is assessed *ex ante* in the Pillar Assessment (see below). Further, the EU can agree that the fund-managing entity applies its own rules on the geographical scope of eligibility provided that this scope is not narrower than the EU's. The geographical scope of eligibility defines which procurement tenderers and grant applicants are eligible for funding. The scope also encompasses the rules of origin of goods purchased with the funds and is determined in the relevant basic act, i.e. Common Implementing Rules (EU Budget basic acts), Annex IV to the Cotonou Agreement (EDF - ACP States) and the Regulation implementing the Overseas Association Decision (EDF - OCTs)). Under the EDF, ACP States preferences stipulated in Article 26 of Annex IV to the Cotonou Agreement do not have to be applied by the fund-managing entity. By way of exception, the deadline for the fund-managing entity to conclude agreements with final recipient (so-called D+3) may be extended in multi-donor actions. Also, the loss of traceability implies that the EU rules on *ex-post* transparency on contractors and grant beneficiaries do not have to be applied. Instead, those of the fund-managing entity can be accepted.

With a view to harmonising the terminology used in the legal framework, the term 'joint co-financing' will cover such terms as pool funds, basket funds, multi-donor funds/actions, active or passive co-financing with Member States and multi-donor trust funds, all of which are forms of co-financing.

Joint co-financing activities should be included in the joint annual reviews, the mid-term reviews and the end-of-term reviews.

3.2.1. NOTIONAL APPROACH

The use of the notional approach allows the EU to jointly co-finance an action although some of the costs of this action are not eligible for EU funding.

Budget and EDF contributions are subject to a number of specific requirements regarding ineligibility of costs which do not necessarily apply to the other donors pooling funds together under a jointly co-financed action. Since complying with these requirements would require a degree of traceability, it would be difficult to reconcile these requirements with the nature of jointly co-financed actions and would make it difficult for the Commission to take part in this type of actions.

However, it is possible for the EU to contribute to multi-donor actions using the notional approach. Under this approach, the EU cost eligibility requirements are met as long as the amount contributed by other donors is sufficient to cover the costs which are ineligible under EU rules.

For instance, if the EU finances 40 of a given project of total costs 100 under a basic act which does

not permit the funding of taxes, and the managing entity estimates that it will use 5 of its funds to reimburse local taxes, the Commission is allowed to assume that this 5 (ineligible under EU rules) will be funded from the 60 contributed by other donors. Equally, if for instance the Commission finances 20 of the project of total costs 100 under the EDF and, say, 60 of the estimated expenditure is allocated to African, Caribbean and Pacific (ACP) States, the Commission is allowed to assume that all its contribution will go exclusively to ACP countries.

In this manner, the Commission can participate in jointly co-financed actions without actually earmarking its contribution (as such earmarking would be contrary to the very idea of joint co-financing).

While the notional approach is normally used to contribute to jointly co-financed, i.e. multi-donor actions, it needs to be applied carefully:

- Before deciding to participate in a jointly co-financed action, the responsible authorising officer needs to get a good understanding of the nature of the costs in the budget, whether such costs can be regarded as eligible under EU rules, the number and amount of contributions from other donors which can finance the non-eligible costs, etc. The amount contributed to multi-donor actions should be limited as to avoid the EU contribution exceeding eligible costs.
- The Commission services will then monitor the action through the financial and narrative reports. In case any substantial deviation is identified, such that the other donors' contributions may not cover the ineligible costs under EU rules, appropriate measures will be adopted (such as amending or terminating the delegation agreement).
- At the end of the implementation period of the delegation agreement, the fund-managing entity will be requested to provide a declaration that ineligible costs for the EU contribution are covered by other donors' contributions. Such declaration shall be included within the final financial report. If an amount of ineligible costs cannot be covered by other donor's contributions, it implies that there are not enough eligible costs to cover the EU contribution, which will then be reduced by such amount, as to only cover eligible costs. The inclusion of a provision in the special conditions of the agreement to ensure the receipt of sufficient funds from other donors covering the costs that are not eligible under the agreement is highly recommended.
- Indirect costs cannot be covered by this approach.
- The use of the notional approach is allowed even if no specific provision has been inserted in the special conditions of the delegation agreement concerned.

3.2.2. PRIORITY OF CONSUMPTION

When the level of contributions from the different donors is not known or when the periods of implementation financed by the different donors are different, it is normal that EU contributions to multi-donor actions implemented by international organisations state an absolute contribution without

including a co-financing percentage. In such cases priority of consumption has to be assumed for release of further pre-financing, for clearing and for final payment. This means that costs incurred in a certain period (i.e. in the implementation period of our delegation agreement with the fund-managing entity) are attributed in priority to the EU contribution, and not divided among the donors pro rata, as otherwise might be expected. In this way, the financial participation of the EU can come to an end more quickly.

Release of further pre-financing:

Requests for further pre-financing have to be accepted as long as 70% of the immediately preceding installment has been subject to legal commitment (and 100% of the previous ones). Whether there is a co-financing rate stated in the Special Conditions of the delegation agreement or not, each further installment is released without regarding other donors' contributions⁸. No virtual percentages shall be used.

It is recommended to state in the delegation agreement the EU contribution installments for each 12 months period of activity. If such amounts have not been included, all payment requests should be met. The only existing limits are then the maximum amount of the EU contribution and the amount reserved for final payment. In either case it is assumed that EU resources are committed first.

Final payment:

At the end of the implementation period of the delegation agreement, the Commission will release the final payment under the assumption that the funds that are first incurred are the EU ones. Therefore, as far as there are enough eligible costs to cover the EU contribution and there is assurance by the implementing entity that ineligible costs are covered by other donors' contribution (notional approach), the final payment shall be released without applying any virtual percentage.

In case the amounts incurred are less than the EU contribution, an amount equal to the outstanding not incurred amount shall be recovered.

Surplus and profit of the action will only be considered where the end of the implementation period of the delegation agreement coincides with the end of the action. In such cases the relevant agreements between donors will apply.

In cases where the end of the action is later than the end of the implementation period of the agreement, and at the end of the action the implementing entity distributes unexpended funds to donors, the Commission will issue the corresponding recovery order for the amount determined by that implementing entity.

Note on clearing

⁸ As the contributions from other donors are not necessarily synchronized with the EU contribution installments, the co-financing rate is not used to release each installment. In case there is a co-financing rate, such rate will only be used after signature of the contract for pre-financing clearing and to determine the final payment.

In indirect management pre-financing is released based on legal commitments concluded by the implementing entity and without applying any co-financing rate. However, clearing is done based on incurred costs. In cases where a co-financing rate is stated in the special conditions, such co-financing rate shall be used for clearing.

3.3. MANAGEMENT MODES

3.3.1. INTRODUCTION

Management modes are the term to describe the contractual arrangement through which funds are channelled to their final recipients, i.e. contractors and grant beneficiaries. The question is whether the Commission is the party (contracting authority) of the contract with that contractor or grant beneficiary, or whether the contractor or grant beneficiary receives EU funds through a contract concluded with an intermediary to which the tasks of selecting the contractors and grant beneficiaries and managing the resulting contracts has been entrusted by the Commission. The former case (including an executive agency of the EU) is called direct management; the latter case is called indirect management if the intermediary is

- (a) the partner country or an entity designated by it;
- (b) an agency of a Member State or, exceptionally, of a third donor country;
- (c) an international organisation; or
- (d) an EU specialised (traditional/regulatory, hence not executive) EU agency.

The management mode is shared management where budget implementation tasks are delegated to Member States (acting through their managing authorities) on the basis of legislation. This mode is of relevance for DG DEVCO only in the case of Cross Border Cooperation actions under ENI.

Being the contracting authority implies carrying out the following budget-implementation tasks: managing and enforcing the contracts concluded (making payments, accepting or rejecting deliverables, enforcing the contract, carrying out checks and controls, recovering funds unduly paid), and also running the procurement and grant procedures preceding the conclusion of such contracts, including the award and rejection decisions. The scope of delegation of these tasks may vary, as is explained below. By contrast, policy choices are not budget-implementation tasks and may not be delegated (entrusted). This is why budget support as type of financing must be implemented in direct management. In practice, the FinDec&AAP/M have to contain sufficient details about the activity implemented in indirect management, so as to conclude that the policy choices about the basic parameters of the activity have been made by the Commission and are not delegated. The names of the entrusted entity (delegatee), the description of the objectives and of the entrusted tasks, as well as of the amount are the minimum requirements to be included in the FinDec&AAP/M.

The entrusted entity listed under (a), (b) or (c) which is the delegatee or entrusted entity of the Commission may further entrust - subdelegate - the budget-implementation tasks to another entity, this

new entity is referred to as subdelegatee (see section 3.10. below).

The partner country (for example acting through its federal ministry) may also designate an entity responsible for the implementation according to the partner country's constitutional division of powers (for example state, as opposed to federal administration) or organisation of government (e.g. a specialised agency); this designated entity is not a subdelegatee. In certain cases, a regional international organisation of partner countries can be so designated (regional authorising officer under the EDF). If a delegation agreement is not concluded directly with the designated entity, e.g. the regional international organisation, the partner country is bound to ensure respect of the obligations of the financing agreement by that entity.

Member States' agencies and international organisations may have non-profit organisations (NGOs) as subdelegates.

The subdelegatee should be identified in the Action Document if he is known; otherwise, the intention to subdelegate should be expressed. The delegation agreement must identify the subdelegatee; if he is not known at the moment of its conclusion, the agreement has to be amended later by a non-opposition procedure.

Even if the Commission decides to entrust the implementation of an activity of an action to the above-mentioned entrusted entities (delegates), it remains accountable to the European Parliament and to the Council for the proper use of the EU funds.

The table below summarises the typology of the management modes.

| Entrusted Entity (Delegatee) /Contracting Authority (CA) | Management mode | Agreement with the Entrusted Entity (Delegatee) | Procurement and Grant Procedures |
|---|------------------------|--|---|
| European Commission (Headquarters and EU Delegations)/executive agency | direct management | - | Budget/EDF rules (PRAG) |

| | | | |
|---|---------------------|----------------------|---|
| Partner country or its designated entity (e.g. regional organisation which has not passed the Pillar Assessment) | indirect management | financing agreement | Budget/EDF rules (PRAG) |
| International organisation | | | Equivalent procedures of the international organisation |
| Agency of a Member State or of another donor country (only this is a form of Delegated Cooperation) | | delegation agreement | Equivalent procedures of the agency |
| EU specialised (traditional/regulatory) agency | | | Budget/EDF rules (PRAG) |
| Member State (acting through a managing authority) | shared management | Closest: Operational | Procedures of the authority complying with the Structural Funds rules or in case of Cross Border Cooperation programmes- see CBC IR |

The scope of delegation of budget-implementation tasks to entrusted entities has an impact on the nature of work remaining to be carried out by the Commission. The more the Commission delegates to an entrusted entity (delegatee), the more the Commission's role focuses on the previous assessment of the entity's system (the 'Pillar Assessment', see below) and on the (ex-post) control of the delegated action, since the budget-implementation tasks are carried out in majority or in whole by the entrusted entity, in accordance with the agreed rules.

It is important to remember that being able to delegate more tasks to more actors does not result in less responsibility for the Commission. It only modifies the nature of this responsibility, which changes from the actual implementation of an action to the control and monitoring of the tasks implemented by the entrusted entity (delegatee). It also creates new requirements that the Commission must impose on the entrusted entity (visibility, reporting, transparency of final beneficiaries, etc.).

The rules on the procedures and systems to be used by the entrusted entity (e.g. Budget/EDF procurement and grant rules) are set out in the Financial Regulations (Budget and EDF). An ex ante assessment (“Pillar Assessment”) by the Commission is required to ensure that the rules, procedures and systems comply with international or Financial Regulation standards and thus are equivalent to those applied by the Commission.

Finally, subject to the instructions given by the responsible authorising officer, the Commission will monitor the management of the entrusted tasks with a view to assessing the entity's efficiency and to providing constructive feedback. This assessment should be done at least once during the lifetime of the activities entrusted. Should any serious problems be detected, the Commission should take corrective measures including, where necessary, changing the management mode initially chosen for these activities and/or amending the agreement concluded with the entrusted entity.

What should the responsible authorising officer decide during the preparatory phase?

- In deciding how an action should be implemented, the Commission must choose the most appropriate aid delivery method (i.e. budget support, project modality) and management mode (direct or indirect, and modalities of indirect - i.e. indirect with whom and of what scope), having regard to the circumstances and specificities of the action. Note that, according to the Cotonou Agreement, under the EDF, indirect management with partner countries has traditionally been the preferred management mode. The finance and contract units and sections must be involved in this early phase as their support will be required at the design phase also.

- In line with the aid effectiveness documents (e.g. Paris Declaration, the Code of Conduct), this decision is usually discussed with the partner country and other donors and stakeholders in the relevant country and/or sector of intervention. This dialogue is a key to deciding the most appropriate management mode. The dialogue may include sharing previous assessments made by other donors on the systems used by the body from the partner country to which tasks might be delegated. Shared understanding is important; stakeholders may have similar sounding terminology which may not hold the same meaning for the Commission (e.g. 'assessment' of the systems/procedures, notion of 'grants', etc.).

The Commission services (both operational and contractual) need to involve the partner countries and other donors as early as possible in the preparatory phase of an action and discuss with them matters such as the needs of the country, the objectives and expected results, the activities, and by whom and how projects are to be implemented. It is important to remember that partner countries are sovereign States and that the Commission's financial intervention in the field of Development and Neighbourhood policies is always on behalf of these countries and according to their needs.

- If indirect management with the partner country is chosen as the management mode, the next question to be decided by the responsible authorising officer will be the scope of delegation: partial (with payments by the Commission) or full (with programme estimates).

3.3.2. DIRECT MANAGEMENT

Where the Commission implements the action in direct management, all budget-implementation tasks are performed directly by its departments either at Headquarters or in EU Delegations (to that end, a subdelegation has been granted to any Head of Delegation pursuant to Article 56(2) FR). The relevant EU service then becomes the Contracting Authority in charge of procedures and of signing and managing the contracts with contractors and grant beneficiaries and with the partner countries in case of budget support.

The Budget or EDF is also managed directly when the action is implemented by an executive agency which is an organisation established in accordance with Council Regulation (EC) No 58/2003 (OJ L 11, 16.1.2003) with a view to being entrusted with certain budget-implementation tasks relating to the management of one or more programmes. These agencies are set up for a fixed period. Their location has to be at the seat of the Commission (Brussels or Luxembourg). In the area of Development and Neighbourhood policies, this concerns various types of mobility actions (e.g. exchanges and stays abroad of students or researchers) managed by the EAC Executive Agency.

Further, the following activities are carried out in direct management:

- support for debt relief⁹
- support for short-term fluctuations in export earnings¹⁰;
- contracts concluded by the Commission for and on behalf of one or more ACP States and OCTs, in particular the conclusion and use of the framework contract for beneficiaries;
- specific contracts concluded under the framework contract with the Commission for audit and evaluation.
- resources reserved for expenditure linked to programming and implementation of the EDF by the Commission;
- humanitarian and emergency aid operations managed by the Humanitarian Aid Office (ECHO).

3.3.3. INDIRECT MANAGEMENT WITH MEMBER STATES' AGENCIES

Under Delegated Cooperation at EU level, where the EU is a co-financing donor while a Member State agency is the fund-managing donor, the Commission entrusts budget-implementation tasks to this agency in indirect management. This agency may also carry out activities using its own staff, so-called directly implemented activities, but budget-implementation tasks have always to be present in order to qualify as indirect management.

¹⁰ Support for short-term fluctuations in export earnings is governed by Articles 60, 61 and 68 of the Cotonou Agreement.

⁹ Support for debt relief is governed by Articles 60 and 66 of the Cotonou Agreement.

The Member State agency can be, pursuant to Article 58(1)(c)(v) and (vi) FR, a public-law body or a body governed by private law with a public-service mission providing adequate financial guarantees. In practice, it is either a ministry where the legal entity is the Member State itself or it is a separate legal entity (agency) established under public law (i.e. by a sovereign act of State, such as a law or a decree) or under private law (i.e. in a legal form available to anyone while that entity is entrusted with the tasks of implementing the government's development policy and under the latter's control, which is a public-service mission).

The potential delegatee must fulfil the following eligibility criteria:

- it operates at the highest government level (national or federal);
- it is specialised in technical or financial development cooperation with partner countries of the Development and Neighbourhood policies; as such, it is generally capable of mobilising co-financing of its own (i.e. from its Member State) or from other donors, along with that of the EU;
- it implements cooperation activities without subcontracting or subdelegating entire programmes or projects to other entities.

The Commission with the help of the Member States has identified eligible entities. (See list in Annex DG DEVCO receives any new requests; it prepares also the decision of DG DEVCO Management on whether the Commission should engage in Delegated Cooperation with the interested entity and whether, by consequence, the Pillar Assessment should be launched.

Any entity has to be assessed in the Pillar Assessment and any weaknesses in its financial management have to be satisfactorily addressed either at the level of following up on the Pillar Assessment report recommendations or by way of appropriate remedial provisions in the delegation agreement.

Delegated Cooperation is a modality integrated into the normal PCM procedure: it is described and justified in the Action Document reviewed by the DEVCO Quality Support Group and adopted as a part of the FinDec&AAP/M.

A specific Assessment Sheet “Delegated Cooperation - Indirect Management with a Member State or third donor country agency” to be filled in and submitted to DEVCO Headquarters as early as possible after it has passed the oQSG1 stage, so that it can be examined at the latest by the oQSG2 stage. Only in particularly politically sensitive cases should the decision on Delegated Cooperation with a Member State's agency be submitted to DG DEVCO Management. By contrast, all cases of Delegated Cooperation with a third donor country agency must be approved by DG DEVCO Management.

The Assessment Sheet examines the relevance and feasibility of the delegated measure for the EU, the partner country and the delegatee. It analyses whether the delegated measure contributes to the strengthening or rationalisation of a wider division of labour process, whether it is coherent with the EU strategies and programming documents, it assesses its impact as regards EU visibility, the cost-benefit/impact ratio and the likely risks and disadvantages of the measure. The risk may consist in one

or more donors withdrawing from the Delegated Cooperation; a contingency plan or other risk-mitigating measures should be proposed for such scenario. With regard to the partner country, it asks whether the delegated measure is owned and led by it and aligned to its development strategy and whether it agrees with the implementation by the delegatee. Information on expected efficiency gains and reduction in transaction costs is also analysed. With regard to the delegatee, it is assessed whether it has the technical and financial management capacity to implement the delegated measure, on the basis of international track record, sectors of intervention and project pipeline, whether it provides comparative advantages and whether it has significant and sustainable involvement in the relevant programme or sector. The eligibility of the delegatee has to be confirmed and information on possible reciprocity can be provided.

Following the adoption of the FinDec&AAP/M, a delegation agreement will be signed with the entrusted entity/delegatee using the template annexed to this Companion. The degree of involvement of the Commission should be defined in the delegation agreement or in any Memorandum of Understanding concluded between the co-financing donors and the fund-managing donor. That Memorandum cannot derogate from the delegation agreement unless derogations have been approved. A high degree of involvement implies Commission participation in the policy dialogue, planning, monitoring and annual reviewing, reporting and evaluation processes. Minimum involvement implies for example an observer status in the annual policy dialogue and further reliance on the reporting by the delegatee - fund-managing donor. In any case, the Commission should lend weight and leverage to negotiations at the request of the fund-managing donor. The Commission's involvement should however not take the form of its participation in the decision making as this would risk watering down the responsibility of the entrusted entity/delegatee for the implementation of the action.

The **Assessment Sheet** for assessing delegation agreements is available at:

Annex C1 : IMDA/Transfer Agreement Assessment Sheet

The FinDec&AAP/M must reflect the grounds for choosing this method of implementation and the delegatee body, bearing in mind the criteria mentioned above. The choice of the delegatee body, particularly in cases of co-financing, may require prior coordination between the main entities in the field (e.g. different national agencies or donors from EU Member States present in the country and/or sector concerned). Also, it is necessary to involve the Member State of the delegatee body as soon as possible.

The **list of entities that have been assessed** can be found at:

<https://myintracomm.ec.europa.eu/dg/devco/finance-contracts-legal/audit/compliance-assessment/Pages/6-pillars.aspx> (link to DEVCO intranet - accessible only to Commission staff)

3.3.4. DELEGATED COOPERATION WITH THIRD DONOR COUNTRIES' AGENCIES

Under Delegated Cooperation at worldwide level, where the EU is a co-financing donor while a third donor country authority is the fund-managing donor, the Commission entrusts EU funds to this authority in indirect management.

Everything said in the context of Delegated Cooperation with the Member States' agencies, including the Pillar Assessment, applies, subject to the following:

- Delegated Cooperation by indirect management with third donor country authorities should be exceptional and duly justified;
- there should be a DEVCO Management decision to authorise delegated cooperation in general with the applicant authority; by consequence, the Pillar Assessment will be launched. However, there should also be a DEVCO Management decision for each concrete project of delegated cooperation with this authority;
- the entry point of any request, whether from a DEVCO service or from the interested body, is to DG DEVCO units, which coordinate the preparation of the DEVCO Management decision to authorise delegated cooperation in general.

3.3.5. INDIRECT MANAGEMENT WITH INTERNATIONAL ORGANISATIONS

3.3.5.1. BASIC PRINCIPLES

The Commission may entrust budget-implementation tasks under indirect management to an international organisation. In this manner, the international organisation becomes the entrusted entity/delegatee of the Commission, so that it can implement EU resources through launching of calls for tenders or for proposals, through awarding contracts and grants, through carrying out payments, etc., according to its rules. The organisation may also carry out activities using its own staff, so-called directly implemented activities, but budget-implementation tasks have always to be present.

The decision to work with an international organisation can be taken at different stages of the project management cycle: (1) Programming: although this decision is in principle an implementation issue, the programming phase can already mention an international organisation, in general as a result of an agreement with the partner country; (2) Identification: following appraisal of options by operational staff; (3) Formulation: following appraisal of options by operational staff, the choice to use indirect management with a specific international organisation and its name must be stated at the latest in the Action Document forming part of the FinDec&AAP/M. (4) Implementation: Please note that grant or service contracts may be awarded to an international organisation as per the PRAG contract award procedures but this then precludes indirect management - see section 3.13..

The definition of an international organisation is provided in article 43(1) of the Rules of Application. According to this provision, international organisations are international public-sector organisations set up by intergovernmental agreements, and specialised agencies set up by such organisations. These organisations may have worldwide or regional scope. Organisations created under national law are not

international organisations (e.g. a national NGO with several regional/country offices). The International Committee of the Red Cross (ICRC) and the International Federation of National Red Cross and Red Crescent Societies are explicitly declared by Article 43(1) RAP to be international organisations. Note that national societies of the Red Cross or Red Crescent are not regarded as international organisations.

The typical feature of international organisations is their specialisation in certain activities relevant for the EU's objectives. Certain international organisations, in particular the UN, are therefore subdivided into specialised agencies and offices. This specialisation, along with the capacity to provide co-financing (its own or from other donors) should be the primary reasons for selecting a certain organisation as the best of alternatives; the selection must be justified and based on objective reasons.

In the context of this specialisation, the types of financing of certain international organisations are financial instruments (e.g. loans, guarantees, equity investments). In that case, it has to be examined whether the measure (co-)financed by the EU qualifies as financial instrument. If yes, that organisation has to have passed the Pillar Assessment including financial instruments (see section 3.3.8. on Blending Facilities) and a special template Financial Instrument Delegation Agreement (yet to be produced) will have to be signed. In this context, it should be recalled that the European Investment Bank is not an international organisation in the above sense. The relations with the EIB Group shall be governed by a framework agreement to which a template EIB Financial Instruments Delegation Agreement is annexed; where the financing is not covered by the scope of this framework agreement, a normal Delegation Agreement will be used. The Pillar Assessment of the EIB (see below) is carried out by DG ECFIN; until it is finalised, the cooperation will be based on the presumption of conformity.

DG DEVCO has developed a series of **Frequently Asked Questions** on indirect management with international organisations that can be found at:

https://ec.europa.eu/europeaid/funding/procedures-beneficiary-countries-and-partners/faq-international-organisations_en

3.3.5.2. APPLICATION OF FRAMEWORK AGREEMENTS

Framework agreements concluded with international organisations provide the Commission with a useful and simplified legal and financial framework for cooperation with international organisations. They usually apply to all forms of funding, not only the one provided by DG DEVCO. Under the old Financial Regulation, the existence of a framework agreement was one of the legal enablers of using joint management with international organisation. Under the new Financial Regulation, this is no longer required for indirect management.

If foreseen in a call for proposals for grants, framework agreements also apply when an international organisation is a grant beneficiary or a co-beneficiary. In such cases the grant contract will be signed adapted as required by the framework agreement.

Annex C4e : Template for One UN, Multi Partner Trust Funds (MPTF) and Joint Programming (JP)

Framework agreements have been concluded between the Commission and the following international organisations:

United Nations: “Financial and Administrative Framework Agreement” of 29 April 2003, covering a large number, but not all, UN specialised bodies and agencies;

World Bank group: “Framework Agreement” of 20 March 2009, including a template Administration Agreement which replaces the Delegation Agreement;

World Trade Organisation (WTO), August 2007;

Organisation for Security and Cooperation in Europe (OSCE), July 2007;

Organisation for Economic Cooperation and Development (OECD), April 2006;

Council of Europe (CoE), August 2004;

International Monetary Fund (IMF), January 2009;

World Organisation for Animal Health (OIE), June 2010;

Inter-American Development Bank (IDB), July 2011;

International Organisation for Migration (IOM), November 2011.

In view of the requirements of the new Financial Regulation, pending negotiations with further organisations were suspended and will be resumed when the contractual framework of the Delegation Agreement is definitively established.

The **Financial and Administrative Framework Agreement (FAFA) with the United Nations** and related information can be found at:

https://ec.europa.eu/europeaid/funding/procedures-beneficiary-countries-and-partners/fafa-united-nations_en

Negotiation of framework agreements

A request to conclude a framework agreement may be initiated by the interested international organisation or by the services of the Commission. All requests should normally be addressed to the Director-General of DG DEVCO. DG DEVCO remains the lead service for this exercise within the Commission. If the Director-General decides that the request should be considered, he or she will forward it to Directorate DEVCO.R, which will handle the file. This Directorate, which will work

closely with Directorate DEVCO.A, may be assisted by other services of DG DEVCO or other Directorates-General concerned and the EEAS.

Directorate DEVCO.R will first consult Directorate DEVCO.A and other services within DG DEVCO and then, if necessary, other Commission services and the EEAS, on whether negotiations should be opened with the organisation. It will inform the Director-General of DG DEVCO of the result of these consultations, who will ultimately decide whether negotiations should be initiated. The Director-General could also give instructions or guidelines for the negotiations (e.g. whether a joint working group verifying the implementation of the agreement should be constituted, whether the participation of the Commission in the bodies of the organisation should be considered, and who should perform the Pillar Assessment review).

Within Directorate DEVCO.R, unit DEVCO.R3 will be the lead service for negotiating the framework agreement. In parallel, the unit in charge of carrying out the Pillar Assessment (DEVCO.R2) will request the necessary information from the organisation.

Once the parties have agreed on the content of the framework agreement at the technical level, the text is submitted by Directorate DEVCO.R, in agreement with Directorate DEVCO.A, for the approval of the Director-General of DG DEVCO.

The agreed text will be adopted by the Commission in written procedure which will be preceded by an inter-service consultation of the services concerned, including in any case the Secretariat-General, the Legal Service and DG BUDG.

The Commission decision approving the framework agreement on behalf of the Commission will also identify the person authorised to sign it, normally the Commissioner in charge of the Development policy or any Commission staff member designated by him or her (to match the level at which the international organisation will sign the agreement). Normally three originals of the agreement will be signed, one for the organisation and two for the European Commission.

For more details on the procedure to be followed for the signature of Framework Agreements of Financial and Administrative nature with International Organisations, please refer to Annex C6.

3.3.6. PILLAR ASSESSMENT

The Financial Regulation requires that the candidate entity to be entrusted with budget-implementation tasks demonstrates a level of financial management and protection of the EU financial interests equivalent to that of the Commission. This is verified by carrying out an ex-ante assessment, a Pillar Assessment of the entity. Pillars are the broad areas covered by this assessment and include (1) internal control, (2) accounting and (3) independent external audit. Moreover, the assessment must also include at least one of the following, so that the entity can be entrusted with the corresponding budget-implementation tasks: (4) procedures and rules for grants, (5) for procurement, (6) for financial instruments, as well as (7) a specific pillar for sub-delegation.

Pillar Assessments must be carried out by a professional auditor and in accordance with the terms of reference established by DEVCO.R2 “Audit and Control” which is the service responsible for these assessments. The auditor must be an independent external auditor who is a registered member of a national accounting or auditing body or institution which in turn is member of the International Federation of Accountants (IFAC) and who is certified to perform audits.

The auditor is contracted to assess the systems put into place and the controls, rules and procedures applied by the entity for each pillar against the criteria set by the Commission. The **objective** of this Pillar Assessment is to enable the auditor to report on whether the entity fulfils the requirements set out in points (a) to (d) of the first subparagraph of Article 60(2) of the Financial Regulation (applies both to Budget and the EDF) for each relevant pillar and to express a conclusion as to whether the candidate entrusted entity:

- has set up and ensures the functioning in all material respects of an effective and efficient **internal control system** and in accordance with the criteria set by the Commission; and
- uses an **accounting system** that provides in all material respects accurate, complete and reliable information in a timely manner and in accordance with the criteria set by the Commission; and
- is subject to an **independent external audit**, required to be performed in all material respects in accordance with internationally accepted auditing standards by an audit service functionally independent of the entity concerned and in accordance with the criteria set by the Commission; and
- applies **appropriate rules and procedures** in all material respects **for** providing financing from EU funds through **grants** and in accordance with the criteria set by the Commission; and
- applies **appropriate rules and procedures** in all material respects **for** providing financing from EU funds through **procurement** and in accordance with the criteria set by the Commission; and
- applies **appropriate rules and procedures** in all material respects **for** providing financing from EU funds through **financial instruments** and in accordance with the criteria set by the Commission
- has taken measures in all material respects which ensure that **Sub-Delegates** and **Financial Intermediaries** to which the entity sub-delegates budget-implementation tasks, will implement EU-funded actions with systems and procedures that comply with international standards and with the criteria set by the Commission.

The Pillar Assessment will result in a conclusion of the auditor on the compliance of the rules, procedures and systems of the candidate entrusted entity with the benchmarks. The outcome is positive if the conclusion is that the rules, procedures and systems of the entity are equivalent to those of the Commission; in that case the entity may use its own rules, procedure and systems, subject to the specific obligations agreed in the delegation agreement (IMDA). If the outcome is not entirely

positive, the conclusion will result in a series of recommendations to remedy the non-equivalence. The non-equivalence can mean that the deficiencies are so serious that no delegation is possible until remedy is provided. Other recommendations can be followed up on by either changes in the rules, procedures and systems of the candidate entrusted entity that will be re-examined by the auditor, or by remedial clauses that will be inserted into the delegation agreement (IMDA). This demonstrates the need to identify the candidate entrusted entity as soon as possible in order to trigger the Pillar Assessment on time, if necessary.

Because of the entry into force of a new Pillar Assessment pursuant to the new Financial Regulation No 966/2012, in the transitory period delegation agreements (IMDA) may be signed with international organisations which were positively assessed under the old Pillar Assessment based on the old Financial Regulation No 1605/2002. The template Action Document and FinDec&AAP/M contain provisions for that purpose. In order to rely on the old Pillar Assessment, authorising officers by subdelegation have to verify that the previous Pillar Assessment was positive, the cooperation with the international organisation was problem-free and that the new Pillar assessment has been launched at the time the FinDec&AAP/M is adopted. The Pillar Assessment is considered to be launched if a Pillar Assessment form completed and signed by the candidate entrusted entity has been sent to the Commission. All up-to-date information can be found here:

<https://myintracomm.ec.europa.eu/dg/devco/finance-contracts-legal/audit/compliance-assessment/Pages/current-status-of-pillar-assessment.aspx>

As regards agencies of Member States and third donor countries, it has been concluded that the Pillar Assessment under the old Financial Regulation No 1605/2002 corresponds to the new one, with the exception of the pillar on financial instruments. Consequently, IMDA may be concluded with the agencies assessed in the past. Only where a financial instrument is entrusted in indirect management to them, the additional financial-instrument pillar has to be assessed beforehand.

Entities that have never been assessed before have to pass the new Pillar Assessment successfully before being entrusted any budget-implementation tasks.

3.3.7. INDIRECT MANAGEMENT WITH PARTNER COUNTRY

3.3.7.1. INTRODUCTION

The Commission may delegate budget-implementation tasks under Budget and the EDF to partner countries (or to entities designated by them) under indirect management. This management mode was even agreed as the preferred one for the EDF pursuant to Article 34(2) of Annex IV to the Cotonou Agreement. From a policy perspective, it is also in line with the aid effectiveness principle of ownership by the partner country.

In line with the principle of ownership by partner countries, which is at the heart of EU external cooperation policy, when the “project modality” is used as aid delivery method, procurement award procedures (for service, supplies and works contracts) should be conducted and the resulting contracts implemented under indirect management with the partner countries, wherever possible. Note however that related audit and evaluation services are contracted by the Commission under direct management.

The scope of delegation of the budget-implementation tasks may vary. There are two categories of delegation in use in the case of indirect management with the partner countries: partial delegation and full delegation with programme estimates, to be described later.

3.3.7.2. INDIRECT MANAGEMENT WITH THE PARTNER COUNTRY VERSUS BUDGET SUPPORT

Indirect management with the partner country is, whatever the scope of delegation, a transfer of budget-implementation tasks from the Commission to the partner country. The policy choices have been made by the Commission even if they were normally established, given the aid effectiveness principle of ownership, in agreement with the partner country. The Commission remains politically responsible, within the framework of the discharge, for how the partner country carries out the budget-implementation tasks entrusted to it. For this reason, the Commission puts in place controls on the entity that carries out these tasks.

Budget support constitutes a transfer of EU resources to the national treasury of a partner country in support of a national development or reform policy and strategy (or in support of a sector programme in the case of sector budget support) conditional upon the achievement of defined results by the partner country. It is paid after the results have been obtained and could, hence, not have been used to achieve them. The funds are fungible and become a part of the overall budget resources of the partner country. They are spent through its normal systems and are not and do not have to be traced by the Commission further. The political responsibility of the Commission ends where it paid the budget support after having ascertained itself that the conditions are fulfilled (disbursement criteria). One of the basic conditions is, however, that the public finance management (i.e. the management of the country's overall budget resources) is sufficiently transparent, accountable, reliable and effective.

Further information on **budget support** may be found at:

<https://myintracomm.ec.europa.eu/dg/devco/eu-development-policy/budget-support-public-finance-management/Pages/index.aspx> (link to DEVCO intranet - accessible only to Commission staff)

Although the objectives and some of the means used are similar (e.g. increasing ownership and responsibility of the partner country by allowing that country to use country rules, procedures and systems), budget support (under direct management) as compared to project modality under indirect management with the partner country entails very different roles and responsibilities for the Commission.

It is thus important for the responsible authorising officer to bear these elements in mind when the aid delivery method and the management mode are chosen.

3.3.7.3. SCOPE OF DELEGATION: BUDGET-IMPLEMENTATION TASKS DELEGATED

Delegation means the entrustment of the budget-implementation tasks from the Commission to the partner country or countries. There are two areas that can be subject to the delegation:

- conducting procurement and grant award procedures and managing the resulting contracts only - partial delegation; or
- in addition to the above, carrying out payments to contractors and grant beneficiaries - full delegation with programme estimates.

As a rule, the contracting authority is a ministry, department or agency forming part of the public administration of the partner country (for the EDF, Article 35 of Annex IV to the Cotonou Agreement foresees a special function: the national authorising officer - see below).

The proposed scope of delegation will be reflected in the FinDec&AAP/M. After approval, the partner country will formally agree on the scope of delegation by signing the financing agreement.

A. Partial delegation

Responsibility for the procurement and grant award procedures is transferred to the partner country. As a rule, all contracts implementing the financing agreement must be awarded and implemented in accordance with the procedures and standard documents laid down by the Commission for its external operations, in force at the time of the launch of the procedure in question (with ex-ante control by the Commission at regular steps during the procedure).

The Commission's ex-ante control of the procurement and grant award procedures is defined in the Practical guide to contractual procedures for EU external actions (PRAG).

Ex-ante control means that the Commission has to give its prior approval at all important stages in a contract award procedure, as detailed in the PRAG. The endorsement of a contract prior to its conclusion by the Commission signals the Commission's agreement to the later financing of the contract, provided that no errors in the procurement and grant award procedures are discovered later. In the event of a failure to comply with the procedures, the Commission may at any time refuse its approval for a given operation and thereby refuse EU funding for the operation in question. In all cases, additional ex-post controls are possible. The EU financial interests are therefore safeguarded, in addition to all the other possible means offered by the Financial Regulations, by the Commission's ex-ante control of individual transactions as well as subsequent controls or audits.

The Commission exercises ex-post control through regular controls or audits of on-going and closed projects. The EU financial interests are safeguarded, in addition to all the other possible means offered by the Financial Regulations, through the recovery of any unduly disbursed funds where the agreed procedures have not been respected, or where the activities were not eligible for EU financing.

The contracting authority assumes full responsibility for its actions and is accountable for them in any subsequent audit or investigation.

In this scope of delegation, it is the Commission, and not the contracting authority, which makes all payments directly to the contractors and grant beneficiaries. Therefore, this delegation is partial: it does not include the delegation of the budget-implementation task of carrying out payments.

B. Delegation with programme estimates

The programme estimate is a document of the partner country endorsed by the Commission laying down the human and material resources required, the budget and the detailed technical and administrative implementing arrangements for execution of a project over a specified period. The programme estimate is signed by the imprest accounting officer and the imprest account administrator and the contracting authority of the partner country. The Commission signs it for endorsement.

In case of operations where the budget-implementation tasks of managing the programme estimate are entrusted to a private entity (service contractor) under the EDF (where the imprest accounting officer and imprest administrator administrator are designated by the service contractor to which the contract was awarded), the programme estimate will be signed by that third party, the contracting authority and the Commission.

The partner country submits the programme estimate for approval to the Commission at regular intervals, normally annually, before the activities it provides commence.

The programme estimate is a mixed form of financial implementation that may include activities implemented both under direct and indirect management. Under indirect management, these activities may be under full delegation (i.e. where the partner country also makes payments under the imprest components of a programme estimate) and/or under partial delegation (i.e. where the Commission makes the payments to contractors and grant beneficiaries). It is the value of the contract to be concluded, as defined in the PE Guide (below EUR 300 000 for procurements and below EUR 100 000 for grants) that determines which form of delegation is allowed.

Certain service contracts, mainly for audit and evaluation, the use of the framework contract for beneficiaries and technical assistance, will be implemented by the Commission in direct management. They should also be included, as a reminder, in the programme estimate because they form a part of the project.

Further, the programme estimate may contain a component that the partner country executes directly using staff it employs or it recruited, so-called direct labour. Purchases to be used by that staff can also be funded under direct labour and they are obtained using the partner country's own procedures.

Finally, operating costs of the partner country's implementation structure may be eligible on conditions stipulated in the PE Guide. The difference between these operating costs and direct labour is that the latter concern operational activities of the action while the former cover the administrative costs of managing the programme estimate.

Within an imprest component of a programme estimate, the payments under contracts (procurement, grants) and for regular operating costs and direct labour included within this imprest component will be carried out by the partner country. Hence, the delegation in this case will be full. By consequence, the programme estimate must indicate which contracts will be covered by the imprest component. Procurement award procedures above EUR 50 000 and all grant award procedures will be subject to ex-ante controls.

On this basis, the partner country will proceed with the implementation of the programme estimate: it will be responsible for conducting the procurement and grant award procedures and for making the payments under the imprest component. The funds necessary for the payments will be replenished regularly once the supporting documents have been checked, amounting to a regular ex-post control of all action undertaken by the partner country under the imprest component. The programme estimate is thus the main document by which the Commission can verify the progress of the project carried out by the partner country under the terms of the financing agreement.

For the implementation of the imprest component of the programme estimate, the Commission requires that the partner country appoints the imprest administrator and the imprest accounting officer who manage it.

These cases are applied to the majority of on-going DG DEVCO projects implemented in indirect management with partner countries.

Guidelines on the use of programme estimates can be found in the 'Practical Guide to procedures for programme estimates (project approach)' (PE Guide):

https://ec.europa.eu/europeaid/funding/procedures-beneficiary-countries-and-partners/programme-estimates_en

Under a programme estimate, delegated implementation of procurement and grant award procedures and of payments proceeds as described below. Only EU/EDF contractual and financial procedures are used and the contracting authority does not manage substantial amounts of EU funds:

- Procurement and grant award procedures

The contracting authority uses EU procurement and grant procedures (following ex-ante controls except for procurement contracts below EUR 50 000 and except purchases for regular operating costs and purchases under direct labour), as reflected in the PRAG (see above A. Partial delegation).

- Payments

The partner country makes payments to contractors and grant beneficiaries, for direct labour and for ordinary operating costs under the imprest component of the programme estimate. These operating costs are the expenditure of the structure in charge of managing the programme estimates (salaries or top-ups, rent, phone, etc.).

The Commission pays funds to the partner country into a designated account, the imprest account,

from which the contracting authority is authorised to make payments to third parties (contractors, grant beneficiaries and staff) in accordance with the terms of the financing agreement and the programme estimate.

The contracting authority can thus make payments for small scale contracts up to the ceilings provided for in the Practical guide to procedures for programme estimates (PE Guide).

It is important to remember that these transfers of funds to the partner country constitute payments as per Articles 90 and 91 FR. Therefore, the responsible authorising officer remains responsible for such payments, as well as for the prior definition and verification of the supporting documents (Article 110 RAP).

3.3.7.4. FOR THE EDF, NATIONAL, REGIONAL, INTRA-ACP AND TERRITORIAL AUTHORISING OFFICERS

While under the Budget the partner country's rules on division of powers decide who the signatory of the financing agreement will be, in the Cotonou Agreement it was agreed and in the framework of the Overseas Association Decision decided that the ACP States and OCTs will appoint a person to represent that country or territory in all matters of implementing the EDF. This person is the national or territorial authorising officer (NAO). For actions common to all ACP States, it is the intra-ACP authorising officer (as a rule, the ACP Secretariat in Brussels) appointed by the ACP Committee of Ambassadors and for regional actions it is the regional authorising officer who is a representative of a regional international organisation of the partner countries. His or her tasks are consequently defined in Article 35 of Annex IV to the Cotonou Agreement for ACP States and in Article 14 of Commission Regulation No 2304/2002 implementing the Overseas Association Decision for OCTs. Collectively, they will be called “EDF authorising officer”.

Wherever the conditions regarding institutional capacity and sound financial management are met, the EDF authorising officer may delegate his or her functions for implementation of the actions concerned to the body responsible within the national or territorial administration, notifying the Head of Delegation accordingly¹¹.

The main tasks of this EDF authorising officer, some of which go beyond budget-implementation tasks, are to:

- be responsible for the coordination, programming, regular monitoring and annual, mid-term and end-of-term reviews of the implementation of cooperation, and for coordination with donors;
- in close cooperation with the Head of Delegation, be responsible for the preparation, submission and appraisal of projects and programmes;

¹¹ It is strongly recommended that this delegation of powers be provided for in Annex I (Technical and Administrative Provisions) of the Financing agreement.

- prepare tender files and documents for calls for proposals;
- submit tender files and documents for calls for proposals to the Head of Delegation for approval before launching invitations to tender and calls for proposals;
- in close cooperation with the Head of Delegation, launch invitations to tender and calls for proposals, receive tenders and proposals, preside over their examination and establish the results thereof;
- approve and submit to the Head of Delegation for approval the results of examination of tenders and proposals, and also the proposals for the award of contracts and grants;
- submit contracts and contract riders to the Head of Delegation for approval and endorsement¹²;
- submit programme estimates and riders thereto to the Head of Delegation for approval and endorsement;
- sign contracts and contract riders approved by the Head of Delegation;
- validate and authorise expenditure within the limits of the funds assigned to him or her;
- make any adaptation arrangements necessary to ensure the proper execution of actions from the financial and technical viewpoint;
- make minor adjustments and technical changes to projects and programmes provided that they do not affect the technical solutions adopted and remain within the limit of the reserve for adjustments included in the budget of the financing agreement, provided that he/she informs the Head of Delegation without delay;
- decide on the imposition or remission of penalties for delay, provided that he/she informs the Head of Delegation without delay;
- decide on the discharge of guarantors, provided that he/she informs the Head of Delegation without delay;
- decide on final acceptance, provided that the Head of Delegation is present at provisional acceptance, endorses the corresponding minutes and, where appropriate, is present at the final acceptance, in particular where the extent of the reservations recorded at the provisional acceptance necessitates major additional work;
- sign final payments for works and supply contracts.

The EDF authorising officer must assume financial responsibility for the executive tasks assigned to

¹² With the exception of contracts and contract riders for which payments will not be executed by the Commission on behalf of one or more ACP States (see section 4.2.1 of the Practical guide to procedures for programme estimates (project approach)).

him or her.

Where the (Commission's) authorising officer by delegation becomes aware of problems in carrying out procedures relating to management of EDF resources, he or she will, in conjunction with the EDF authorising officer, make all contacts necessary to remedy the situation and take any steps that are necessary.

Where the EDF authorising officer does not or is unable to carry out the tasks incumbent on him/her, the Commission's authorising officer by delegation may temporarily take his/her place.

3.3.8. INDIRECT MANAGEMENT WITH LEAD FINANCIAL INSTITUTION

Blending Facilities are regional programmes in which EU funding leverages funding provided by a financial institution or a consortium of financial institutions coordinated by a lead financial institution in order to finance projects in the targeted geographical areas and sectors by way of financial instruments, such as loans, equity, guarantees or other risk-sharing instruments, of interest-rate subsidies or of technical assistance necessary for the preparation of such projects.

A Regional Blending Facility is implemented by way of calls for expression of interest addressed to candidate delegates which are Member States' or third donor countries' agencies or international organisations and launched following the adoption of an FinDec&AAP/M. This FinDec&AAP/M stipulates the selection and award criteria; the former ones treat the experience, and operational and financial capacity of the candidate; the latter ones address the quality of the project and its compliance with the objectives of the Regional Blending Facility. The FinDec&AAP/M includes an annex containing the indicative project pipeline.

Following the positive evaluation, the award occurs by adopting complementary financing decisions throughout the validity of the global commitments (N+1). The project sheets of the individual approved projects are attached to the inter-service consultation on these financing decisions as supporting documents.

The awarded delegates have to have passed the Pillar Assessment prior to the signature of the delegation agreement. However, where EU funding is provided in the form of a financial instrument (equity, quasi-equity, loan, guarantee, other risk-sharing instrument), the delegatee must have passed the Pillar Assessment including the financial instruments pillar and the specific Financial Instruments Delegation Agreement, will be signed.

The operations under the Regional Blending Facilities will be implemented in indirect management with the Lead Financial Institution. That institution may subdelegate (see section 3.10.) budget-implementation tasks to the partner country; the institution remains responsible for examining the partner country's rules, procedures and systems. Authorisation, by that institution, to the partner country to use the country's own rules, procedures and systems does not amount to what was earlier referred to as substantial decentralisation. In such cases of subdelegation, a financing agreement has to be signed between the partner country and the Commission.

3.3.9. INDIRECT MANAGEMENT WITH EU SPECIALISED AGENCIES

Certain EU powers under the Treaties are not exercised by the Commission, but have been entrusted by legislation to specialised EU agencies, also called decentralised, traditional or regulatory agencies. Specialised EU agencies are not to be confused with executive agencies. These specialised agencies exercise these powers in accordance with the legislative act establishing them either alone or as leaders of networks composed of specialised bodies in Member States with complementary powers. The list of these specialised EU agencies is here:

http://europa.eu/about-eu/agencies/regulatory_agencies_bodies/index_en.htm

These EU agencies are highly specialised. It is therefore possible that some supporting the partner country in the sector of the expertise of such an EU agency are best implemented by it. In this context, the distinction between awarding grants or service contracts to such EU agencies, on the one hand, and delegating budget-implementation tasks under indirect management applies (see section 3.13.).

In terms of financial management, these specialised EU agencies have rules, procedures and systems which reflect, where applicable, those of the Commission. Most of them, with the exception of CPVO and OHIM which are fully auto-financed, are also referred to as bodies referred to in Article 208 of the Financial Regulation which means that they apply financial rules based on the so-called framework Financial Regulation which reflects, where applicable, the EU Budget Financial Regulation. For this reason, it is not necessary for them to undergo a full-blown Pillar Assessment as described in section 3.6.. Instead, the DG DEVCO service envisaging indirect management with such an agency will request the agency to provide (1) the opinion of the Court of Auditors and the discharge resolution for the preceding three years and (2) any reports that the Commission's Internal Audit Service, an in-house internal audit capability or any other body performing the internal audit in the agency elaborated in the preceding three years on issues relevant for the Pillar Assessment. The conclusions of this analysis, while respecting the internal nature of the internal audit reports, will be set out in the Assessment Sheet “Indirect management with an EU specialised agency” the template of which is annexed to this Companion.

The agency should not be required to provide any co-financing from its own resources; CPVO and OHIM, which do not receive any annual subsidy from the EU budget, may be requested to co-finance, though. Co-financing from other donors, by contrast, can be recommended.

Additional guidance on indirect management with EU specialised agencies is provide for in the revised Framework Financial Regulation:

- The entrusted tasks should be compatible with the agency's mission defined in the act establishing it (including any co-financing); however, these tasks cannot be among its statutory tasks.
- Any transfer of tasks from the DG to an agency via a delegation agreement should in principle be accompanied by a corresponding staff reduction in the DG and/or transfer of staff to the agency, taking into account synergies or other efficiency gains.

- Discharge in respect of these funds will be given to the Commission. Thus a clear separation of resources employed for implementing the delegation agreement is required - delegated tasks should be carried out under clearly separated cost accounting and reporting and with the consent of the agency's management board. DG DEVCO services should also consult the Directorate-General representing the Commission in that management board in advance on the intention to delegate such tasks.

A delegation agreement will be concluded with the EU specialised agency.

Subject to the provisions above, the rules and procedures established in the section 3.3. “Indirect management with Member State agencies” apply. It is repeated that implementation by executive agencies is direct management and this section does not apply to it.

3.3.10. SUBDELEGATION BY THE ENTRUSTED ENTITY/DELEGATEE

Entrusted entities/delegatees may, if justified, further entrust/subdelegate all or part of the budget-implementation tasks to another entity, particularly when this will have a positive impact on aid effectiveness. Subdelegation is explicitly recognised by the Common Implementing Rules and the 11th EDF Financial Regulation and is possible under conditions equivalent applicable to a delegation by the Commission. More specifically:

- the subdelegatee is a public body (national (including partner countries) or international) or a private law body with a public service mission. Member State agencies, and international organisations may also entrust budget implementation tasks to non-profit organisations (NGOs) possessing the appropriate operational and financial capacity, under conditions equivalent to those applying to the Commission;
- the subdelegatee has been subject to an ex-ante assessment performed by the entrusted entity, equivalent to the Pillar Assessment performed by the Commission on the entrusted entity, ensuring that subdelegatee will implement the activity using rules, procedures and systems that comply with the relevant standards. This ex-ante assessment will not be necessary if the subdelegatee has already been positively assessed in the Pillar Assessment. If there is no equivalent ex-ante assessment, ex-ante control is required equivalent to that carried out by the Commission in indirect management with partner countries;
- the entrusted entity retains control and responsibility over the subdelegated tasks in implementing the activity and ensures that the necessary ex-ante and ex-post controls are in place to guarantee the sound financial management of the EU resources.
- only one level of subdelegation is permitted. If the subdelegatee is the partner country, it may designate the body in accordance with its constitutional or administrative division of powers which will carry out the subdelegated tasks. The entrusted entity should then exercise supervision over such body; alternatively, the partner country can exercise such supervision but shall in such case take full financial responsibility.

The Pillar Assessment contains a pillar devoted to subdelegation which examines the rules, procedures and systems of candidate entrusted entities applicable in situations in which they further entrust/subdelegate budget-implementation tasks to other entities (subdelegates).

3.3.11. SHARED MANAGEMENT

Shared management is a management mode in which budget-implementation tasks are entrusted to Member States. Member States act through bodies responsible for the management and control of Union funds called managing authorities and may delegate some of their tasks to other bodies in accordance with sector-specific rules. About 80 % of the EU Budget is implemented in shared management, in particular in the Structural Funds and the Common Agricultural Policy.

In the area of Neighbourhood policy, shared management is used for cross-border cooperation actions where cooperation projects of Member States and Neighbourhood countries are carried out. In such a case, certain funds of ENI are managed together with the Structural Funds by the Member States (acting through managing authorities) for the benefit of the Neighbourhood countries.

3.3.12. CHANGING THE DEGREE OF DELEGATION DURING IMPLEMENTATION

When the criteria and conditions for entrusting budget-implementation tasks defined in the Financial Regulations are no longer met, the Commission can unilaterally decide to manage the project centrally. This decision to re-centralise a project is not considered to be a substantial modification of the FinDec&AAP/M if the implementation by the entrusted entity already started and so the decision can be made by the Director in charge. This applies to all forms of indirect management. If the change occurs before the start of implementation, the FinDec&AAP/M has to be modified; in particular, the implementation modalities of direct management have to be completed.

The General Conditions of the Financing Agreement provide for suspending the implementation of the agreement and changing the management mode (Annex C3b).

Under indirect management with the partner country, where Annex I of the Financing Agreement - the Technical and Administrative Provisions (TAPs) clearly fix the modalities of indirect management, the agreement will have to be amended. In the meantime, the action can still be implemented directly or suspended, in accordance with the decision of the Director, and in the light of the specificities of the case.

The Commission can also decide to gradually increase the level of delegation in the implementation of an action, for instance by allowing the delegation of payments for amounts below the programme estimate thresholds and then gradually increasing these amounts until the thresholds are reached, on the basis of a re-evaluation of the situation in the partner country. In such cases, the TAPs should provide for the thresholds for delegation of payments to be fixed in each annual programme estimate.

3.3.13. ENTRUSTMENT OF BUDGET-IMPLEMENTATION TASKS VS SERVICE OR GRANT

In principle, indirect management (which implies the delegation of budget-implementation tasks, e.g. management of procurement and grant award procedures or contracts by the delegatee) should not be seen as an alternative to a grant or service contract and, as a rule, it should not be used to implement an activity which was, in the past, implemented via a grant or service contract. Under indirect management, the Commission does not intend to finance or pay for activities implemented in-house by such an authority (i.e. using the authority's own staff) unless the tasks also include budget-implementation tasks. If no budget-implementation tasks are involved at all, a grant or service contract should be used instead.

On the contrary, under a grant contract, the bulk of the activities should be implemented by the grant beneficiary, and only a limited part can be sub-contracted.

19. THE IMPLEMENTATION OF GRANT CONTRACTS - A USERS' GUIDE

(PRAG version 2013.1 rev)

19.1. INTRODUCTION

The General Conditions contain the basic essential articles governing the implementation phase for grants contracts.

They may be subject to modification by the Special Conditions which are part of the contract and which also include any necessary supplementing clauses or derogations to the General Conditions, taking into account the specific circumstances of the Action or Work programme to which the contract relates.

These Special and General Conditions, together with the other contractual provisions, are the legally binding documents which govern the parties' rights and obligations under the contract. The Special conditions prevail over the General Conditions.

These guidelines are meant to provide some suggestions and good practices for the management of the Action and are not legally binding, nor can they be relied upon to challenge a Contracting Authority's decision, judicially or otherwise.

The information contained is of general guidance; specific rules may be set for each call for proposal and will have to be respected.

These guidelines do not deal with each and every article of the General Conditions and do not cover all the provisions in the articles of the Grants Contract. Nor do they cover all of the call documents and contract annexes. They deal with those issues which are considered essential or complex and that may require some further explanations.

For reference made in these guidelines, the following documents are annexed to the Special Conditions and form an integral part of the Contract:

Annex I: Description of the Action (including the Logical Framework of the Project and the Concept Note) (Part 2.1 of Annex e3b; and Annex e3d)

Annex II: General Conditions applicable to European Union-financed grant contracts for External Actions (Annex e3h2)

Annex III: Budget for the Action (worksheets 1, 2 and 3)/operating grants: operating budget (Annex e3c)

Annex IV: Contract-award procedures (Annex e3h3)

Annex V: Standard request for payment and financial identification form (Annex e3h4)

Annex VI: Model narrative and financial report/operating grants: annex if specific models are to be used for activity reports and financial statements (e3h5-7)

Optional:

Annex VII: Terms of reference for an expenditure verification of a Union financed grant contract for external actions and model report of factual findings (e3h8)

Annex VIII: Model financial guarantee (e3h9)

Annex IX: Standard template for Transfer of Asset Ownership (e3h10)

NB: In these guidelines, the term “Beneficiary(ies)” refers collectively to all Beneficiaries, including the Coordinator.

The rules applicable to the Beneficiary(ies) especially with regard to the eligibility of costs and rights of checks and audits by the Commission, OLAF, and the Court of Auditors, apply also to the Affiliated Entity(ies) identified in the Special Conditions.

19.2. GENERAL AND ADMINISTRATIVE PROVISIONS

19.2.1. ARTICLE 1 - GENERAL PROVISIONS

| Text of the Article | Guidelines |
|--|--|
| <p>1.1. The Beneficiary(ies) and the Contracting Authority are the only parties to this Contract.</p> <p>Where the European Commission is not the Contracting Authority, it is not party to this Contract, which confers on the European Commission only the rights and obligations explicitly mentioned in this Contract.</p> | <p>This provision refers particularly to decentralised management, where the Contracting Authority is usually not the European Commission but instead, for instance, the National Authorising Officer or the Regional Authorising Officers or a Line Ministry. This is also the case with grant contracts signed within programme estimates.</p> |
| <p>1.2. This Contract 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.</p> | |

19.2.1.1. DATA PROTECTION

| Text of the Article | Guidelines |
|---|------------|
| <p>1.3. Any personal data will be processed solely for the purposes of the performance, management and monitoring of this Contract by the Contracting Authority and may also be passed to the bodies charged with monitoring or inspection tasks under European Union law. Beneficiaries will have the right of access to their personal data and the right to rectify any such data. If the Beneficiary(ies) have any queries concerning the processing of personal data, they shall address them to the Contracting Authority. The Beneficiary(ies) will have right of recourse at any time to the European Data Protection Supervisor.</p> | |
| <p>1.4. The Beneficiary shall limit access and use of personal data to that strictly necessary for the performance, management and monitoring of this Contract and shall adopt all appropriate technical and organisational security measures necessary to preserve the strictest confidentiality and limit access to this data.</p> | |

19.2.1.2. ROLE OF THE BENEFICIARY(IES)

| Text of the Article | Guidelines |
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| | <p>This Grant Contract should be used for:</p> <p>(i) all modalities of Action Grants: mono-Beneficiary with/without Affiliated Entity(ies) and multi-Beneficiary with/without Affiliated Entity(ies), including when one of the Beneficiary(ies) is an international organisation (in which case refer to the special provisions for international organisations in Annex e3h11).</p> <p>(ii) in case of Operating Grants.</p> <p>Affiliated Entity(ies)</p> <p>Only the following entities shall be considered as Affiliated Entity(ies) to the Beneficiary(ies):</p> <p>(i) entities which together form one entity (which would then apply as a Beneficiary(ies)), including where this entity is specifically established for the purpose of implementing the Action. (i.e. most notably in the case of a consortia); or</p> <p>(ii) entities having a link with the Beneficiary(ies), notably a legal or capital link. This link must be neither limited to the Action nor established for the sole purpose of its implementation. (i.e. the most common case is that of a network of entities).</p> |
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| | <p>In addition, in order to qualify as Affiliated Entity(ies) these entities shall also satisfy the eligibility and non-exclusion criteria listed in the Guidelines for applicants (annex e3a)</p> <p>Affiliated Entity(ies) are not signatory(ies) of the Grant Contract and therefore are not Beneficiary(ies) of the Action. However, Affiliated Entity(ies) participate in the design and implementation of the Action and, provided they comply with all the relevant rules already applicable to the Beneficiary(ies) under the Grant Contract, the costs they incur (including those incurred for Implementation Contracts and Financial Support to third parties) shall be considered as eligible costs incurred by the Beneficiary(ies) to which they are affiliated..</p> <p>Affiliated Entity(ies) shall be listed in article 7.1 of the Special Conditions (annex e3h1).</p> <p>Clarification on (ii) on the legal and capital link</p> <p>The legal or the capital link foreseen in (ii) above shall not be established simply for the purpose of the Action nor limited simply to the duration of the Action in question. On the contrary, the legal or the capital link shall, as a rule, be a “stable” link encompassing more than just the Action in question. A transitional or provisional link would therefore hardly fulfil the conditions set in point (ii) above.</p> |
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| | <p>Similarly, a “soft” link, such as a non-binding link (for example a non-binding Memorandum of Understanding) or, in general, any link where the parties do not clearly imply a legal commitment or clearly intend to create a legally enforceable relationship between them, would very unlikely be considered as the legal link required under point (ii) above. A legal link should in addition be appropriately set down in a document of stringent legal nature.</p> <p>With regard to the evidence required to prove the legal link, it is likely that any “constitution” document (amongst which the documents usually required as supporting documents in the application phase (i.e. the statutes or articles of association of the applicant, of each co-applicant(s) and of each Affiliated Entity(ies)) etc.) might already reflect the particular nature of the link between the entities concerned and therefore provide the Evaluation Committee with all the necessary information for its assessment. In any event, applicants shall submit any document they consider useful to prove full compliance with point (ii) above.</p> <p>A capital link shall be understood as any participation in the ownership of another entity: to this purpose, any document showing this participation should be submitted.</p> |
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| <p>1.5. The Beneficiary(ies) shall:</p> <p>a) carry out the Action jointly and severally vis-a-vis the Contracting Authority taking all necessary and reasonable measures to ensure that the Action is carried out in accordance with the Description of the Action in Annex I and the terms and conditions of this Contract. To this purpose, the Beneficiary(ies) shall implement the Action with the requisite care, efficiency, transparency and diligence, in line with the principle of sound financial management and with the best practices in the field.</p> <p>b) be responsible for complying with any obligation incumbent on them from this Contract jointly or individually;</p> <p>c) forward to the Coordinator the data needed to draw up the reports, financial statements and other information or documents required by this Contract and the Annexes thereto, as well as any information needed in the event of audits, checks, monitoring or evaluations, as described in Article 16;</p> <p>d) ensure that all information to be provided and request made to the Contracting Authority is sent via the Coordinator;</p> <p>e) agree upon appropriate internal arrangements for the internal coordination and representation of the Beneficiary(ies) vis-a-vis the Contracting Authority for any matter concerning this Contract, consistent with the provisions of this Contract and in compliance with the applicable legislation(s).</p> | <p>The term “Beneficiary(ies)” refers collectively to all Beneficiaries of the Action, i.e. all entity(ies) signatory(ies) of the contract (either because they signed the contract directly or because the Coordinator signed the Grant Contract also on their behalf, as provided in the mandate attached to the application form (section 4.2. of annex e3b).</p> <p>The Beneficiary(ies) shall be listed in the special conditions (annex e3h1)</p> <p>a) all Beneficiary(ies) are jointly responsible to carry out the Action to ensure that the Action is carried out in accordance with the Description of the Action in Annex I and the terms and conditions of the Grant Contract.</p> <p>e) these arrangements differ from the mandate conferred to the Coordinator attached in the application form (section 4.2. of annex e3b) which needs to be submitted to the Contracting Authority during the application phase. These arrangements are an internal agreement between the Beneficiary(ies) and, as such, do not need to be submitted to the Contracting Authority.</p> |
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19.2.1.3. ROLE OF THE COORDINATOR

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| Text of the Article | Guidelines |
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1.6. The Coordinator shall:

- a) monitor that the Action is implemented in accordance with this Contract and ensure coordination with all Beneficiary(ies) in the implementation of the Action;
- b) be the intermediary for all communications between the Beneficiary(ies) and the Contracting Authority;
- c) be responsible for supplying all documents and information to the Contracting Authority which may be required under this Contract, in particular in relation to the requests for payment. Where information from the Beneficiary(ies) is required, the Coordinator shall be responsible for obtaining, verifying and consolidating this information before passing it on to the Contracting Authority. Any information given, as well as any request made by the Coordinator to the Contracting Authority, shall be deemed to have been given in agreement with all Beneficiary(ies);

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| <p>d) inform the Contracting Authority of any event likely to affect or delay the implementation of the Action;</p> <p>e) inform the Contracting Authority of any change in the legal, financial, technical, organisational or ownership situation of any of the Beneficiary(ies), as well as, of any change in the name, address or legal representative of any of the Beneficiary(ies);</p> <p>f) be responsible in the event of audits, checks, monitoring or evaluations, as described in Article 16 for providing all the necessary documents, including the accounts of the Beneficiary(ies), copies of the most relevant supporting documents and signed copies of any contract concluded according to Article 10.</p> <p>g) have full financial responsibility for ensuring that the Action is implemented in accordance with this Contract;</p> | |
| <p>h) make the appropriate arrangements for providing the financial guarantee, when requested, under the provisions of Article 4.2 of the Special Conditions</p> <p>i) establish the payment requests in accordance with the Contract;</p> <p>j) be the sole recipient, on behalf of all of the Beneficiary(ies), of the payments of the Contracting Authority. The Coordinator shall ensure that the appropriate payments are then made to the Beneficiary(ies) without unjustified delay;</p> <p>k) not delegate any, or part of, these tasks to the Beneficiary(ies) or other entities.</p> | <p>h) given that the financial responsibility is on the Coordinator, any eventual financial guarantee shall therefore be made on the name of the Coordinator.</p> |

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| <p>1.2. This Contract 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.</p> | |
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19.2.2. ARTICLE 2 - OBLIGATION TO PROVIDE FINANCIAL AND NARRATIVE REPORTS

| Text of the Article | Guidelines |
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| <p>2.1. The Beneficiary(ies) shall provide the Contracting Authority with all required information on the implementation of the Action.</p> <p>The report shall be laid out in such a way as to allow comparison of the objective(s), the means envisaged or employed, the results expected and obtained and the budget details for the Action.</p> <p>The level of detail in any report should match that of the Description of the Action and of the Budget for the Action.</p> <p>The Coordinator shall collect all the necessary information and draw up consolidated interim and final reports. These reports shall:</p> <p>a) cover the Action as a whole, regardless of which part of it is financed by the Contracting Authority;</p> | <p>The Coordinator is the sole interlocutor of the Contracting Authority and is responsible for collecting all the necessary information for drawing up consolidated reports. The Coordinator is therefore responsible for obtaining, verifying and consolidating this information before passing it on to the Contracting Authority. All the Beneficiaries agree that any information given, as well as any request made by the Coordinator to the Contracting Authority, is in agreement with all the Beneficiary(ies). The Coordinator may not oppose to the Contracting Authority shortcomings in reporting due to other Beneficiary(ies) and has full responsibility for the reports or information submitted to the Contracting Authority (ref. Article 1.6 c) of the General Conditions).</p> |

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| <p>b) consist of a narrative and a financial report drafted using the templates provided in Annex VI;</p> <p>c) provide a full account of all aspects of the Action's implementation for the period covered, including in case of simplified cost options the qualitative and quantitative information needed to demonstrate the fulfilment of the conditions for reimbursement established in this Contract ;</p> <p>d) be drafted in the currency and language of this Contract;</p> <p>e) include any update on the Communication plan as provided by Article 6.2</p> <p>f) include any relevant reports, publications, press releases and updates related to the Action;</p> | <p>Reporting formats (narrative & financial, interim & final, see Annex VI to the grant contract) have to be used.</p> <p>The period covered by the narrative report must match with the period covered by the financial report and must be clearly stated.</p> <p>These reports, both narrative and financial, (as well as audits, expenditure verifications and detailed breakdown of expenditure, when applicable) must cover the whole Action as it was presented in the application form and accepted by the Contracting Authority, not only the share financed by the grant.</p> <p>The final agreed version of the Action is attached in Annexes I and III to the contract.</p> |
| | <p>The purpose of reports is to explain:</p> <ul style="list-style-type: none"> - the results achieved and the related costs identified in the Financial Report - the deviations that may have occurred (subject to art.9) as compared to the initial proposal with regards to results and to means and costs. <p>If it is not clear to the Contracting Authority which results have been achieved or how the activities reported are related to the results of the Action, additional information and clarification will be requested.</p> <p>It is important that this 'focus on results' be kept in mind when preparing the reports, in order to provide information on the type of costs incurred and to understand their relation with the results/activities of the Action (ex: to justify significant amounts featuring in the Financial Report, to demonstrate the fulfilment of the conditions for reimbursement in case of simplified cost options).</p> |

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| | <p>The narrative report may contain sensitive information, for instance on the Beneficiaries' evaluation of the collaboration with local authorities. When the Contracting Authority is not the European Commission and if some information needs to be kept confidential, the Coordinator must request it as soon as possible and come to an arrangement with the Contracting Authority on the parts concerned.</p> <p>The financial reports should have at least the same level of detail as the budget annexed to the contract. Any relevant variation from the budget initially submitted must be explained. Minor changes do not necessarily need to be systematically explained, but the Beneficiary(ies) must be able to justify them upon request.</p> <p>The financial reports must be consistent with the records, accounts, and ledgers of the Beneficiary(ies) and/or their Affiliated Entity(ies).</p> |
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| | <p>A detailed breakdown of expenditure (for example a nominal ledger) or an expenditure verification report has to be attached, when required in accordance with article 15.7.</p> <p>Language and supporting documents</p> <p>The reports need to be presented in the language in which the contract was drawn up.</p> <p>The Coordinator may, prior to the signature of the contract, ask for a derogation to be inserted in the Special Conditions. If justified it may be granted on a case-by-case basis by the Contracting Authority.</p> <p>As a general rule, in the case of local languages, no systematic translation of supporting documents (purchase orders, invoices, etc) is needed. Nevertheless, the intelligibility and translation of key parts of relevant documents should be envisaged to ensure comprehensive internal control and supervision at HQ or coordination level, as the case may be.</p> |
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| | <p>For reporting purposes, when the headings of the financial tables or statements originating directly from the internal reporting are written in another language than the one of the contract, a translation in the language of the contract should be provided. This can be done globally in an annex, if it is more convenient for the Beneficiary or helps the readability of the report or document.</p> <p>No originals or copies of invoices, contracts or order forms have to be added to the reports. The only exceptions are for copies of studies, evaluation or audit reports, or press releases etc. in case the respective costs are being claimed under the direct costs. However, when deemed necessary for understanding the eligibility of costs, the Contracting Authority may always ask for more specific information (for example copies of supporting documents - no certified copies are usually needed, however originals are requested during audits or expenditure verifications).</p> |
| <p>2.2. Additionally the final report shall:</p> <p>a) cover any period not covered by the previous reports</p> <p>b) include the proofs of the transfers of ownership as referred to in Article 7.5.</p> | <p>The final report has to give an overview of last year's implementation and of the Action as whole for all its duration.</p> <p>In all cases, the final report must include a detailed breakdown of expenditure covering the whole Action, as well as an expenditure verification report if requested in Art. 15.7.</p> <p>The information on transfers of ownership has to be provided using the template in Annex IX and the copies of the proofs of transfers have to be attached according to Art. 7.5.</p> |

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| <p>2.3. The Special Conditions may set out additional reporting requirements.</p> | <p>The standard reporting period is intended as a 12-month period, unless specified otherwise.</p> <p>According to the nature of the Action, different reporting requirements (financial or narrative) may be requested by the Contracting Authority at contract preparation stage. Once agreed upon, they are included in Article 7.2 of the Special Conditions.</p> |
| <p>2.4. The Contracting Authority may request additional information at any time. The Coordinator shall provide this information within 30 days of the request, in the language of the Contract.</p> | <p>The Contracting Authority has the right to ask for more information on the basis of a justified request, for instance if the submitted reports are not detailed enough.</p> <p>The Contracting Authority is entitled to request any additional information it considers necessary throughout the contract period.</p> <p>Following such a request the Coordinator has 30 days to collect all the necessary information and draw up a consolidated reply.</p> <p>The additional information, explanations, and contextual information, has to be presented in the language of the contract (i.e. the language in which the contract was drawn up), or in a language accepted by the Contracting Authority, but the original supporting documents may be in the local language. In the latter case, a translation of the main elements in the language of the contract might have to be provided upon request of the Contracting Authority, globally in an annex or in the documents, whichever is more convenient for the Beneficiary and which improves the readability of the document.</p> |

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| <p>2.5. Reports shall be submitted with the payment requests, according to Article 15. If the Coordinator fails to provide any report or fails to provide any additional information requested by the Contracting Authority within the set deadline without an acceptable and written explanation of the reasons, the Contracting Authority may terminate this Contract according to Article 12.2 (a) and (f).</p> | <p>The Coordinator has to inform the Contracting Authority of any delay it may have in submitting the reports. If a report is submitted late without justification, the Contracting Authority has the right to terminate the contract and ask for the reimbursement of the amounts unduly paid.</p> <p>General rule for submission of reports:</p> <ul style="list-style-type: none"> - interim reports: within 60 days following the end of the reporting period - final reports: within 3 months after the end of the implementation period (as defined in Article 2 of the Special Conditions) or 6 months if the Coordinator does not have its headquarters in the country where the Action is implemented. <p>See art. 15 for more details and specific cases. The Special Conditions also set out additional reporting requirements.</p> |
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19.2.3. ARTICLE 3 - LIABILITY

| Text of the Article | Guidelines |
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| <p>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(ies) 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</p> | <p>The fact that the EU is financially supporting the Action does not transfer any responsibility for circumstances resulting from the implementation of the Action to the EU. This responsibility rests entirely on the Beneficiary(ies).</p> |

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| <p>3.2. The Beneficiary(ies) 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(ies) shall discharge the Contracting Authority of all liability arising from any claim or Action brought as a result of an infringement of rules or regulations by the Beneficiary(ies) or the Beneficiary(ies)'s employees or individuals for whom those employees are responsible, or as a result of violation of a third party's rights.</p> | |
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19.2.4. ARTICLE 4 - CONFLICT OF INTERESTS

| Text of the Article | Guidelines |
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| <p>4.1. The Beneficiary(ies) shall take all necessary measures to prevent or end any situation that could compromise the impartial and objective performance of this Contract. Such conflict of interests may arise in particular as a result of economic interest, political or national affinity, family or emotional ties, or any other relevant connection or shared interest.</p> | <p>According to Article 57 of the Financial Regulation there is a conflict of interest in circumstances where the impartial and objective exercise of the functions of a party responsible for the implementation of the budget, or an internal auditor, is compromised for reasons involving family, emotional life, political or national affinity, economic interest, or any other shared interest with the Beneficiary(ies). In other words, a conflict of interest is any event influencing the capacity of the applicants or the Beneficiary(ies) to give an objective and impartial professional opinion. The rules on prevention and prohibition of conflicts of interest are entirely applicable to implementation contracts and to financial support awarded within the grant.</p> |

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| <p>4.2. Any conflict of interests which may arise during performance of this Contract must be notified in writing to the Contracting Authority without delay. In the event of such conflict, the Coordinator shall immediately take all necessary steps to resolve it.</p> | |
| <p>4.3. The Contracting Authority reserves the right to verify that the measures taken are appropriate and may require additional measures to be taken if necessary.</p> | |
| <p>4.4. The Beneficiary(ies) shall ensure that its staff, including its management, is not placed in a situation which could give rise to conflict of interests. Without prejudice to its obligation under this Contract, the Beneficiary(ies) shall replace, immediately and without compensation from the Contracting Authority, any member of its staff in such a situation.</p> | |

19.2.5. ARTICLE 5 - CONFIDENTIALITY

| Text of the Article | Guidelines |
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| <p>5.1. Subject to Article 16, the Contracting Authority and the Beneficiary(ies) undertake to preserve the confidentiality of any information, notwithstanding its form, disclosed in writing or orally in relation to the implementation of this Contract and identified in writing as confidential until at least 5 years after the payment of the balance.</p> | |
| <p>5.2. The Beneficiary(ies) shall not use confidential information for any aim other than fulfilling their obligations under this Contract unless otherwise agreed with the Contracting Authority.</p> | |

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| <p>5.3. 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 level of confidentiality.</p> | |
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19.2.6. ARTICLE 6 - VISIBILITY

| Text of the Article | Guidelines |
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| <p>6.1. Unless the European Commission agrees or requests otherwise, the Beneficiary(ies) shall take all necessary steps to publicise the fact that the European Union has financed or co-financed the Action. Such measures shall comply with the Communication and Visibility Manual for Union External Actions laid down and published by the European Commission, that can be found at:</p> <p>http://ec.europa.eu/europeaid/work/visibility/documents/communication_and_visibility_manual_en.pdf.</p> | <p>The Beneficiary(ies) shall make sure to publicise the fact that the EU has funded the Action.</p> <p>The Beneficiary can request a derogation from the visibility obligations in special circumstances and notably in situations where a high profile could put the staff employed in the Action at risk. Any request for derogation from the visibility obligations listed in article 6 shall be agreed with the Contracting Authority in the Special Conditions and included in the communication plan.</p> <p>The Visibility Manual contains requirements and templates for briefings, written materials, press conferences, EU logos, display panels, promotional items and other tools that should be used to highlight the EU funding.</p> <p>Failure to follow the contractual provisions on visibility may be a ground of termination according to article 12 of these General Conditions.</p> |

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| <p>6.2. The Coordinator shall submit a communication plan for the approval of the European Commission and report on its implementation in accordance with Article 2.</p> | <p>The visibility and communication plan has to be submitted for the approval of the project manager during the inception phase. Guidelines and the template can be found in the section 2.3 of the Communication and Visibility Manual.</p> <p>The communication plan has to contain a budget for the visibility, even for small projects.</p> <p>A report on the visibility and communication activities has to be included in all interim and final reports.</p> |
| <p>6.3. In particular, the Beneficiary(ies) shall mention the Action and the European Union's financial contribution in information given to the final recipients of the Action, in its internal and annual reports, and in any dealings with the media. It shall display the European Union logo wherever appropriate.</p> | <p>The use of the EU's logo is encouraged as often as possible. The EU's contribution should also be mentioned in internal reports, annual reports, and to the media, where appropriate.</p> <p>The logo and the sentence mentioned in Article 6.4 shall be included in all publications produced in the framework of the Action supported by the EU: that is to say both if the publications are paid with the EU grant money or if they are produced using the Beneficiary's own funds or co-financing funds.</p> <p>The logo information can be found at: http://ec.europa.eu/europeaid/work/visibility/documents/communication_and_visibility_manual_en.pdf</p> |

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| <p>6.4. Any notice or publication by the Beneficiary(ies) concerning the Action, including those given at conferences or seminars, shall specify that the Action has received European Union funding. Any publication by the Beneficiary(ies), in whatever form and by whatever medium, including the internet, shall include the following statement: 'This document has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of < Beneficiary(ies)'s name > and can under no circumstances be regarded as reflecting the position of the European Union.'</p> | <p>All publications financed by the EU shall contain the standard disclaimer foreseen in art 6.4. More details can be found in Annex 2, section 6 of the Communication and Visibility Manual.</p> |
| <p>6.5. The Beneficiary(ies) authorises the Contracting Authority and the European Commission (where it is not the Contracting Authority) to publish its name and address, nationality, the purpose of the grant, duration and location as well as the maximum amount of the grant and the rate of funding of the Action's costs, as laid down in Article 3 of the Special Conditions. Derogation from publication of this information may be granted if it could endanger the Beneficiary(ies) or harm their interests.</p> | <p>In order to obtain derogation from the publication of this information, the Coordinator shall submit a justification to the Contracting Authority before the signature of the contract.</p> |

19.2.7. ARTICLE 7 - OWNERSHIP/USE OF RESULTS AND ASSETS

| Text of the Article | Guidelines |
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| <p>7.1. Unless otherwise stipulated in the Special Conditions, ownership of, and title and intellectual and industrial property rights to, the Action's results, reports and other documents relating to it will be vested in the Beneficiary(ies).</p> | <p>The Beneficiary(ies) is the owner of any intellectual or industrial right developed in the Action such as brevets and patents, and royalties etc. However, the Contracting Authority and the Commission can use, free of charge, all of the documents produced in the Action.</p> |

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| <p>7.2. Without prejudice to Article 7.1, the Beneficiary(ies) grant the Contracting Authority (and the European Commission where it is not this Contracting Authority) the right to use freely and as it sees fit, and in particular, to store, modify, translate, display, reproduce by any technical procedure, publish or communicate by any medium all documents deriving from the Action whatever their form, provided it does not thereby breach existing industrial and intellectual property rights.</p> | <p>Financial and narrative reports shall be used in the strictest confidentiality.</p> |
| <p>7.3. The Beneficiary(ies) shall ensure that it has all rights to use any pre-existing intellectual property rights necessary to implement this Contract.</p> | |
| <p>7.4. In case natural, recognizable persons are depicted in a photograph or film, the Coordinator shall, in the final report to the Contracting Authority, submit a statement of these persons giving their permissions for the described use of their images. The above does not refer to photographs taken or films shot in public places where random members of the public are identifiable only hypothetically and to public persons acting in their public activities.</p> | |

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| <p>7.5. Where a Beneficiary(ies) does not have its headquarter(s) in the country where the Action is implemented and unless otherwise specified in the Special Conditions, its equipment, vehicles and supplies paid for by the Budget for the Action shall be transferred to any local Beneficiary(ies) and/or to any local affiliated entity(ies) and/or to the final beneficiaries of the Action, at the latest when submitting the final report. Copies of the proofs of transfer of any equipment and vehicles for which the purchase cost was more than EUR 5000 per item, shall be attached to the final report. Proofs of transfer of equipment and vehicles whose purchase cost was less than EUR 5000 per item shall be kept by the Beneficiary(ies) for control purposes.</p> | <p>Before the end of the Action everything that is bought with the Budget of the Action (and therefore also with co-financing funds) shall be transferred to the local Beneficiary(ies) and/or the local Affiliated Entity(ies) and/or to the final Beneficiaries of the Action. This obligation doesn't apply to Beneficiary(ies) whose headquarters is in the Country where the Action is implemented.</p> <p>Proof of this transfer shall be included in the final report only for items whose purchase cost is above EUR 5 000.</p> <p>Proof of the transfer for items whose purchase cost is equal or below EUR 5 000 shall not be included in the final report but, instead, they shall be kept by the Beneficiary(ies) as they might be later requested and checked by external auditors.</p> <p>Any item which is not transferred by the Beneficiary(ies) before the end of the Action shall be considered as ineligible expenditure and disallowed.</p> <p>The information on transferring ownership of the aforementioned items shall be provided in accordance with the templates foreseen in Annex IX of the Special Conditions.</p> |
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19.2.8. ARTICLE 8 - EVALUATION/MONITORING OF THE ACTION

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| Text of the Article | Guidelines |
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| <p>8.1. If the European Commission carries out an interim or ex post evaluation or a monitoring mission, the Coordinator 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.</p> | <p>The Beneficiary(ies) shall provide access to the European Commission or its external monitors to any documents or information relating to the Action. This can also be requested after the end of the implementation period.</p> |
| <p>8.2. If either the Beneficiary(ies) or the European Commission carries out or commissions an evaluation in the course of the Action, it shall provide the other with a copy of the evaluation report.</p> | <p>All mid-term and final evaluation reports produced by the Beneficiary(ies) throughout the Action have to be shared with the European Commission.</p> |

19.2.9. ARTICLE 9 - AMENDMENT OF THE CONTRACT

| Text of the Article | Guidelines |
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| <p>9.1. Any amendment to this Contract, including the annexes thereto, shall be set out in writing. This Contract can be modified only during its execution period.</p> | <p>Any amendment of the Contract shall be done in writing according to the procedures foreseen in Articles 9.3 and 9.4. Oral arrangements for modifications shall never legally bind the parties.</p> <p>Execution period means the period during which the contract is legal valid i.e. from contract signature until final payment, and in no event later than 18 months after the end of the Implementation period.</p> <p>Implementation period means the period during which the Action is implemented.</p> |

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| <p>9.2. The amendment may not have the purpose or the effect of making changes to this Contract that would call into question the grant award decision or be contrary to the equal treatment of applicants. The maximum grant referred to in Article 3.2 of the Special Conditions may not be increased.</p> | <p>No amendment to the Grant Contract (either unilateral or by addendum) may call into question the initial award of the grant or the equal treatment of applicants.</p> <p>Unequal treatment of the applicants means different treatment of Beneficiary(ies) which are in the same situation. For this reason, the conditions of the Call for Proposals should be followed strictly when making amendments, thus avoiding situations where unequal conditions are applied to grants awarded under the same call.</p> <p>The maximum EU contribution and percentage of eligible or accepted costs financed by the Contracting Authority may never be increased.</p> |
| <p>9.3. If an amendment is requested by the Beneficiary(ies), the Coordinator shall submit a duly justified 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 and accepted by the Contracting Authority.</p> | <p><u>Amendment by addendum</u></p> <p>As a general rule, amendments should be requested only during the implementation period of the Action. However, the Grant Contract might be modified also during its execution period.</p> <p>An amendment request shall be duly substantiated and in particular shall include all information necessary for the Contracting Authority for taking an informed decision on this matter including (but not limited to): the reasons behind the amendment and the impact of the amendment on the implementation of the Action (i.e. and most notably on the activities and budget of the Action).</p> <p>The Coordinator shall present together with its request, or in response to a demand for clarification by the Contracting Authority, any document available relating to the proposed amendment.</p> |

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| | <p>An amendment shall be requested at least 30 days before it occurs. However, whenever possible, as the Contracting Authority may take longer to assess the amendment, it is recommend to send a request for amendment as early as possible.</p> <p>The amendment to the Grant contract shall be signed by the same parties who signed the initial contract, i.e. the Coordinator and the Contracting Authority.</p> <p>The Coordinator bears the financial risk for any costs incurred in relation with this amendment until the addendum has been signed.</p> <p><u>Extension of the implementation period</u></p> <p>This applies when the duration of the Action is extended. A request extending the implementation date of the Action never entails an increase of the EU contribution (no cost extension) and always requires an addendum.</p> |
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| <p>9.4. 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 25% or less of the amount originally entered (or as modified by addendum) in relation to each concerned main heading for eligible costs, the Coordinator may amend the budget and inform in writing without delay the Contracting Authority accordingly. This method may not be used to amend the headings for indirect costs, for the contingency reserve, for in-kind contributions or the amounts or rates of simplified cost options.</p> | <p><u>Unilateral amendments</u></p> <p>As a general rule, amendments should be reported only during the implementation period of the Action. However, the Grant Contract might be modified also during its execution period.</p> <p>The Coordinator shall, without any delay, inform in writing the Contracting Authority of any amendment according to art. 9.4 .</p> <p>“Without delay”, shall be given a very strict interpretation as the Coordinator is under the legal obligation to keep the Contracting Authority fully and timely updated, all the more, when important changes/variations are proposed. As an example, if the Coordinator is about to send a report, the Coordinator shall include the proposed change already in this report. If there are several months until the next report, the Coordinator shall, as soon as possible, inform in writing the Contracting Authority of the proposed change.</p> |
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| | <p>This is not only in order to comply with the Coordinator's legal obligation to keep the Contracting Authority fully and timely updated but it is also in the interest of the Coordinator who bears the financial responsibility for changes which the Contracting Authority might refuse (see below paragraph).</p> <p>Where the amendment to the Budget or Description of the Action is fully compliant with the conditions listed in Article 9.4, the letter /report sent by the Coordinator informing the Contracting Authority of the amendment is, in itself, sufficient for amending the Budget or Description of the Action: a specific approval from the Contracting Authority is therefore not necessary to officialise it.</p> <p>However, if the Contracting Authority believes that the conditions listed in Article 9.4 have not been respected, it shall inform the Coordinator by letter (possibly within 30 days from the receipt of the letter or report of the Coordinator) of its decision to refuse the amendment. In such cases the proposed amendment shall have no effect and any cost relating to this amendment shall be considered as ineligible.</p> |
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| | <p>The most common unilateral amendments are the following:</p> <p><u>1) Unilateral amendment: budget amendment</u></p> <p>The budget attached to the Grant Contract shall be respected. However, the Beneficiary(ies) can benefit from a certain flexibility within the budget, <u>as long as the “basic purpose”</u> of the Action is not affected and the change does not call into question the initial award of the grant/equal treatment of applicants.</p> <p>It is difficult to provide here a detailed description of what the basic purpose of the Action is, as it assumes different meanings according to the specificities of the Action and therefore requires a case by case analysis. However, as a general rule, any modifications of the objectives of the Action, of the target groups, of the location, of the activities or of the Action's sustainability, results and indicators etc. is likely to affect the basic purpose of the Action and may therefore be refused by the Contracting Authority.</p> |
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| | <p>In case of doubt, it is strongly recommended to check beforehand with the Contracting Authority that the proposed modifications do not impact the basic purpose of the Action.</p> <p>As long as the basic purpose of the Action is not affected, the Beneficiary(ies) can:</p> <p>make transfers between items or introduce new items within the same budget heading. The term budget "heading" has to be understood as the main budget headings of the direct costs, i.e. the headings number 1 (human resources), 2 (travel), 3 (equipment and Supplies), 4 (local offices), 5 (other costs, services) and 6 (other), and not as any of the sub-headings or items.</p> <p>transfer part of the budget from one heading to another (from 1 to 6 for instance) as long as this transfer does not imply a variation (both increase and decrease) of more than 25% of the headings concerned by such transfer.</p> <p>Unilateral amendment cannot be used to amend the indirect costs, the contingency reserve, in-kind contributions, or the amounts or rates of simplified cost options.</p> |
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| | <p>To calculate the amount of the variation it should be noted that:</p> <ul style="list-style-type: none"> - the 25% variation is calculated on both the original value of the heading where the funds are taken from and the original value of the heading where the funds are to be added; - successive unilateral modifications to the budget shall be taken into account in a cumulative way. This means for instance that, if a budget heading was already increased with an unilateral modification by 20% of its initial value (as set out in the original Budget of the Action or as modified by an addendum), that heading can be further increased by no more than 5% of its initial value (thus reaching in total the limit of 25% of its initial value).. <p>When the cumulative variations of a given budget heading exceed 25% of the budget heading's value, it is necessary to process a formal budget revision (through an addendum according to article. 9.3). Any amount in excess of the 25% ceiling which is not covered by an addendum is not eligible for EU-financing.</p> |
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| | <p>When informing the Contracting Authority, a comparative version of the budget with the cumulative changes already made shall also be submitted.</p> <p>Caution should always be used in making any modification to the human resources allocated to the project. In this case and in all doubtful cases, it is advisable to discuss and, if possible, agree in writing with the Contracting Authority beforehand.</p> <p><u>2) Unilateral amendment: changes in the Description of the Action</u></p> <p>This amendment can only be requested during the implementation period of the Action.</p> <p>Changes in the Description of the Action are allowed as long as they do not affect the basic purpose or do not call into question the initial award of the grant/equal treatment of applicants.</p> <p>Unilateral amendment affecting the basic purpose of the action might lead to a termination of the Grant contract by the Contracting Authority in accordance with article 12.2 of the General Conditions.</p> |
| <p>9.5. Changes of address, bank account or auditor may simply be notified by the Coordinator. However, in duly substantiated circumstances, the Contracting Authority may oppose the Coordinator's choice.</p> | <p>Such notification can only be done in writing.</p> <p>A confirmation letter from the Contracting Authority is not necessary to officialise a change of address, bank account, or auditor. The Contracting Authority may however oppose the Coordinator's choice for justified reasons notified to the Coordinator (where possible) within 30 days from the receipt of the letter of the Coordinator.</p> |

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| <p>9.6. The Contracting Authority reserves the right to require that the auditor referred to in Article 5.2 of the Special Conditions be replaced if considerations which were unknown when this Contract was signed cast doubt on the auditor's independence or professional standards.</p> | |
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19.2.10. ARTICLE 10 - IMPLEMENTATION

19.2.10.1. IMPLEMENTATION CONTRACTS

| Text of the Article | Guidelines |
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| <p>10.1. If the Beneficiary(ies) have to conclude implementation contracts with contractors in order to carry out the Action, these may only cover a limited portion of the Action and shall respect the contract-award procedures and rules of nationality and origin set out in Annex IV of this Contract.</p> | <p>Annex IV is a key document for the implementation of grant contracts. It describes the principles and procedures to be observed by the grant Beneficiary(ies) (and their affiliated entities if mentioned in the contract) concerning the procurement needed for the implementation of the action. It has to be stressed that Chapters 3, 4 and 5 of the PRAG do not apply to procurement within a grant contract (as stated in point 1 of the PRAG), unless the grant Beneficiary explicitly and voluntarily decides to use it along with its templates.</p> <p>Its relevance and pertinence can be substantiated by the fact that the largest source of ineligible expenditure identified by auditors in grant contracts stems from the non-respect of provisions set out Annex IV.</p> <p>It is therefore of utmost importance that the grant Beneficiary(ies) is fully acquainted with this Annex. It is advisable for the Contracting Authority to stress this fact whenever possible (informative session during a Call for Proposals, informative session for grant Beneficiaries after a call, during monitoring missions, in meetings with Beneficiaries, etc.).</p> |

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| | <p>Article 10.1 of the GC is making reference to Articles 1 and 2 of Annex IV.</p> <p>The General Principles mentioned in Article 1, transparency and fair competition have to be respected in the conclusion of any procurement contract within a grant. No conflicts of interest should take place. The estimated value of a contract may not be determined with a view to evading the requirements laid down in the Annex, nor may a contract be split up artificially for that purpose.</p> |
| | <p>The contract award criteria are clear:</p> <ul style="list-style-type: none"> - Most cost-effective (best value for money or most economically advantageous) in the case of service contracts - Cheapest price for works and supplies contracts (in duly justified cases where there is a big component of after-sales services in the contract, the most cost-effective criteria may be used). |
| | <p>The ex-post checks to be carried out by Contracting Authority (and the European Commission when it is not the CA) are a very useful tool to see whether procurement rules are being applied properly by the grant Beneficiary(ies). Such checks become even more relevant at early stages of implementation because they will allow correcting potential deviations from Annex IV, preventing potential ineligible expenditure during the rest of the lifespan of the contract. Grant Beneficiaries are of course expected to contribute to these checks by providing all the necessary information as per Article 16.4 GC. The existing methodology on the monitoring of projects (with emphasis on the procurement on the basis of Annex IV) may be followed.</p> |

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| | <p><u>Rules of nationality and origin</u></p> <p>The rules of nationality and origin (Article 2 of Annex IV) have to be respected rigorously by the grant Beneficiary(ies). Even if the rest of a procurement procedure described in Annex IV has been observed, a deviation from the rules of nationality and/or origin will render the expenditure ineligible.</p> <p>The nationality rule refers to the nationality of the service providers, suppliers, and contractors. It applies to all service, works, and supply contracts. The rule of nationality does not apply to experts proposed by service providers for service contracts financed by the grant but it does apply to the service provider itself. In works contracts, it applies to all the materials, goods, and components to be incorporated or to form part of the permanent works. Goods used during the execution of the Contract which are purchased by the contractor and become its property are not subject to the rule of origin</p> |
| | <p>The rule of origin is also applicable to procurement of second-hand items, if any, within a grant contract.</p> <p>The rule of origin refers to the origin of goods and equipment. Goods originating in a country shall be those wholly obtained or produced in that country. Goods whose production involves more than one country shall be deemed to originate in the country where they underwent their last substantial transformation.</p> |

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| | <p>For equipment and vehicles with a unit cost exceeding EUR 5 000, the origin must be proved by a “certificate of origin” that the grant Beneficiary(ies) should request from the supplier when making the purchase. The certificate of origin must be made out by the competent authorities of the country of origin of the supplies or supplier (normally the Chambers of Commerce). The Commission may request, in case of doubt regarding the certificates of origin provided by the grant Beneficiary(ies), additional documentation on the origin of goods (including a cost breakdown prepared by the Beneficiary(ies) for each item in question).</p> |
| | <p>Both the nationality and origin rules must be complied with when making any purchases of goods or equipment as part of a project co-financed by the EU, even for the goods that are not covered by the EU co-financing in the project's accounts (EC rules apply to the entire action, no matter the co-financing level).</p> <p>In exceptional and well justified cases, the Coordinator, on behalf of all beneficiaries, may seek a derogation from the Contracting Authority on the nationality and/or origin rules. These requests have to be made in writing and accompanied by the necessary justification. The derogation has to be granted in advance and before the procurement procedure is launched (otherwise the amount involved would be considered as ineligible).</p> |

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| | <p><u>Procurement rules</u></p> <p>The grant Beneficiary(ies) is allowed to use its own tender documents and templates. Tender documents have to be drafted according to best international procurement practice. If the Beneficiary(ies) do not have their own documents, they can use the ones in the Practical Guide on EU contract procedures. Beneficiary(ies) may also opt to use the PRAG documents even if they have their own. Indeed, on a voluntary basis they can also decide to align completely with the procedures described in the PRAG (for instance, in case of doubt or in case they feel more confident using them).</p> |
| | <p>Grant Beneficiary(ies) have to publish their procurement notices in all appropriate media in the cases mentioned in Annex IV.</p> <p>The instructions concerning the evaluation committees have to be fully adhered to.</p> <p>Annex IV states clearly in Articles 4, 5 and 6 the thresholds defining the procedure to be used (they apply also for EDF grants).</p> |

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| | <p>In the case of procurement of EUR 60 000 or less (in all cases: works, supplies and services), Annex IV allows the Beneficiary(ies) to use its own procedures, while respecting the basic principles. In case that the Beneficiary(ies) doesn't have clear procedures, it may decide to use the ones defined in the PRAG (i.e. single tender for EUR 20 000 or less, and competitive negotiated procedure for contracts of EUR 60 000 or less but more than EUR 20 000). Finally, Annex IV lists the cases where the Beneficiary(ies) may decide to use a negotiated procedure on the basis of a single tender. Given the particular nature of this procedure and the need to fit accurately in one of the cases listed, it is desirable for the Beneficiaries to seek an opinion from the Contracting Authority in these cases before undertaking it. '</p> |
| | <p>In all cases, grant Beneficiary(ies) must keep all documents related to procurement (procurement notices, tender dossiers, bids received, any derogation obtained, evaluation/negotiation reports, etc.) in order to prove compliance with Annex IV. As said at the beginning of this Article, non-compliance with Annex IV is the most recurrent source of ineligible expenditure in grant contracts and frequently the amounts involved are quite significant.</p> |

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| <p>10.2. The Beneficiary(ies) shall also ensure that contractors awarded an implementation contract comply with Articles 3, 4, 5, 6, 7, 8 and 16 of this Contract.</p> | <p>In all the implementation contracts awarded, it is important for grant Beneficiaries to insert the relevant clauses to ensure the respect of the obligations stemming from these Articles (liability, conflict of interest, confidentiality, visibility, ownership/use of results and assets, evaluation and monitoring, accounts and technical and financial checks).</p> <p>These obligations for the contractors concerns only the implementation contracts concluded with the Grant beneficiary(ies) in the context of the Grant contract.</p> <p>The "visibility obligation" is to be intended as a reminder for the Grant Beneficiary - when needed - to insert the necessary requirements in the terms of reference of the contract.</p> <p><i>Example: in the framework of a contract for the printing of 1.000 booklets to be distributed, the Grant Beneficiary has to require that they display the appropriate visibility.</i></p> |
| <p>10.3. The Coordinator shall provide in its report to the Contracting Authority a comprehensive and detailed report on the award and implementation of any contract awarded under article 10.1.</p> | <p>In each interim narrative report (2.3) and in the final narrative report (2.8), the grant Beneficiary(ies) has to provide information on the procurement carried out in each period, detailing the amount, the procedure followed and the name of the contractor.</p> |

19.2.10.2. FINANCIAL SUPPORT TO THIRD PARTIES

| Text of the Article | Guidelines |
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| <p>10.4. In order to support the achievement of the objectives of the Action, and in particular where the implementation of the Action requires financial support to be given to third parties, the Beneficiary(ies) may award financial support if so provided by the Special Conditions.</p> | <p>It may happen that the implementation of the action involves the award by the Beneficiary of financial support to third parties (FS). This is allowed provided that the objectives or results to be obtained are clearly detailed in the proposal and that the following conditions are fulfilled:</p> <p>1) the Contracting Authority has verified that the Coordinator offers adequate guarantees as regards the recovery of amounts due. Indeed, in the event of a recovery order at the end of the project, the Contracting Authority exclusively turns to the Coordinator, who then may be asked to reimburse amounts which the Beneficiary(ies) or Affiliated Entity(ies) have transferred as financial support. A thorough assessment of the Coordinator's financial capacity is therefore recommended prior to awarding a EU grant involving FS.</p> |
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| | <p>2) the Beneficiary(ies) of the EU grant may not exercise any discretionary power in granting financial support to third parties. In order to ensure this, the Call for Proposals requires that the proposals include:</p> <ul style="list-style-type: none"> - a fixed and exhaustive list of the different types of activities for which a third party may receive financial support, - the definition of the persons or categories of persons which may receive financial support, - the criteria for awarding financial support, - the maximum amount to be granted to each third party and the criteria for determining it. <p>3) the Beneficiary(ies) must ensure that recipients of the financial support allow the Contracting Authority, the Commission, OLAF, and the Court of Auditors to exercise their powers of control on documents, information, even stored on electronic media, or on the final recipient's premises. (ref art.10.8 General Conditions)</p> |
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| <p>10.5. The maximum amount of financial support shall be limited to EUR 60 000 per each third party, except where the main purpose of the Action is to redistribute the grant.</p> | <p>For actions financed under the EDF, the financial support may not be the primary aim of the EU grant, therefore the limit of EUR 60 000 per each third party may never be exceeded under the EDF.</p> <p>Financial support is an activity carried out within the Contract, and may be implemented by all Beneficiaries, as well as Affiliated Entities, provided that the mandatory conditions stated in the contract are fulfilled. Indeed, the cost eligibility conditions applicable to Affiliated Entities are the same as those applicable to the Beneficiaries. So they may award financial support to third parties under the same conditions as Beneficiaries (make sure that all the minimum elements required in Annex I are respected).</p> |
| | <p>The threshold for the financial contribution to third parties is 60 000 per third party ("sub-grantee" or recipient of FS). Pay attention not to get confused between simplified cost options (the Beneficiaries themselves can claim up to EUR 60 000 each; see. Art. 14.5) and the FS they give to third parties (EUR 60 000 per recipient). In fact when a Beneficiary pays FS on the basis of a "global amount" (which can be assimilated to simplified cost options), this amount is not related to the simplified cost options that may have been agreed in the contract (for the Beneficiary vis a vis the Contracting Authority it is just like any other actual cost incurred - see art. 10.6).</p> |

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| | <p>Example: one lead applicant and 2 co-applicants and 3 Affiliated Entities.</p> <p><i>SIMPLIFIED COST OPTIONS: maximum allowed would be 3* 60 000 (to be used by each Beneficiary, including their Affiliated Entity(ies)).</i></p> <p><i>FINANCIAL SUPPORT: maximum established according to the description of the action, which could result for instance in 5 recipients receiving up to 60 000 each.</i></p> <p>There is absolutely no relation between the 2 amounts.</p> <p>The guidelines of the Call for Proposal may, as appropriate, restrict the scope of the FS, for instance setting a lower maximum amount, or targeting only specific categories etc.</p> |
| <p>10.6. The Description of the Action, in conformity with the relevant instructions given in this regard by the Contracting Authority, shall define the types of entities eligible for financial support and include a fixed list with the types of activity which may be eligible for financial support. The criteria for the selection of the third parties recipient of this financial support, including the criteria for determining its exact amount, shall also be specified. The Beneficiary(ies) shall respect the rules of nationality and origin set out in Annex IV of this Contract.</p> | <p>It is essential for the eligibility of FS, that all these mandatory conditions are strictly defined in the contract (notably in Annex I), in compliance with the Guidelines for Applicants and of any conditions or restrictions set out:</p> <ul style="list-style-type: none"> (i) the objectives and results to be obtained with the financial support (ii) the different types of activities eligible for financial support, on the basis of a fixed list (iii) the types of persons or categories of persons which may receive financial support (iv) the criteria for selecting these entities and giving the financial support (v) the criteria for determining the exact amount of financial support for each third entity, and (vi) the maximum amount which may be given. |

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| | <p>(iii) The eligible categories of persons are not necessarily those eligible under the Call for Proposals with regards to Beneficiary(ies) and Affiliated Entity(ies): usually the basic acts and Annex IV do not impose any specific nationality rule on recipients of FS. In fact it is the Call for Proposal and/or the contract that will set the relevant criteria, if needed. It may be the case where a nationality restriction is desirable/appropriate to achieve the results, or it may be not.</p> <p>(iv) the modalities through which the FS is granted (e.g. following a call for proposals, direct award etc.) must also be specified.</p> |
| | <p>The FS may take the form of simplified cost options. For the sake of simplification, it is even advised to agree with the Beneficiary(ies) in the description of the action on unit or lump sum amounts, together with the criteria for payment of those amounts, rather than on reimbursement of costs, unless justified by the nature of the financial support (e.g. where the financial support targets a specific activity to be implemented by the third party). Since financial support to third parties is not subject to the same rules as grants, the thresholds for simplified cost options do not apply and there is no need for a Commission decision to authorise recourse to unit or lump sums as financial support. The amounts may be agreed on by the Contracting Authority as part of the description of the Action.</p> <p>The FS may take the form of "unconditional cash transfer".</p> |

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| | <p>"Unconditional", means that financial support is given without anything in return, i.e. without any specific result other than helping the final recipients, e.g. support to human right defenders, scholarships to facilitate mobility, allowances to refugees, unemployed, etc. The financial support may even be the primary aim of the action and represent the core activity per se. It is not an issue provided the objective of the action clearly requires this type of financial support to third parties. Cash transfers are allowed provided the Beneficiary can prove payment (for example a paper from the sub-grantee or recipient acknowledging receipt of the cash amount), since the costs must be verifiable to be eligible.</p> |
| | <p>NB: "unconditional", does not mean that the conditions for giving financial support are not established in the contract. This would not be acceptable. It is essential that the Call for Proposals clearly laid down the conditions for accepting as eligible the costs of financial support to third parties and the description of the action as proposed by the applicants shall then contain all the information required above (Art.10.4).</p> |
| | <p>"Conditional" transfers are also possible (e.g. seed money to a micro-enterprise subject to establishment of favourable working conditions or recruitment of women).</p> <p>The financial support may also take the form of a prize awarded following a contest organised by the Beneficiary.</p> |

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| <p>10.7. The Coordinator shall provide in its report to the Contracting Authority a comprehensive and detailed report on the award and implementation of any financial support given. These reports should provide, amongst other, information on the award procedures, on the identities of the recipient of financial support, the amount granted, the results achieved, , the problems encountered and solutions found, the activities carried out as well as a timetable of the activities which still need to be carried out.</p> | <p>Keep in mind that the FS is justified if given in order to support the achievement of the objectives of the Action.</p> <p>The FS has to be necessary for the implementation of the Action, and embedded in its design.</p> <p>Refer to Art. 16.9 on supporting documents.</p> <p>From a budgetary point of view, there is no specific rule for presenting FS: depending on the amounts and scope, it could fit in different budget lines. In any case, no discretion can be exercised by the Beneficiary, and the FS must be thoroughly under control and must be clearly identifiable in the budget. The Call for Proposal can set specific requirements in the guidelines, and rather have it all in one line for instance.</p> |
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| <p>10.8. The Beneficiary(ies) shall also ensure that third parties awarded financial support comply with Articles 3, 4, 5, 6, 7, 8 and 16 of this Contract.</p> | <p>The third parties receiving financial support from the Beneficiary(ies) are not subject to the same eligibility criteria as those applicable to Beneficiaries and Affiliated Entity(ies) under the Call for Proposals.</p> <p>Likewise, the financial support granted to those third parties is not subject to the general principles applicable to grants, and the conditions for calculating the exact amount do not necessarily encompass the no-profit principle (i.e. there may be a case where the no-profit check is appropriate, or it may be not: this has to be specified in the Call for Proposals and/or the contract).</p> <p>FS should be conceived in such a way as to be an efficient and easy tool for the achievement of the purpose of the action.</p> <p>This does not exempt the need to define in the contract the categories of persons who may receive financial support from the Beneficiary(ies) and the maximum amount of the financial support together with the way the exact amount is calculated (see above Art.10.4).</p> |
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19.2.11. ARTICLE 11 - EXTENSION AND SUSPENSION

19.2.11.1. EXTENSION

| Text of the Article | Guidelines |
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| <p>11.1. The Coordinator shall inform the Contracting Authority without delay of any circumstances likely to hamper or delay the implementation of the Action. The Coordinator may request an extension of the Action's implementation period as laid down in Article 2 of the Special Conditions in accordance to Article 9. The request shall be accompanied by all the supporting evidence needed for its appraisal.</p> | <p>The implementation date of an Action is defined in the Special conditions. Any extension of the implementation period shall be requested during the implementation period, it shall be the object of a contract addendum according to article 9.3. and it shall not entail any increase in the EU contribution.</p> |
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19.2.11.2. SUSPENSION BY THE COORDINATOR

| Text of the Article | Guidelines |
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| <p>11.2. The Coordinator may suspend implementation of the Action, or any part thereof, if exceptional circumstances, notably of force majeure, make such implementation excessively difficult or dangerous. The Coordinator shall inform the Contracting Authority without delay, stating the nature, probable duration and foreseeable effects of the suspension.</p> | <p>The implementation of the Action may become temporarily impossible or undesirable due to exceptional circumstances, most notably of force majeure.</p> <p>In order to qualify as exceptional the event or situation in question shall, notably, not be part or be attributable to the usual risks accompanying the Beneficiary's(ies)' activity. What is considered as exceptional circumstances depend on a case by case assessment: however, it is likely that the vast majority of cases qualifying as exceptional circumstances according to Art 11.2. fall within the broader concept of force majeure. A definition of force majeure is provided in in article 11.8 of these General Conditions.</p> |

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| | <p>In exceptional/force majeure circumstances, the Coordinator is unilaterally entitled to suspend the implementation of the Action. The suspension of the implementation of the Action implies that the Beneficiary(ies) stops carrying out the Action for a specific period of time.</p> <p>During the suspension of the implementation period of the Action the Beneficiary(ies) is not entitled to incur eligible costs as it does not, by definition, implement activities that could generate them. As a suspension of the implementation period in principle implies that the costs incurred during the suspension are not eligible, the Coordinator shall, without any delay, agree in writing with the Contracting Authority on any eventual fixed and unavoidable costs that could nevertheless remain eligible during the suspension (e.g. office rent, certain staff costs etc.).</p> |
| | <p>The Coordinator shall inform the Contracting Authority as soon as possible without unjustified delays in case it intends to suspend the implementation of the Action. The Coordinator shall provide all information necessary for the Contracting Authority for taking an informed decision on this matter including but not limited to: a detailed description of the circumstances in question and their impact on the implementation of the Action, the measures taken to minimise damages (including their nature, probable duration etc.) and the foreseeable date of resumption of the implementation of the Action, etc</p> |

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| | <p>Such information shall be submitted in writing through a registered letter with an acknowledgement of receipt or an equivalent. Using such a means of communication ensures there is evidence of the receipt by the other party, and thus a certainty regarding the period within which the Beneficiary(ies) is entitled to incur eligible costs.</p> <p>In case of doubts, the Contracting Authority shall request any proof deemed necessary to show that such exceptional/force majeure circumstances indeed existed. Nevertheless, the suspension of the implementation period of the Action takes effect from the moment the Contracting Authority is informed about the suspension and not after such a verification exercise has been completed.</p> |
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| <p>11.3. The Coordinator or the Contracting Authority may then terminate this Contract in accordance with Article 12.1 . If the Contract is not terminated, the Beneficiary(ies) shall endeavour to minimise the time of its suspension and any possible damage and shall resume implementation once circumstances allow, informing the Contracting Authority accordingly.</p> | <p>During the suspension, the Beneficiary(ies) shall take all possible measures for minimising the damage due to exceptional/force majeure circumstances.</p> <p>When an exceptional/force majeure circumstance stops hindering the implementation of the Action, and therefore it is possible for the Beneficiary(ies) to resume implementation, the Coordinator should inform the Contracting Authority as soon as possible, without any unjustified delay.</p> <p>If it is practically impossible to resume the implementation of the Action as initially planned then the possibility to modify the Action in light of the new implementing conditions shall be explored. In this assessment, it shall be carefully checked to what extent an amendment of the Grant Contract is possible without putting into question the award decision or the equality of treatment. If an amendment goes against the main principles for amendments, the Grant contract shall be terminated (or the decision repealed).</p> <p>If the implementation can no longer be resumed or it cannot be resumed effectively or appropriately, then the Grant Contract might be terminated in accordance with Article 12.1 of these General Conditions.</p> |
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19.2.11.3. SUSPENSION BY THE CONTRACTING AUTHORITY

| Text of the Article | Guidelines |
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| <p>11.4. The Contracting Authority may request the Beneficiary(ies) to suspend implementation of the Action, or any part thereof, if exceptional circumstances, notably of force majeure, make such implementation excessively difficult or dangerous. To this purpose, the Contracting Authority shall inform the Coordinator stating the nature and probable duration of the suspension.</p> | <p>In exceptional/force majeure circumstances, the Contracting Authority shall decide whether to request the Coordinator to suspend the implementation of the Action.</p> <p>The suspension of the implementation of the Action implies that the Beneficiary(ies) will stop carrying out the Action for a specific period of time.</p> <p>During the suspension of the implementation period of the Action the Beneficiary(ies) is not entitled to incur eligible costs as it does not, by definition, implement activities that could generate them. As a suspension of the implementation period in principle implies that the costs incurred during the suspension are not eligible, the Coordinator shall, without any delay, agree in writing with the Contracting Authority on any eventual fixed and unavoidable costs that could nevertheless remain eligible during the suspension (e.g. office rent, certain staff costs etc.).</p> |
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| <p>11.5. The Coordinator or the Contracting Authority may then terminate this Contract in accordance with Article. 12.1. If the Contract is not terminated, the Beneficiary(ies) shall endeavour to minimise the time of its suspension and any possible damage and shall resume implementation once circumstances allow and after having obtained the approval of the Contracting Authority.</p> | <p>During the suspension, the Beneficiary(ies) shall take all possible measures for minimising the damage due to exceptional/force majeure circumstances.</p> <p>The Beneficiary(ies) shall resume timely the implementation of the Action, as soon as the exceptional/force majeure circumstances allow it. The Coordinator shall, however, first have received a written prior approval by the Contracting Authority for resuming the implementation of the Action.</p> <p>If it is practically impossible to resume the implementation of the Action as initially planned then the possibility to modify the Action in light of the new implementing conditions shall be explored. In this assessment, it shall be carefully checked to what extent an amendment of the Grant Contract is possible without putting into question the award decision or the equality of treatment. If an amendment goes against the main principles for amendments, the Grant contract shall be terminated (or the decision repealed).</p> <p>If the implementation can no longer be resumed or it cannot be resumed effectively or appropriately, then the Grant Contract might be terminated in accordance with Article 12.1 of these General Conditions.</p> |
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| <p>11.6. The Contracting Authority may also suspend this Contract or the participation of a Beneficiary(ies) in this Contract when, or, if necessary to verify, that:</p> <p>a) the grant award procedure or the implementation of the Action have been subject to substantial errors, irregularities or fraud;</p> <p>b) the Beneficiary(ies) have breached any substantial obligation under this Contract.</p> | <p>The Contracting Authority shall suspend the Grant Contract or the participation of a Beneficiary(ies) in the Grant Contract when it has evidence that the circumstances in points a) or b) have occurred.</p> <p>In addition, the Contracting Authority shall suspend the Grant Contract when, for objective and well justified reasons, it deems necessary to verify whether, presumably, the circumstances in points a) or b) have occurred.</p> <p>In this latter case, however, in light of the burdensome consequences of a suspension, the Contracting Authority shall preferably, whenever possible, first give notice to the Coordinator indicating its intention to suspend the Contract, as well as, of the specific grounds/reasons motivating the suspension. The Contracting Authority shall then leave the Coordinator a reasonable time (30 days) to react and present its comments/objections to the intended suspension. Without prejudice to the right of the Contracting Authority to confirm its intention to suspend, the Coordinator's observations shall be given a thorough consideration before taking the final decision for suspension.</p> <p>Such pre-information should not however impact the need for a timely suspension of the Grant Contract.</p> <p>The means of communication used shall provide clear evidence of the fact that the Coordinator was informed and the date on which this happened (a registered letter with acknowledgment of receipt or equivalent).</p> |
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| <p>11.7. The Coordinator shall provide any requested information, clarification or document within 30 days of receipt of the requests sent by the Contracting authority. If, notwithstanding the information, clarification or document provided by the Coordinator, the award procedure or the implementation of the grant proves to have been subject to substantial errors, irregularities, fraud, or breach of obligations, then the Contracting Authority may terminate this Contract according to Article 12(2) h.</p> | <p>If, notwithstanding the information, clarification, or documentation provided by the Coordinator, the award procedure or the implementation of the Action proves to have been subject to substantial errors, irregularities, fraud, or a breach of obligations, then the Contracting Authority shall terminate the Grant Contract according to Articles 12(2) a and h.</p> |
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19.2.11.4. FORCE MAJEURE

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| <p>11.8. The term force majeure, as used herein covers any unforeseeable events, not within the control of either party to this Contract and which by the exercise of due diligence neither party is able to overcome such as acts of God, strikes, lock-outs or other industrial disturbances, acts of the public enemy, wars whether declared or not, blockades, insurrection, riots, epidemics, landslides, earthquakes, storms, lightning, floods, washouts, civil disturbances, explosion. A decision of the European Union to suspend the cooperation with the beneficiary country is considered to be a case of force majeure when it implies suspending funding under this Contract.</p> | <p>This Article defines the elements necessary to be considered a circumstance as “force majeure”: i.e. the circumstance of force majeure could not have been foreseen by the concerned party, it is beyond its control, it is not attributable to error or negligence on its part and it could not have been avoided even with all due diligence by the concerned party.</p> <p>In most cases, such circumstances are related to natural disasters like: flooding, mass fire, volcanic eruption, earthquake, hurricane, etc. However not every external force could lead to force majeure: a heavy rain that prevented an outdoor activity might have been foreseeable or might not have had a significant impact on the implementation of the Action as a whole. Force majeure may also be man-made, e.g. war, revolution, rebellion, terrorist activities, etc.</p> <p>Note that the above-mentioned circumstances of force majeure should also have an impact on the implementation of the Action by preventing, at least for a given period of time, the Beneficiary(ies) from fulfilling their obligations as initially envisaged. Without such impact, any circumstances, even if they are per se exceptional, unforeseeable, insurmountable, and beyond the control of the concerned party, shall not qualify as relevant for the suspension of the implementation.</p> <p>Defects in equipment or material or delays in making them available, labour disputes, strikes, or financial difficulties cannot be invoked as force majeure.</p> |
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| <p>11.9. The Beneficiary(ies) shall not be held in breach of its contractual obligations if it is prevented from fulfilling them by circumstances of force majeure</p> | <p>If prevented from fulfilling its obligations due to force majeure, the Beneficiary(ies) will not be considered in breach of its obligations, thus excluding any of the possible negative consequences from such breach (such as termination of the Contract on this ground and/or reduction of the amount of the grant due to breach of contract).</p> <p>The Beneficiary(ies) shall therefore not be held responsible for not completing the Action due to such circumstances.</p> <p>In any event, if the Action is only partially implemented, the Contracting Authority shall reduce the grant in line with its actual implementation and the specific costs incurred.</p> |
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19.2.11.5. EXTENSION OF THE IMPLEMENTATION PERIOD FOLLOWING A SUSPENSION

| Text of the Article | Guidelines |
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| <p>11.10. In case of suspension according to Articles 11.2, 11.4 and 11.6, 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 Contract that may be necessary to adapt the Action to the new implementing conditions. Article 11.10 does not apply in case of an operating grant.</p> | <p>Suspension according to Articles 11.2, 11.4, and 11.6, shall lead to an extension of the duration of the Action of a period equivalent to the length of the suspension (provided that the implementation can be resumed).</p> |

19.2.12. ARTICLE 12 - TERMINATION OF THE CONTRACT

19.2.12.1. TERMINATION IN CASE OF FORCE MAJEURE

| Text of the Article | Guidelines |
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| <p>12.1. In the cases foreseen in Article 11.2 and 11.4, if the Coordinator or the Contracting Authority believes that this Contract can no longer be executed effectively or appropriately, it shall duly consult the other. Failing agreement on a solution, the Coordinator or the Contracting Authority may terminate this Contract by serving two months written notice, without being required to pay compensation.</p> | <p>The exceptional/force majeure circumstances can determine an impossibility to continue the implementation of the Action. This could be established immediately after the exceptional/force majeure circumstances occurred or also at a later stage during or after the suspension of the implementation of the Action.</p> <p>If either the Coordinator or the Contracting Authority believes that the implementation of the Action can no longer be executed effectively or appropriately they shall consult each other in order to determine whether and how to continue the implementation of the Action. Failing an agreement, the Coordinator or the Contracting Authority may unilaterally terminate the Grant Contract by serving two months written notice, without being required to pay compensation.</p> <p>In this case, as said in Art 11.9, neither the Beneficiary(ies) nor the Contracting Authority is responsible for not finalising the implementation of the Action and therefore should not be considered in breach of their contractual obligations under the Grant Contract.</p> <p>In case the Action is only partially implemented, the Contracting Authority shall reduce the grant in line with its actual implementation and the costs incurred by the Beneficiary(ies).</p> |
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19.2.12.2. TERMINATION BY THE CONTRACTING AUTHORITY

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| Text of the Article | Guidelines |
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| <p>12.2. Without prejudice to article 12.1, in the following circumstances the Contracting Authority may, after having duly consulted the Coordinator, terminate this Contract or the participation of any Beneficiary(ies) in this Contract without any indemnity on its part when:</p> <p>a) a Beneficiary(ies) fails, without justification, to fulfil any substantial obligation incumbent on them individually or collectively by this Contract 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 receipt of the letter;</p> | <p>The Contracting Authority shall terminate the Grant Contract or the participation of a Beneficiary(ies) in any of the cases foreseen in article 12.2. of these General Conditions.</p> <p>However, whenever possible, the termination of the Contract should be preceded by an adversarial procedure. In such a case, the Contracting Authority shall first send a pre-information letter explaining its intention to terminate the Grant Contract and the specific grounds and reasons for the termination and shall leave the Beneficiary(ies) a reasonable time to react and present its comments/objections to the termination (30 days).</p> |
| <p>b) a Beneficiary(ies) is bankrupt or being wound up, is having its affairs administered by the courts, has entered into an arrangement with creditors, has suspended business activities, is the subject of proceedings concerning those matters or is in any analogous situation arising from a similar procedure provided for in national legislation or regulations;</p> <p>c) a Beneficiary(ies), or any related entity or person, have been found guilty of an offence concerning their professional conduct proven by any means;</p> | <p>The Contracting Authority shall use a method of communication which provides clear evidence of the fact that the Coordinator was informed and the date on which it happened (a registered letter with acknowledgment of receipt or its equivalent). Without prejudice to the right of the Contracting Authority to confirm its intention to suspend, the Coordinator's observations shall be given a thorough consideration before taking the final decision for termination.</p> |

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| <p>d) a Beneficiary(ies), or any related entity or person, have committed fraud, corruption, or are involved in a criminal organisation, money laundering or any other illegal activity detrimental to the European Union's financial interests;</p> <p>e) a change to a Beneficiary(ies)'s legal, financial, technical, organisational or ownership situation or the termination of the participation of a Beneficiary(ies) substantially affects the implementation of this Contract or calls into question the decision awarding the grant;</p> <p>f) a Beneficiary(ies) or any related person, are guilty of misrepresentation in supplying the information required in the award procedure or in the implementation of the Action or fails to supply - or fails to supply within the deadlines set under this Contract - any information related to the Action required by the Contracting Authority;</p> | <p>In light of the impact of the termination of a Contract, the Contracting Authority shall decide in full consideration of all the facts and might send a further request for clarification and/or information. In deciding whether to terminate the Grant Contract or only the participation of certain Beneficiary(ies), the Contracting Authority shall make a case by case analysis, taking into account the specific role of the Beneficiary(ies) involved, the gravity/extent of the circumstances/behaviours, the need to ensure the full and timely implementation of the Action as described in the description of Action, and the respect for the principle of proportionality, good financial management and equality of treatment of the Beneficiary(ies).</p> |
| <p>g) a Beneficiary(ies) has not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which it is established;</p> <p>h) the Contracting Authority has evidence that a Beneficiary(ies), or any related entity or person, has committed substantial errors, irregularities or fraud in the award procedure or in the implementation of the Action;</p> <p>i) a Beneficiary(ies) is subject to an administrative penalty referred to in Article 12(8);</p> | <p>a) a breach of the Grant Contract is committed where the Beneficiary(ies) individually or collectively fail to properly discharge any substantial obligations under the Grant Contract. As a general rule, the Contracting Authority shall first give notice - through a pre-information letter - to the Coordinator indicating the reasons why it believes that the Beneficiary(ies) has failed to carry out its tasks in accordance with the Grant Contract and shall leave the Beneficiary(ies) (via the Coordinator) a reasonable time to react and present its comments/objections or to correct this neglect or failure.</p> |

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| <p>j) the Contracting Authority has evidence that a Beneficiary(ies) is subject to a conflict of interests;</p> <p>k) the European Commission has evidence that a Beneficiary(ies) has committed systemic or recurrent errors or irregularities, fraud, or serious breach of obligations under other grants financed by the European Union and awarded to that specific under similar conditions, provided that those errors, irregularities, fraud or serious breach of obligations have a material impact on this grant.</p> | <p>If the Beneficiary(ies) (via the Coordinator) still fail to comply or to furnish a satisfactory explanation within at the latest 30 days of receipt of the letter, the Contracting Authority shall terminate the Grant Contract or the participation of the relevant Beneficiary(ies) in the Grant Contract.</p> |
| <p>12.3. In the cases referred to in points (c), (d) (f) (h) and (k) above, any related person means any physical person with powers of representation, decision-making or control in relation to the Beneficiary(ies). Any related entity means, in particular, any entity which meets the criteria laid down by Article 1 of the Seventh Council Directive No 83/349/EEC of 13 June 1983.</p> | |

19.2.12.3. TERMINATION OF A BENEFICIARY(IES) PARTICIPATION BY THE COORDINATOR

| Text of the Article | Guidelines |
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| <p>12.4. In duly justified cases, the participation of a Beneficiary(ies) in this Contract may be also terminated by the Coordinator. To this purpose, the Coordinator shall communicate to the Contracting Authority the reasons for the termination of its participation and the date on which the termination shall take effect, as well as a proposal on the reallocation of the tasks of the Beneficiary(ies) whose participation is terminated, or on its possible replacement. The proposal shall be sent in good time before the termination is due to take effect. If the Contracting Authority agrees, the Contract shall be amended accordingly in conformity with Article 9.</p> | <p>Such requests shall be very well justified, and the Contracting Authority shall be provided with any information and/ or any supporting documents proving, justifying, and supporting the request.</p> <p>It is not possible to provide an exhaustive list of cases which might lead the coordinator to request the termination of the participation of a Beneficiary(ies). In circumstances where such termination is requested, due account should be taken to ensure the full and timely implementation of the Action as described in the description of the Action, as well as the observance of the proportionality principle, the good financial management principle, the respect of the award decision, and the equality of treatment of the Beneficiary.</p> <p>If the Contracting Authority agrees to the Coordinator's request, then an amendment to the Grant Contract according to article 9.3 introducing the necessary modifications shall be made in order to officialise the termination of the participation of the Beneficiary(ies)'s concerned.</p> <p>Any termination of a Beneficiary's(ies)' participation in the Grant Contract by the Coordinator without the prior consent of the Contracting Authority may result in the termination by the Contracting Authority of the whole contract according to Art. 12.2.e.</p> |
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19.2.12.4. END DATE

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| Text of the Article | Guidelines |
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| <p>12.5. The payment obligations of the European Union under this Contract shall end 18 months after the implementation period laid down in Article 2 of the Special Conditions, unless this Contract is terminated according to Article 12 . The Contracting Authority shall notify the Coordinator of any postponement of the end date.</p> | <p>It is therefore imperative that the Coordinator submits the final payment request in a timely fashion.</p> |
| <p>12.6. This Contract will be terminated automatically if it has not given rise to any payment by the Contracting Authority within two years of its signature.</p> | |

19.2.12.5. EFFECTS OF TERMINATION

| Text of the Article | Guidelines |
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| <p>12.7. In the event of termination, the Beneficiary(ies) shall be entitled to payment only for the part of the Action carried out, excluding costs relating to current commitments that are not due to be executed until after termination.</p> <p>To this purpose, the Coordinator shall introduce a payment request to the Contracting Authority within the time limit set by Article 15(2) starting from the date of termination.</p> <p>In the cases of termination foreseen in Article 12.2 a), c), d), f), h) and k) the Contracting Authority may, after having properly consulted the Coordinator and depending on the gravity of the failings, request full or partial repayment of amounts already paid for the Action.</p> | |

19.2.12.6. ADMINISTRATIVE AND FINANCIAL PENALTIES

| Text of the Article | Guidelines |
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| <p>12.8. Without prejudice to the application of other remedies laid down in the Contract, a Beneficiary(ies) who has made false declarations, substantial errors, irregularities and fraud or was in serious breach of its contractual obligations may be excluded from all contracts and grants financed by the EU for a maximum of five years from the date on which the infringement is established, to be confirmed after an adversarial procedure with the European Commission, in accordance with the Financial Regulations applicable to the contracts covered by the Budget or the EDF. The period may be increased to ten years in the event of a repeated offence within five years of the first infringement.</p> | <p>In addition to the remedies which have their origin in the Contract, the Commission may also impose statutory penalties on Beneficiary(ies) who have been found to have seriously failed to meet their contractual obligations or who have made false declarations, substantial errors, irregularities and fraud. These statutory penalties may consist of:</p> <ul style="list-style-type: none"> - administrative penalties: exclusion from future contract award procedures financed by the EU for a maximum period of 10 years, - financial penalties: fines representing 2% to 10% of the total value of the Contract. The rate may be increased to 4-20% in the event of a repeat offence within five years of the first infringement but cannot exceed the value of the contract. |

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| <p>12.9. In addition or in alternative to the administrative sanctions laid down in Article 12.8, a Beneficiary(ies) may also be subject to financial penalties representing 2-10% of the total value of this Contract. This rate may be increased to 4-20% in the event of a repeated offence within five years of the first infringement.</p> <p>12.10. The European Commission shall formally notify the Beneficiary(ies) concerned of any decision to apply such penalties.</p> | <p>Such financial penalties are to be distinguished from the damages, liquidated or general, which are intended to be a compensation for the injury caused to a party by a contract breach committed by the other party. They are the expression of the administrative power of the Commission in the execution of the budget to sanction the conduct of economic operators detrimental to the EU financial interests.</p> <p>According to the current Internal Rules on the implementation of the EU budget, the decision to impose regulatory penalties is to be adopted by the authorising officer by delegation after prior adversarial proceedings with the Beneficiary(ies) in which he is allowed to present his observation vis-à-vis the alleged facts and intended penalty. The authorising officer by delegation shall also take a decision on the duration of the exclusion and/or the amount of the financial penalty in accordance with the principle of proportionality.</p> |
| | <p>In decentralised contracts, where the Commission is not the Contracting authority, the Contracting Authority shall inform the Commission when a contractor has been guilty of making false declarations, has made substantial errors or committed irregularities and fraud, or has been found in serious breach of its contractual obligations. This information might be used by the Commission to exclude an entity from participation in procurement procedures according to Article 109 of the Financial Regulation or the corresponding EDF provisions. Financial penalties may be imposed on contractors by the Contracting Authority if this is allowed by its national law.</p> |

19.2.13. ARTICLE 13 - APPLICABLE LAW AND DISPUTE SETTLEMENT

| Text of the Article | Guidelines |
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| <p>13.1. This Contract shall be governed by the law of the country of the Contracting Authority or, where the Contracting Authority is the European Commission, by the European Union law supplemented as appropriate by Belgian law.</p> <p>13.2. The parties to this Contract shall do everything possible to settle amicably any dispute arising between them during implementation of this Contract. 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. The Coordinator and the Contracting Authority shall reply to a request sent for an amicable settlement within 30 days. Once this period has expired, or if the attempt to reach amicable settlement has not produced an agreement within 120 days of the first request, the Coordinator or the Contracting Authority may notify the other part that it considers the procedure to have failed.</p> | <p>In cases where disputes between the Beneficiary(ies) and the Contracting Authority cannot be settled amicably, then they should be brought to court. When the Contracting Authority is the EC headquarters in Brussels or an EU Delegation, the dispute has to be settled in Belgium. On the other hand, when the Contracting Authority is the National Authorising Officer (for instance in case of EDF funds) then the case has to be brought to court in the country of the Contracting Authority and is thus governed by the laws of that country.</p> <p>However, before bringing the case to court, both parties should try to settle the dispute amicably according to the procedure foreseen in Art 13.2 . Other available legal remedies are also listed in point 2.4.15 of the PRAG.</p> |

19.3. FINANCIAL PROVISIONS

19.3.1. ARTICLE 14 - ELIGIBLE COSTS

19.3.1.1. COST ELIGIBILITY CRITERIA

| Text of the Article | Guidelines |
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| <p>14.1. Eligible costs are actual costs incurred by the Beneficiary(ies) which meet all the following criteria:</p> | <p>Eligible costs are actual costs incurred by the Beneficiary(ies) which meet all the eligibility criteria at the same time, and do not fall under the category of ineligible costs in Art. 14.9. Furthermore, they must be in line with the specifications included in the Call for Proposals, which may provide for specific instructions and/or limitations to the general rules set in the General Conditions (if appropriate, specific clauses will also be included in the Special Conditions).</p> <p>Costs have to be related to and generated by activities carried out within the implementation period of the Action (as defined in Art.2 of the Special Conditions) and in accordance with the contract.</p> |
| | <p>To be considered eligible, costs must be actually incurred by the Beneficiary(ies), and must have generated a debt to be paid directly by the entity which is party to the grant contract with the Contracting Authority.</p> <p>Actual costs incurred by Affiliated Entity(ies) which are identified in the Special Conditions can also be accepted as eligible. In this case, the Affiliated Entity(ies) concerned have to abide by the same rules applicable to the Beneficiary(ies) under the contract with regard to the eligibility of costs and the rights of checks and audit by the Commission, OLAF and the Court of Auditors.</p> |
| | <p>The Coordinator is responsible for monitoring the correct implementation of the Contract and for verifying and consolidating the information that will be provided to the Contracting Authority; therefore it should also make sure that the conditions for the eligibility of costs are met, through accurate supervision of the Beneficiary(ies) and Affiliated Entity(ies), and appropriate internal arrangements.</p> |

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| | <p>It is worth reminding that costs that might have been deemed eligible at a first glance in the reports may be declared as ineligible following an audit or verification carried out according to art.16.</p> <p>The Coordinator should keep in mind that it bears the ultimate responsibility (including financial) of the Action and must reimburse to the Contracting Authority any cost declared ineligible. (see article 18.2 General Conditions)</p> |
| <p>a) they are incurred during the implementation of the Action as specified in Article 2 of the Special Conditions. In particular:</p> | <p>As a general rule, payments after the implementation period would typically relate to costs that by their nature would only be paid after the implementation period and possibly after the submission of the final report. This could for example include:</p> |
| <p>(i) Costs relating to services and works shall relate to activities performed during the implementation period. Costs relating to supplies shall relate to delivery and installation of items during the implementation period. Signature of a contract, placing of an order, or entering into any commitment for expenditure within the implementation period for future delivery of services, works or supplies after expiry of the implementation period do not meet this requirement;</p> | <ul style="list-style-type: none"> - payments for activities carried out towards the end of the implementation period but where payment takes place later, e.g. because of warranty periods; - payments linked to costs for the closure of the Action (audit, reports and publications, dissemination of results etc). |
| <p>(ii) 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;</p> <p>(iii) 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;</p> | <p>NB: Any unpaid amount above EUR 500 at the submission of the final reports has to be clearly listed in the "List of Pending payments" in the final financial report (Annex e3h7 - worksheet "Final sources of funding"). The following details should be provided: Name of the provider, Object of the contract (Final Audit, Works execution guarantee...), Amount in EUR, Due date, Reference document (Date and number of Invoice/ contract), Explanation and comments (why still not paid?).</p> |

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| <p>(iv) Procedures to award contracts, as referred to in Article 10, may have been initiated and contracts may be concluded by the Beneficiary(ies) before the start of the implementation period of the Action, provided the provisions of Annex IV have been respected.</p> | <p>(iii) Costs related to the submission of final reports and the winding up of the Action, including expenditure verification, audit and the final evaluation of the Action, may be incurred after the implementation period of the Action, but in any event before the submission of the final reports.</p> |
| | <p>These costs may be considered eligible to the extent that these costs are reasonable and necessary for the Action, and that it was not possible to incur them during the implementation period. They may not consist of a mere extension of the activities of the Action. The closing up activities and related costs must be finally accepted by the Contracting Authority in order to be eligible; therefore it is suggested to present them clearly in the budget (including the “Justification sheet”) or, as appropriate, in the description of the Action. If these costs were not foreseeable at proposal stage, it is advisable that the Coordinator agrees them beforehand with the Contracting Authority, insofar as is possible.</p> |
| | <p>This is an exceptional occurrence, which should be limited to strictly necessary cases.</p> <p>(iv) Contract-award procedures may be initiated before the start of the implementation period, in accordance with the rules and procedures set in Annex IV. This allows for instance for the signature a contract before the start of the Action to be already operational when the Action starts. However, these costs have to refer to - or will have to be generated during - the implementation period of the Action in order to be eligible.</p> |

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| | <p>Example: signature of a rental contract on 15/12/n-1. Action starts 01/01/n. The rental will be eligible only for the period starting as of 01/01/n.</p> <p>Stocks are not eligible costs as such. Any procurement under the contract must follow Annex IV and costs must be in line with Art. 14 .</p> |
| | <p>In case of stringent operational needs of initiating the procurement of goods, services or works before the start of the implementation period of the Action, where significant amounts are involved, it is advisable to clearly explain and substantiate it in the description of the Action.</p> <p>This is without prejudice to the fact that, in any event, the Beneficiary(ies) bears the risk for any contract signed or commitment entered into before the signature of the contract, being it before or during the implementation period. (exceptional case)</p> |
| <p>b) they are indicated in the estimated overall budget for the Action;</p> | <p>In principle, only those cost items that have been approved in the budget and description of the Action are eligible, although it is possible to remove a budget item or introduce a new one. A request for amendment to the contract may have to be submitted by the coordinator according to Art. 9.</p> <p>Caution should always be used in making any modification to the human resources allocated to the project. In this case and in all doubtful cases, it is advisable to discuss and, if possible, agree in writing with the Contracting Authority beforehand.</p> |

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| <p>c) they are necessary for the implementation of the Action;</p> | <p>It is important to pay particular attention to explain which specific resources and related costs are needed for the implementation of the Action, in order to justify their link with the Action (activities, results and objectives) and therefore their funding. Costs for items charged that were not necessary for the project purposes are a frequent source of cost ineligibility.</p> <p>This can be implicitly done in the description of the Action, but more specifically it also has to be included in the budget, in Worksheet 2, in the column “Clarification of the budget items”.</p> <p>This condition is also strictly linked with letter f) below.</p> |
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| <p>d) they are identifiable and verifiable, in particular being recorded in the accounting records of the Beneficiary(ies) and determined according to the applicable accounting standards of the country where the Beneficiary(ies) is established and according to the usual cost accounting practices of the Beneficiary(ies);</p> | <p>All the costs incurred - corresponding to the entire budget of the Action and not only to the EU grant - must be recorded in the accounts of the Beneficiary(ies) or, as the case may be, of the Affiliated Entity(ies). The supporting documents (tenders, orders, vouchers, invoices, receipts etc.) must be in place and tally with the recorded costs. (See also Article 16 for more details)</p> <p>The Coordinator is responsible for verifying and consolidating the information that will be provided to the Contracting Authority; therefore it should as well make sure that the conditions for the eligibility of costs are met, through accurate supervision of the Beneficiary(ies) and Affiliated Entity(ies) and appropriate internal arrangements.</p> <p>It is strongly advisable for the Coordinator to keep (electronic) copies of all relevant documents and accounts and to carry out ex-ante and constant checks to ensure that supporting and accounting documents available, correct, and duly filed and recorded.</p> <p>The Coordinator should keep in mind that it bears the ultimate responsibility (especially financial) of the Action and must reimburse to the Contracting Authority any cost declared ineligible. (see article 18.2 General Conditions)</p> <p>The "applicable accounting standards of the country where the Beneficiary(ies) is established" refer to the rules to which the Beneficiary(ies) or Affiliated Entity(ies) are subject to by law. If the concerned beneficiary or Affiliated Entity is not governed by any national accounting rules, this condition simply does not apply.</p> |
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| <p>e) they comply with the requirements of applicable tax and social legislation;</p> | <p>The Beneficiary(ies) and the Affiliated Entity(ies) are fully responsible for the co-ordination and execution of all activities and have to ensure compliance with local, national, or applicable legislation.</p> <p>They must respect their applicable rules, procedures and policies. These should include, but are not limited to, the respect for fundamental human rights, social justice and human dignity, respect for the equal rights of men and women, prohibition of forced labour and child labour, preservation of the environment, respect of all laws of proper jurisdiction including the principles of transparency, non-discrimination, anti-corruption and ethics, avoidance of conflicts of interest, fraud and corruption, etc.</p> |
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| <p>f) they are reasonable, justified and comply with the requirements of sound financial management, in particular regarding economy and efficiency.</p> | <p>It is important to pay particular attention to explain how costs are calculated and budgeted.</p> <p>This is particularly true for those costs that are relevant or not easily justifiable because, for instance, they are especially expensive (compared to other similar items) and/or are purchased in high quantity.</p> <p>The explanation has to be provided at proposal stage in the budget, Worksheet 2, in the column “Justification of the estimated costs”, and/or as appropriate in the reports to understand their relationship with the results/activities of the Action.</p> <p>NB. This is especially important in the case of simplified cost options where for each corresponding budget item or heading, the text must:</p> <ul style="list-style-type: none"> - describe the information and methods used to establish the amounts of unit costs, lump sums and/or flat-rates. - explain the formulas for the calculation of the final eligible amount - identify the Beneficiary(ies) who will use the simplified cost option (in case of an Affiliated Entity(ies), the Beneficiary should be specified first), in order to verify the maximum amount per each Beneficiary (which includes if applicable simplified cost options of its Affiliated Entity(ies)). Refer to Annex K for further information on simplified cost options. <p>This condition is also strictly linked with letter c) above.</p> |
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19.3.1.2. ELIGIBLE DIRECT COSTS

| Text of the Article | Guidelines |
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| <p>14.2. Subject to Article 14.1 and, where relevant, to the provisions of Annex IV being respected, the following direct costs of the Beneficiary(ies) shall be eligible:</p> | <p>Article 14.2 lists some categories of direct eligible costs that may be eligible subject to specific conditions.</p> <p>The eligibility of costs is also determined by compliance with the procurement rules set out in Annex IV. If the Beneficiaries and the Affiliated Entity(ies) do not follow these rules, the EU may not accept the costs incurred and may reduce the final amount of the grant accordingly.</p> <p>NB: Lack of documentation in tendering procedures, i.e. insufficient evidence that the procurement process managed by the Grant Beneficiary(ies) conforms to the requirements of the legal framework, is one of the most recurrent sources of ineligibility of costs.</p> |
| <p>a) the cost of staff assigned to the Action, corresponding to actual gross salaries including social security charges and other remuneration-related costs; salaries and costs shall not exceed those normally borne by the Beneficiary(ies), unless it is justified by showing that it is essential to carry out the Action;</p> | <p>Staff costs are eligible provided that the staff are essential to the implementation of the Action and are explicitly mentioned in the project proposal.</p> <p>The eligible costs are constituted by gross salaries or wages in respect of the actual time devoted to the project and include income taxes, social security etc., and other statutory costs included in the remuneration, provided they are standard Human Resources policy of the Beneficiary and can be proved by supporting documents of the Beneficiary (or Affiliated Entity).</p> |

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| | <p>For example, medical insurance, repatriation, relocation, visa costs, housing allowance, salary adjustments, other benefits etc. may only be eligible if they respect all applicable legislation, constitute a standard practice of the organization and are actually paid.</p> <p>As a general rule "Provisions" in the Beneficiary's accounting cannot be considered as actual costs, but some exceptions can be agreed on a case-by-case basis where they constitute an obligation under applicable law and a certain future disbursement. (refer to Art. 14.1 a) ii) for the requirement of costs not yet paid at the submission of the final report)</p> |
| | <p>They should be traceable to supporting schedules (number and names of staff, part-time / full time indication), to payroll records (e.g. salary slips), and to Human Resources records (e.g. employment contracts).</p> <p>NB: A pro-rata system based on estimations cannot be used to justify direct costs, since such a system would not represent real cost (but only estimation). For example it may be accepted that a country director works 20% on a contract if supported by timesheets, justifying that he actually worked those hours or days on this project. The time worked and the costs linked to it represent closely the reality. However, it cannot be accepted that a country director's working time is divided equally on a pro-rata basis on 5 different projects, based on the assumption that he spends equal time on all projects - because such an assumption does not necessarily reflect reality.</p> |

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| | <p>Refer to Art. 14.7 for more information on “Shared costs”.</p> <p><u>HQ staff</u></p> <p>As a general rule, costs of HQ staff should be covered by indirect costs.</p> <p>However, with due consideration to the description and the functional organisation of the Action and of the Beneficiary(ies), they may be charged as direct costs in the following circumstances:</p> <ul style="list-style-type: none"> - They relate to the achievement of the Action's operational results and have accordingly been identified as an operational activity in the description of the Action. |
| | <ul style="list-style-type: none"> - They cover the actual presence of HQ staff in the field (e.g. specific monitoring missions, needs assessment, etc). This means that a simple % is not acceptable, a specific pro-rata related to the actual days/months of mission in the field has to be demonstrated. <p>They must be well justified in the framework of the Action and accepted by the Contracting Authority.</p> <p>In all other cases, the related HQ staff costs cannot be charged to the Action as direct costs either in whole or on a pro rata basis, calculated for instance on the basis of the time the HQ staff spent on the concerned activities.</p> |

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| | <p><u>Consultants (v. Employees)</u></p> <p>As a general rule, tasks performed by consultants, experts and/or other service providers (e.g. accountants, lawyers, translators, external IT staff, etc...) are to be considered as resulting from implementation contracts (Art.10 General Conditions). Consequently, Beneficiaries of grants must award the contract to the tender offering best value for money, that is to say, to the tender offering the best price/quality ratio, while taking care to avoid any conflict of interests, i.e. in accordance with Annex IV.</p> <p>These costs are thus not considered as human resources (budget heading 1) but as other costs/services (notably budget heading 5 or 6)</p> |
| | <p><u>Specific case: "in-house consultants":</u></p> <p>In house/"intra muros" consultants are natural persons working on the basis of a service contract as opposed to employees hired on the basis of a labour contract. They join the Beneficiary's(ies) project team and deliver 'external services'. The costs arising from these in-house consultants are in principle to be considered as costs relevant to implementing contracts.</p> <p>However, as an exception to the rule, these costs may be considered as personnel costs regardless of whether the consultants are self-employed or employed by a third party, if the following cumulative conditions are fulfilled in accordance with the terms of the call for proposals and subject to the eligibility of costs:</p> |

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| | <p>(a) the Beneficiary(ies) has a contract to engage the consultant to work for it and (some of) that work involves tasks to be carried out under the project funded by the grant;</p> <p>(b) the consultant must work under the instructions/supervision of the Beneficiary(ies);</p> <p>(c) the consultant must work in the premises of the Beneficiary(ies) as a member of the project team;</p> <p>(d) the output of the work belongs to the Beneficiary(ies);</p> |
| | <p>(e) the costs of employing the consultant are reasonable, are in accordance with the normal practices of the Beneficiary(ies) and are not significantly different from the personnel costs of employees of the same category working under a labour law contract for the Beneficiary(ies);</p> <p>(f) travel and subsistence costs related to such consultants' participation in project meetings or other travel relating to the project is directly paid by the Beneficiary or in any case according to the Beneficiary's own staff procedures.</p> <p>(g) the consultant uses the Beneficiary's(ies) infrastructure (i.e. user of the 'indirect costs').</p> |
| | <p>These conditions describe a de facto situation of subordination, as in a traditional labour contract (regardless of the legal form). Therefore in these cases, if the national applicable legislation allows for a de facto employee to be hired under a service contract, and provided that all the conditions stated above (similar costs, property of results, subordination, etc) are satisfied, these service contract may be assimilated to staff costs in the budget and for all useful purposes (for instance procurement rules set out in Annex IV would not apply).</p> |

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| | <p>This is to be evaluated by the Contracting Authority on a case by case basis, so it is strongly suggested to discuss it as soon as possible with the Contracting Authority to avoid any problems.</p> <p>Note also that if these conditions are not met, a service contract may still be awarded through the applicable procurement procedures.</p> <p>Unless otherwise specified in the Guidelines for Applicants, service contracts meeting these criteria may be charged to heading 1.Human Resources.</p> |
| <p>b) travel and subsistence costs for staff and other persons taking part in the Action, provided they do not exceed those normally borne by the Beneficiary(ies) nor the rates published by the European Commission at the time of such mission;</p> | <p>Travel and subsistence costs of any person taking part in the Action are eligible, including staff of the Beneficiary(ies), Associates, Affiliated Entity(ies) and the final Beneficiary(ies).</p> <p>Per diem rates published by the European Commission cover accommodation, meals, tips, local travel, and sundry expenses.</p> <p>Per diems are reimbursed or in any case the ceiling is fixed according to the number of nights spent on the event and not to the number of days.</p> <p>Per diems should be traceable to supporting schedules (number and names of staff, number of times the per diem was paid, per diem rates and countries concerned) and the Beneficiary's records (accounting, payroll, Human Resources).</p> |

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| | <p>In the Budget of the Action:</p> <p>1.3.1 Abroad (staff engaged in the Action): the per diem for staff based in the country where the Beneficiary is based, going to another country for the Action;</p> <p>1.3.2 Local (staff engaged in the Action): the per diem for staff who move within their country of assignment (e.g. based in Nairobi and going to Mombasa for the Action);</p> <p>1.3.3 Participants in seminars/conferences: the per diems for any participant in the project activities who is not part of the project staff (including associates), independently of where they come from.</p> |
| | <p>The budget must indicate the countries where the per diems have taken place, the applicable amounts, the number of participants, and the number of nights spent at the event.</p> <p><i>(Example follows this table)</i></p> <p>There may be different rates even within the same country, depending for instance on the profile of the person receiving the per diems or, in any case, according to the rules and procedures of the Beneficiary. Therefore, a student accommodated in a hostel would possibly receive a lower compensation than a person who is supposed to be accommodated in a hotel.</p> |

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| | <p>In any event, the maximum per diem rates eligible, may not exceed those normally borne by the Beneficiary(ies) nor those in force at the time of the mission and published by the European Commission at:</p> <p>http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm</p> <p>and regularly updated (every 6 months).</p> <p>Therefore the rates indicated in the budget submitted to the Contracting Authority are an estimated rate.</p> <p>On the one hand, the Grant Beneficiary may reimburse these costs (accommodation, meals, tips, local travel, and sundry expenses) to its staff on the basis of real costs incurred by its staff or on the basis of per diems (daily allowances), according to its own Human Resources procedures.</p> |
| | <p>On the other hand the Grant Beneficiary may decide to ask for reimbursement by the Contracting Authority (i.e. in the Action budget) on the basis of:</p> <p>a) costs actually incurred, i.e. the amounts actually reimbursed to its staff, whether either actual costs or per diems; or</p> <p>b) simplified cost options, i.e. using the same criteria as for any other simplified cost option, more specifically a “unit rate”.</p> |

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| | <p>It's mostly probable that if the Grant Beneficiary reimburses travel and subsistence costs to its staff on the basis of per diems, this amount will be the maximum allowed rate, and there is neither need nor justification to use simplified cost options to claim the same amount (a higher rate would not be justified, unless the per diems of the Beneficiary(ies) cover different costs as the ones included in the EU rates). Therefore “per diems” are not considered as a simplified cost option for the purposes of Union financing when a Grant Beneficiary reimburses a fixed amount to its staff in accordance with its staff rules and requests the reimbursement of that same amount in the Action Budget. Such per diems are considered actual costs, as any other.</p> |
| | <p>Where a “unit rate” is agreed, not all supporting documents are required (restaurant's bills, taxi slips...), but only those to prove that the travel actually took place. The Contracting Authority will reimburse the unit rates established in the Action budget, according to procedures and conditions set out in the contract. (refer to Annex K for mandatory requirements and procedures).</p> |

Example:

| <i>Expenses</i> | <i>Unit</i> | <i># of units</i> | <i>Unit cost (in EUR)</i> | <i>Costs (in EUR)</i> |
|--|--------------------|--------------------------|----------------------------------|------------------------------|
| <i>Seminar No1 (France): 7 nights x 12 persons = 84 nights</i> | <i>Per diem</i> | <i>84</i> | <i>130</i> | <i>10 920</i> |

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| <p>c) purchase costs for equipment and supplies (new or used) specifically for the purposes of the Action, provided that ownership is transferred at the end of the Action when required in Article 7.5;</p> | <p>Exceptional case: Can the Beneficiary's(ies') own durable equipment be considered an eligible direct cost?</p> <p>When the Beneficiary's(ies') own equipment (proof of property and payment may be requested) is provided for an Action, the running costs may be charged as direct costs, but the cost of use is normally considered to be covered within indirect costs.</p> <p>Durable equipment is usually defined as equipment that can be used over their estimated economic useful lifespan of more than 1 year and has a residual economic value after minimal use.</p> |
| | <p>The cost of use (in the form of depreciation) could exceptionally be accepted by the Contracting Authority as direct cost, when at least these basic conditions have been considered:</p> <ul style="list-style-type: none"> - It is so accepted by the Contracting Authority because justified by the concrete situation and type of equipment. - No transfer to the final Beneficiary(ies) or the local partner(s) at the end of the Action is foreseen: the equipment is not necessary for the sustainability of the project. - Such use is more effective than the rental or purchase of new equipment. - The costs are not higher than the corresponding costs on the local market. |

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| | <ul style="list-style-type: none"> - The equipment is in good condition and suitable for the proper implementation of the Action. - It does not imply double-financing or profit for the Beneficiary (the equipment must not have been paid entirely by the EU in a previous project or by any other donor. Depreciation is never eligible when the equipment is a contribution in kind). - The value of the equipment must have a price-tag entered in the Beneficiary's(ies') accounting system. |
| | <ul style="list-style-type: none"> - The costs pass the test for direct eligible costs (with special attention to the direct link with the implementation of the Action), except for the specific procurement procedures of Annex IV (general ethical procurement principles have to be respected in all cases). <p>Depreciation could then be accepted as a direct cost exclusively for the period when the equipment is used for the Action.</p> <p>Only the costs relating to the unexpired depreciation period and to the implementation period of the Action can be charged. Once fully depreciated, no costs can be charged or reimbursed, other than running costs.</p> |
| d) costs of consumables; | |
| e) costs entailed by contracts awarded by the Beneficiary(ies) for the purposes of the Action referred to in Article 10. | This refers to the costs of supply, service or work contracts awarded in line with the procurement rules set out in Annex IV or to the financial support given to third parties. |

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| <p>f) costs deriving directly from the requirements of the Contract (dissemination of information, evaluation specific to the Action, audits, translation, reproduction, insurance, etc.) including financial service costs (in particular the cost of transfers and financial guarantees where required according to the Contract);</p> | |
| <p>g) duties, taxes and charges, including VAT, paid and not recoverable by the beneficiaries, unless otherwise provided in the Special Conditions:</p> | <p>As a general rule the Beneficiary has to apply for tax (including VAT) exemption whenever possible.</p> <p>This clause refers to indirect taxes such as VAT and customs/import duties and not to direct taxes such as the income tax of staff working on the project, which are part of the gross salary. The rules on taxes apply to Affiliated Entity(ies) as well as to the Grant Beneficiary(ies).</p> <p>The Call for Proposals, notably in the applicant's guidelines and Annex J, states the eligibility of taxes. Charging of VAT or taxes is a frequent source of cost ineligibility; therefore specific attention has to be paid to understanding the correct treatment of taxes.</p> |

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| | <p>When duties, taxes and charges are eligible under a Call for Proposals (refer to the applicant's guidelines and Annex J) they may be treated as any other cost, and may be included in the relevant budget heading.</p> <p>NB. note that VAT is not eligible where it is paid by a public body (i.e. a body governed by public law) of a Member State in relation to activities it carries out as a public authority of a Member State. These activities are strictly limited to the exercise of sovereign powers or prerogatives of a Member State (for instance police, justice and public domain management). Therefore in principle, VAT on activities such as training, capacity building, technical assistance, policy support etc. is usually eligible.</p> |
| | <p><u>Accepted cost system</u></p> <p>The Call for Proposals might state the non-eligibility of taxes, particularly when some of the Regulations or Financing Agreements with Beneficiary Countries exclude the financing of taxes (including VAT), even when the Grant Beneficiary cannot reclaim them. These costs would therefore be ineligible for EU-financing, and may not be included in the eligible costs of the Action.</p> <p>When taxes are not eligible, the Call for Proposals may provide for the “accepted cost system”, introducing a second percentage to be respected when determining EU funding. This allows the acknowledgment of the payment by the Grant Beneficiary of ineligible and non-recoverable taxes: the EU-contribution to the eligible costs may be increased while at the same time the co-financing requirement will be fulfilled by the Grant Beneficiary's(ies') payment of such taxes.</p> |

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| | <p>To be able to do this, two (maximum) co-financing rates must be specified in the Guidelines for Applicants:</p> <ul style="list-style-type: none"> - One percentage applicable to eligible costs. This is used to calculate the actual amount of the EU-contribution as usual; and - One percentage applicable to the total accepted costs (=total eligible costs + non-refundable taxes). This is used to calculate the required amount of co-financing by the Grant Beneficiary(ies). If the amount does not reach the minimum percentage fixed in the contract, then the EU-contribution will be reduced proportionately. |
| | <p>Note that the Guidelines for Applicants will specify the maximum rates. The rates that will be fixed in the contracts will depend on the contribution asked by the applicant. The final amount of the grant will be subject to the maximum amount laid down in the contract, and the co-financing rates will be based on actual costs that are only known at the time of the approval of the final report.</p> <p>Provided they are necessary, directly related to the Action and incurred during the implementation period, these costs can therefore be considered as part of the co-financing of the Beneficiary(ies). The taxes can only be considered to fall within the share of co-financing of the Beneficiary(ies) if they have been clearly identified in the budget of the Action following the submission of the proposal and if the Beneficiary(ies) can prove it/they cannot recover them, unless one of the exceptions in Annex J applies.</p> |

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| | <p>They are ineligible costs, to be entered in the budget under heading 12 "taxes" and form part of the total accepted costs.</p> <p>However, if the Grant Beneficiary fails to show it cannot reclaim such taxes, these taxes will be declared simple ineligible costs, which are ignored when checking the co-financing by the Grant Beneficiary(ies).</p> |
| | <p><u>Evidence that taxes may not be recovered</u></p> <p>In all cases, the Beneficiary(ies) or its Affiliated Entity(ies) must be able to show that they paid but cannot reclaim those taxes. Taxes that can be reclaimed or refunded in full or in part (even some years later) may not be considered either as eligible or accepted costs.</p> <p>Refer to Annex J “Information on the tax regime applicable to grant contracts” for guidelines on the evidence that the Grant Beneficiary(ies) and its Affiliated Entity(ies) are not tax-exempt and cannot recover taxes. Additionally, Annex J sets out clearly situations in which Grant Beneficiaries may report taxes as project expenditure but do not need to prove that they cannot get tax exemption or recover the taxes. It is advisable to seek the advice of the Contracting Authority if unsure whether a particular situation of exemption applies to their project.</p> |
| | <p>In some countries the tax authorities do not operate efficiently or simply do not reply to correspondence. In such cases, Grant Beneficiaries are recommended to seek advice from the Contracting Authority and keep as much evidence as possible of the steps undertaken.</p> <p>This proof does not have to be submitted to the Contracting Authority but must be available upon request or to auditors during the expenditure verification reports/audits.</p> |

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| h) overheads, in the case of an operating grant. | In fact, an operating grant is conceived to cover the running costs of the Beneficiary. |
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19.3.1.3. SIMPLIFIED COST OPTIONS

| Text of the Article | Guidelines |
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| <p>14.3. In accordance with the detailed provisions in Annex III, eligible costs may also be constituted by any or a combination of the following cost options:</p> <ul style="list-style-type: none"> a) unit costs; b) lump sums; c) flat-rate financing. | <p>Refer to Annex K for further information on simplified cost options.</p> <p>Pay attention not to get confused between what the Beneficiaries themselves can claim to be reimbursed in the form of simplified cost options (EUR 60 000 per Beneficiary) and the financial support (Art.10.4 to 10.8 GC) that they may give (EUR 60 000 per recipient). In fact when a Beneficiary pays FS to a third party, even on the basis of a "global amount" (which indeed can be assimilated to simplified costs), for the beneficiary vis à vis the Contracting Authority this is just like any other actual cost incurred.</p> <p>There is absolutely no relationship between the two amounts, especially in terms of maximum thresholds.</p> |

14.4. The methods used by the Beneficiary(ies) to determine unit costs, lump sums or flat-rates shall be clearly described and substantiated in Annex III and shall ensure compliance with the no-profit rule and shall avoid double funding of costs. The information used can be based on the Beneficiary(ies)'s historical and/or actual accounting and cost accounting data or on external information where available and appropriate.

Costs declared under simplified cost options shall satisfy the eligibility criteria set out in Article 14.1 and 14.2 . They do not need to be backed by accounting or supporting documents, save those necessary to demonstrate the fulfilment of the conditions for reimbursement established in Annex I and III.

These costs may not include ineligible costs as referred to in Article 14.9 or costs already declared under another costs item or heading of the budget of this Contract.

The amounts or rates of unit costs, lump sums or flat-rates set out in Annex III may not be amended unilaterally and may not be challenged by ex post verifications.

The **amounts** of unit costs and lump sums or the rate (%) of flat-rates set out in Annex III may not be amended unilaterally. However the **number of units** in the case of unit costs may vary (according to the rules and limits set in the contract), as may the **amount produced by applying the % rate** in the case of flat-rates (as it happens similarly for the indirect costs).

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| <p>14.5. The total amount of financing on the basis of simplified cost options may not exceed EUR 60 000 per each Beneficiary, unless otherwise provided for in the Special Conditions.</p> | <p>The threshold of EUR 60 000 is applicable per each Beneficiary (coordinator and co-Beneficiaries) individually: this includes also the amount of the entity(ies) which are respectively affiliated to each of them, i.e. the share of Affiliated Entities cumulates with the amount of the Beneficiary(ies) they are affiliated to.</p> <p>Example: a grant with 1 Coordinator and 2 co-Beneficiary(ies) and 3 Affiliated Entities (2 of which are linked to the Coordinator and one to the other beneficiary). They may apply for simplified cost options up to:</p> <p>Grant Beneficiary 1: coordinator together with its 2 Affiliated Entity(ies) A and B : EUR 60 000</p> <p>Grant Beneficiary 2: co-Beneficiary together with its Affiliated Entity C: EUR 60 000</p> <p>Grant Beneficiary 3: co-Beneficiary with no Affiliated Entity(ies) : EUR 60 000</p> <p>This means for instance that the coordinator may apply for EUR 20.000, Affiliated Entity A for 30.000 and Affiliated Entity B 10.000, total must be \leq 60.000.</p> <p>If Grant Beneficiary 3 does not use simplified cost options, their allocation of EUR 60 000 may not be used by the other Beneficiaries.</p> |
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19.3.1.4. CONTINGENCY RESERVE

| Text of the Article | Guidelines |
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| <p>14.6. A reserve for contingencies and/or possible fluctuations in exchange rates not exceeding 5 % of the direct eligible costs may be included in the budget for the Action, to allow for adjustments necessary in the light of unforeseeable changes of circumstances on the ground. It can be used only with the prior written authorisation of the Contracting Authority, upon duly justified request by the Coordinator.</p> | <p>A reserve for <u>unforeseeable</u> contingencies and/or exchange rate fluctuations not exceeding 5 % of the direct eligible costs may be included in the budget for external Actions given the specificity and the higher level of unpredictability of external actions.</p> <p>This is meant to provide some flexibility if there are unforeseen circumstances, as the Contracting Authority's contribution to the Action may never be increased (neither the maximum amount nor the percentage of co-financing).</p> |
| | <p>NB: note that the use of the contingency reserve is subject to the prior <u>written approval</u> of the Contracting Authority, who will make an evaluation and take a decision on a case by case basis. An amendment in accordance to art.9 has to be issued if the 25% threshold is exceeded.</p> |

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| | <p><u>Exchange rate fluctuation</u></p> <p>There is no clear-cut definition of “exceptional” circumstances: this would entail a sudden, completely unforeseen and drastic change in the situation - for example a sharp devaluation decided by the Government unexpectedly or uncommon cases of hyperinflation, etc.</p> <p>For exchange rates, the historical fluctuation of the currency could be a prime baseline indicator. The performance of the economy is also an element taken into consideration when drawing up a budget and estimating the possible fluctuation of a currency. All these elements have to be taken into consideration at proposal stage, and during the implementation of the Action the conversion of funds into local currencies (or a currency other than the contract's currency) has to be handled according to the principle of sound financial management. Situations produced by poor management by the Beneficiary(ies) may not be accepted as a contingency.</p> |
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| | <p>An exchange rate fluctuation (which has a similar effect to inflation) has to be distinguished from an exchange rate difference (losses or gains, as determined in the accounting), the latter not being eligible as per Article 14.9 of the General Conditions. An unfavourable exchange rate fluctuation will basically result in “increased” cost of the activities of the Action that will be reflected in various budget lines.</p> <p>Additionally, in the case of exceptional exchange rate fluctuations, Article 15.9 of the General Conditions states that the Action may have to be restructured to lessen the impact of such fluctuations or - if it will no longer be possible to implement the Action in view of the missing funds - the contract may even be terminated.</p> |
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| | <p>In considering whether the Action should be restructured or whether the contract should be terminated, the Contracting Authority must make a case-by-case assessment taking into account the options provided by the contract, and considering aspects like sound financial management, the interest of the Action and final Beneficiaries, and the capacity of the Grant Beneficiary to raise additional funding etc. If the decision will be to allow the use of contingencies, these will not finance an “exchange rate difference” per se. They will finance eligible costs which have increased compared to the original estimate (because of the currency exchange). Therefore, the funds will be distributed to the concerned eligible costs heading(s) of the budget.</p> <p>So this case would just be one of the possible reasons justifying the use of the contingency reserve, for which the Beneficiary is not responsible and has already adopted all the possible risk mitigating measures according to the best practices in the sector.</p> |
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19.3.1.5. INDIRECT COSTS

| Text of the Article | Guidelines |
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| <p>14.7. The indirect costs for the action are those eligible costs which may not be identified as specific costs directly linked to the implementation of the action and may not be booked to it directly according to the conditions of eligibility in Article 14.1 . However, they are incurred by the beneficiary(ies) in connection with the eligible direct costs for the action. They may not include ineligible costs as referred to in Article 14.9 or costs already declared under another costs item or heading of the budget of this Contract.</p> | <p><u>Direct eligible costs v. indirect eligible costs</u></p> <p>As regards Action Grants, a distinction is made between direct and indirect eligible costs:</p> <ul style="list-style-type: none"> - Direct eligible costs: Direct costs are action-specific costs directly linked to the performance of the Action and which can therefore be booked to it directly. Direct costs are identifiable and verifiable costs, for which concrete supporting documents can be submitted as evidence. They are expenses strictly related to the implementation of the Action, and exist only by consequence of its implementation. The eligibility of direct costs is mainly defined in Art.14.1 of the General Conditions: the listed criteria have to be respected at all times for all costs. |
| <p>A fixed percentage of the total amount of direct eligible costs of the Action not exceeding the percentage laid down in Article 3 of the Special Conditions may be claimed to cover indirect costs for the Action. Flat-rate funding in respect of indirect costs does not need to be supported by accounting documents. This amount shall not be taken into account with regard to the maximum amount of simplified cost options.</p> | <ul style="list-style-type: none"> - Indirect eligible costs: these are not identifiable as specific costs directly linked to the performance of the Action. However, the Beneficiary(ies) should be able to justify them using its/their accounting system as having been incurred in connection with the eligible direct costs for the Action. Indirect Costs may not include any eligible direct costs included in other headings of the budget. They mainly represent a small proportion of the Beneficiary's overheads. Overheads are all the structural and support costs of an administrative, technical and logistical nature which are cross cutting for the operation of the Beneficiary body's various activities and cannot therefore be booked in full to the Action for which the contract is awarded because this contract is only one part of those activities. |

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| <p>Indirect costs shall not be eligible under a grant for an action awarded to a beneficiary who already receives an operating grant financed from the Union budget during the period in question.</p> <p>This Article 14.7 does not apply in the case of an operating grant.</p> | <p><i>Example: costs connected with infrastructure and the general operation of the Beneficiary at headquarter level and costs such as administrative and financial management, human resources, training, legal advice, documentation, IT, maintenance of buildings, water, gas, electricity, insurance, office supplies, communications, Human Resources, accounting fees, depreciation, telephone bills, travel and other utilities costs, etc.</i></p> <p>Indirect eligible costs relate to the functioning and general activities of the Beneficiary: they cannot be attributed entirely to the Action, but are still partially generated by it.</p> |
| | <p>These costs may be funded either on a on a flat rate basis or on a real costs basis. Note that that the two options are exclusive and that the same indirect costs can never be covered by both real costs reimbursement and a flat rate, in order to prevent any double funding of the same costs.</p> <p>Given the difficulty of justifying each of these costs separately, the flat rate funding of indirect costs is meant to simplify the administrative charge of the Beneficiary by facilitating the management and reporting of these indirect costs. The use of flat rate funding is encouraged, since no supporting documents are required for these costs once agreed in the contract.</p> |

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| | <p>This means that when proposing the budget, the applicant may (unless otherwise stated in the Call for Proposal) decide to include these costs in the direct costs or opt for a flat rate reimbursement. In the latter case a percentage (not exceeding 7%) will be laid down in Article 3 of the Special Conditions. The applicant may be asked to justify the percentage requested before the contract is signed.</p> <p><i>Example: Total direct eligible costs: EUR 100,000 + 7% = EUR 7,000 indirect costs = EUR 107,000 total costs. Note that 7% is a maximum but if it is not justified a smaller percentage has to be envisaged.</i></p> <p>The basis for the calculation of the indirect costs does not include ineligible (but accepted) taxes and in kind contributions (heading 12).</p> |
| | <p>The final amount of indirect costs that can be claimed depends on the amount of total direct costs reported in the final financial report and approved by the Contracting Authority. (the unused contingency reserve is therefore not included in the direct costs)</p> <p>On the other hand, in cases where the Applicant has charged some overheads under the headings of eligible direct costs, but still requests additional flat rate funding, verification on the indirect costs that will be covered by the flat rate funding will be carried out during the contract preparation phase. The flat rate may not cover any expenditure already covered by the direct eligible costs (no double-financing of costs). Therefore it is expected, in this case, that the percentage will be lower than 7%.</p> |

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| | <p>Depending on the characteristics of the Action and the organisational and cost structure of the Beneficiary, it may happen that some costs can be considered either direct or indirect costs (e.g. depreciation costs, consumables, HQ staff), but in all events costs cannot be taken into account twice as a direct cost and an indirect cost.</p> <p>The distinction between direct and indirect costs is also based on the capacity of the Beneficiary's(ies)' accounting system to assign costs to specific activities when they are incurred.</p> |
| | <p><i>Example: if the costs of printing and copying are assigned to a particular Action when this copying and printing occurs, these costs are direct. If, by contrast, these costs are assigned ex post using an approximation (or an indicative cost driver) (e.g. the number of hours worked for each Action during the year), these costs are indirect.</i></p> <p>NB: If an applicant is in receipt of an Operating Grant financed from the EU, no indirect costs may be claimed on its share of incurred costs. This applies only to the costs incurred by the Beneficiary(ies) or Affiliated Entity(ies) in receipt of the Operating Grant.</p> |

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| | <p><u>Shared costs</u></p> <p>If the Beneficiary shares out certain costs to different uses and projects according to a cost allocation system, the related costs may be eligible provided that they are linked to the Action.</p> <p>The cost allocation system must be based on the Beneficiary's standard practice and applied consistently with all donors and projects, and must be justifiable and reasonable. The Beneficiary must be able to demonstrate how the costs charged were derived at any time.</p> <p>NB: shared costs are not necessarily considered as indirect costs. Depending on their nature and the link they have with the Action, they may be direct or indirect.</p> |
| | <p>In terms of the allocation of staff, staff specifically assigned by the labour contract to spend a defined share of its working time on a project may be considered as a shared direct cost actually incurred. Assignment of a cost share on the basis of daily or weekly timesheets can be accepted as a shared direct cost actually incurred; by contrast, assignment on the basis of annual timesheets or estimation cannot be realistic and verifiable and cannot be accepted as an actually incurred cost.</p> <p>Note that provisions/estimates/pro-rata approaches do not represent real costs and can therefore not be accepted as direct costs actually incurred.</p> |

19.3.1.6. IN KIND CONTRIBUTIONS

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| <p>14.8. Any contributions in kind, which shall be listed separately in Annex III, do not represent actual expenditure and are not eligible costs. Unless otherwise specified in the Special Conditions, contributions in kind may not be treated as co-financing by the Beneficiary(ies).</p> <p>If contributions in kind are accepted as co-financing, the Beneficiary(ies) shall ensure they comply with national tax and social security rules.</p> <p>Notwithstanding the above, if the Description of the Action provides for contributions in kind, such contributions have to be provided.</p> | <p>In-kind contributions are constituted by non-financial resources (such as goods, equipment or services) provided to the Beneficiary(ies) or Affiliated Entity(ies) free of charge by a third party. Contributions in kind do not involve any expenditure for the Beneficiary(ies) and are not entered in its/their accounts as a cost. Consequently, contributions in kind can never appear in the budget of the Action as an eligible cost.</p> <p>Example: medicines or a car donated to an Action by a donor.</p> <p>However they may be accepted as co-financing when considered necessary or appropriate (e.g.: small grants targeted for community based organisations which have no possibility to provide financial contributions).</p> |
| | <p>Contributions in kind may only be treated as co-financing if the guidelines of the particular Call for Proposals allow contributions in kind and the contributions in kind are explicitly mentioned in the Special Conditions of the contract.</p> <p>In such a case, the Call for Proposal will have to provide for the “accepted cost system” (see Art. 14.2 g) General Conditions), in order to keep into account the co-financing provided in kind or adapt accordingly the co-financing percentage of eligible costs.</p> |

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| | <p>It may be difficult to calculate the financial value of such contributions and to assess whether they have effectively been provided.</p> <p>The unit rate or the global amount of contributions in kind is evaluated as proposed in the Budget (heading 12 and Expected sources of funding) and, once approved, it may not be subject to subsequent changes.</p> <p>In case of variable numbers of units, the fixed unit rate together with the estimated number of units must be defined in the justification sheet of the Budget.</p> |
| | <p><i>Example: rough figures may be generated by calculating volunteering time and allocating to this the value of the minimum wage of the country in question.</i></p> <p><i>Example: In the case of the use of free venues, figures may be calculated according to the equivalent market cost.</i></p> <p>When in-kind contributions are necessary and accepted for the Action, if the Beneficiary(ies) incur actual costs in relation to their distribution, handling, use, or acceptance the related costs may be eligible (subject to the respect of the eligibility criteria laid down in Art. 14 of the General Conditions). These costs can therefore be entered in the Action's budget.</p> |

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| | <p>Example: the fuel and maintenance costs for a car given as an in-kind contribution to an Action.</p> <p><i>Q&A</i></p> <p><i>Is the provision of staff a contribution in kind?</i></p> <p><i>According to Article 14.2 of the General Conditions, the cost of staff directly involved in project implementation and management incurred (and therefore paid) by the Grant Beneficiary or its Affiliated Entity(ies) is considered as an eligible cost, not a contribution in kind.</i></p> <p><i>They may be included as direct eligible costs in Heading 1 of the budget. Formal proof of the costs involved (e.g. amendment of the work contract to affect the staff to the Action, post and task description, work-time documentation or timesheets for part-time posts, proof of payment etc.) is required. Note that voluntary work (unpaid work) is not an eligible cost, but could be considered as an in-kind contribution.</i></p> |
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19.3.1.7. NON-ELIGIBLE COSTS

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| <p>14.9. The following costs shall not be considered eligible:</p> <p>a) debts and debt service charges (interest);</p> <p>b) provisions for losses or potential future liabilities;</p> <p>c) costs declared by the Beneficiary(ies) and financed by another action or work programme receiving a Union (including through EDF) grant;</p> <p>d) purchases of land or buildings, except where necessary for the direct implementation of the Action, in which case ownership shall be transferred to the final beneficiaries and/or local Beneficiary(ies), at the latest at the end of the Action, in accordance with Article 7.5;</p> <p>e) currency exchange losses;</p> <p>f) credits to third parties, unless otherwise specified in the Special Conditions.</p> | <p>This identifies the costs that, even if satisfying the abovementioned criteria, cannot be considered eligible.</p> <p>e) Exchange rate losses are not eligible costs and will not be compensated. It is confirmed that just as exchange rate losses are not eligible costs, exchange rate gains are not considered as Action revenue and will not be deducted in the final liquidation process (nor do have to be reported for). These rules also apply for the gains/losses resulting from currency conversion at the reporting stage and those resulting from conversion between accounting currency and other currencies used for the Action (see Art. 15.9).</p> |
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19.3.2. ARTICLE 15 - PAYMENT AND INTEREST ON LATE PAYMENT

19.3.2.1. PAYMENT PROCEDURES

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| <p>15.1. The Contracting Authority must pay the grant to the Coordinator following one of the payment procedures below, as set out in Article 4 of the Special Conditions.</p> <p>Option 1: Actions with an implementation period of 12 months or less or grant of EUR 100 000 or less</p> <p>(i) an initial pre-financing payment of 80 % of the maximum amount referred to in Article 3.2 of the Special Conditions (excluding contingencies);</p> <p>(ii) the balance of the final amount of the grant.</p> | <p>The frequency with which pre-financing payments are made depends on the duration of the project and on the total amount of the grant. The option applicable to the project in question will therefore be stated in Art. 4 of the Special Conditions of the contract.</p> <p>The contingency reserve is not considered in the payments until, and unless, approved, as it will not be disbursed if not needed. Once approved it will be reflected in the budget lines (headings 1 to 6) and therefore treated as the other budgeted/eligible costs.</p> |
| <p>Option 2: Actions with an implementation period of more than 12 months and grant of more than EUR 100 000</p> <p>(i) an initial pre-financing payment of 100 % of the part of the estimated budget financed by the Contracting Authority for the first reporting period (excluding contingencies). The part of the budget financed by the Contracting Authority is calculated by applying the percentage set out in Article 3.2 of the Special Conditions;</p> <p>(ii) further pre-financing payments of 100 % of the part of the estimated budget financed by the Contracting Authority for the following reporting period (excluding not authorised contingencies);</p> | <p><u>Option 2</u></p> <p>For projects which last more than 12 months and where the Contracting Authority's contribution is more than EUR 100 000, the pre-financing will be split on the basis of several reporting periods (by default 12 months, unless otherwise provided for in the Special Conditions).</p> <p><u>An initial pre-financing payment</u> will be made after the contract has been signed by both parties (and after a financial guarantee has been submitted, if required). This payment will cover 100% of the EU contribution to budgeted costs for the first year.</p> |

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| <p>- the reporting period is intended as a twelve-month period unless otherwise provided for in the Special Conditions. When the remaining period to the end of the Action is up to 18 months, the reporting period shall cover it entirely;</p> <p>- within 60 days following the end of the reporting period, the Coordinator shall present an interim report or, if unable to do so, it shall inform the Contracting Authority of the reasons and provide a summary of progress of the Action;</p> | <p><i>Example: The EU is contributing to 50% of the total eligible costs of a project. The Budget for the first year is EUR 100 000, excluding the contingency reserve. The first instalment will be EUR 50 000, which is 100% of the foreseen EU contribution.</i></p> <p><u>Further pre-financing payments</u> are intended to be split among the reporting periods. However they are presented as a single global amount in the Special Conditions, as the actual pre-financing payments are based on the updated budget forecast for the following reporting period, as presented using the Forecast Budget and Follow-up template in Annex VI (financial reporting formats).</p> |
| <p>- if at the end of the reporting period the part of the expenditure actually incurred which is financed by the Contracting Authority is less than 70 % of the previous payment (and 100 % of any previous payments), the further pre-financing payment shall be reduced by the amount corresponding to the difference between the 70 % of the previous pre-financing payment and the part of the expenditure actually incurred which is financed by the Contracting Authority;</p> | <p>The Contracting Authority's percentage contribution to the forecast budget is in line with its percentage contribution to eligible costs as set out in Article 3.2 of the Special Conditions. Note that for projects where the “accepted cost system” is used, the Contracting Authority's percentage contribution to total “accepted costs” and total “eligible costs” may be different. The adjustment to ensure co-financing will be done at the end of the Action, with the final payment, according to Art. 17 of the General Conditions.</p> |

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| <p>- the Coordinator may submit a request for further pre-financing payment before the end of the reporting period, when the part of the expenditure actually incurred which is financed by the Contracting Authority is more than 70 % of the previous payment (and 100 % of any previous payments). In this case, the following reporting period starts anew from the end date of the period covered by this payment request;</p> <p>- in addition, for grants of more than EUR 5 000 000, a further pre-financing payment may be made only if the part financed by the Contracting Authority of the of eligible costs approved is at least equal to the total amount of all the previous payments excluding the last one;</p> | <p><i>Example: The maximum EU contribution under a particular call is 80% of accepted costs. The total 3-year project budget is EUR 300 000. Indirect taxes, which are accepted but not eligible costs, account for 5% of the total budget - EUR 15 000 - so total eligible costs are EUR 285 000. The EU is contributing EUR 240 000 to the project, which is 80% of total accepted costs but 84.21% of total eligible costs. The total second year budget estimate is EUR 112 000, including EUR 4 480 (4%) indirect taxes, which are not an eligible cost. The EU will pay 84.21% of eligible costs i.e. EUR 112 000 - EUR 4 480 = EUR 107 520 x 84.21% = EUR 90 543.</i></p> <p>The Coordinator has 60 days following the end of the reporting period to present an interim report (narrative and financial, covering the elapsed reporting period).</p> |
| <p>- the total sum of pre-financing payments may not exceed 90 % of the amount referred to in Article 3.2 of the Special Conditions, excluding not authorised contingencies;</p> <p>(iii) the balance of the final amount of the grant.</p> <p>Option 3: All Actions</p> <p>(i) the balance of the final amount of the grant.</p> | <p>If at the end of the reporting period costs incurred are less than 70% of the previous payment (and 100% of any previous payments), the further pre-financing payment may not be paid in full. If the coordinator presents a payment request, the payment is reduced by the amount corresponding to the difference between the 70% of the previous pre-financing payment (and 100% of any previous payments) and the part of the expenditure actually incurred which is financed by the Contracting Authority.</p> <p>Alternatively, the Coordinator may present a summary of the progress of the Action, and present a payment request later when the 70% threshold is reached (the narrative and financial report have then to cover the elapsed period since the last payment request). The following reporting period starts anew from the end date of the period covered by the payment request.</p> |

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| | <p><i>Example: An NGO has received an initial instalment of EUR 96 000 and submits a first interim report stating that EUR 60 000 of this - 62.5 % - has been incurred. The forecast budget for the following period for the second year of the project is EUR 87 000. However, the difference between the 70% threshold - EUR 96 000 x 70% = EUR 67 200 and the amount actually incurred - EUR 60 000 - is EUR 7 200. So the second instalment will be reduced by EUR 7 200 to EUR 79 800.</i></p> |
| | <p>In case the Coordinator submits a full report (narrative and financial) instead of a summary report without requesting any further payment (for example when initial pre-financing was very high while implementation was very slow and a significant under spending occurs), the full report is in principle treated as a summary of the progress of the Action. (A proper payment request according to art.15.3, even for EUR 0, has to be introduced in order to allow the Contracting Authority to approve the costs, but this is neither needed nor advisable as it would involve additional administrative workload on both sides.)</p> |

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| | <p>For grants of more than EUR 5 000 000, there is an additional condition (beyond the 70% rule) to be respected to be able to make a further pre-financing payment. This is that the part of the total amount of eligible costs approved which is financed by the Contracting Authority must be at least equal to the total amount of all the previous payments except the last one.</p> <p>Therefore in order to make a further pre-financing payment, all the previous payments, except the last one, must be matched by an equivalent amount of eligible expenditure approved by the Contracting Authority. The last one can still be (partially) open (i.e. not entirely backed by approved expenditure). In principle, this situation should not materialize, given the presence of the 70% rule, it is therefore a precautionary measure for exceptional extreme situations which should not have a substantial impact on payments.</p> |
| | <p>As a general rule, when the remaining period to the end of the Action is less than 18 months, the forecast budget (and the pre-financing payment) will cover that remaining period; the next report will be the final report covering the whole action.</p> <p>The total sum of pre-financing payments may not exceed 90% of the amount in Article 3.2 of the Special Conditions, excluding non-authorised contingencies. Therefore the pre-financing payments must be limited consequently when approaching the end of the Action.</p> |

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| | <p>The <u>balance</u> of the final amount of the grant will only be payable after the end of implementation, when the final report together with a request for payment has been approved by the Contracting Authority (refer to art.15.4 for payment delays). As a reminder, in case the Beneficiary(ies) needs to borrow money, the interest on the pending balance is not eligible for EU funding; therefore the Beneficiary(ies) must be able to pre-finance it or will have to bear the costs for the advance.</p> |
| | <p>If total final expenditure is less than originally foreseen and/or the reserve has not been used, the balance to be paid will be less than the amount stated in Art.4 of the Special Conditions, as the Contracting Authority contribution is limited to the percentage of eligible or accepted costs, as stated in Art. 3 of the Special Conditions (see also Article 17.1 General Conditions).</p> <p>The maximum EU contribution and percentage of eligible or accepted costs financed by the Contracting Authority may never be increased.</p> |

19.3.2.2. SUBMISSION OF FINAL REPORTS

| Text of the Article | Guidelines |
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| <p>15.2. The Coordinator shall submit the final report to the Contracting Authority no later than three months after the implementation period as defined in Article 2 of the Special Conditions. The deadline for submission of the final report is extended to six months where the Coordinator does not have its headquarters in the country where the Action is implemented.</p> | <p>In multi-country/regional Actions managed by a Coordinator that has its headquarters in one of the countries of operation, the Coordinator may request the deadline of the final report to be extended to 6 months. This must be agreed at the contracting phase or, as a general rule, at least 1 month prior to the end of the implementation period, upon request by the Coordinator.</p> |

19.3.2.3. PAYMENT REQUEST

| Text of the Article | Guidelines |
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| <p>15.3. The payment request shall be drafted using the model in Annex V and shall be accompanied by:</p> <ul style="list-style-type: none"> a) a narrative and financial report in line with Article 2; b) a forecast budget for the following reporting period in case of request of further pre-financing; c) an expenditure verification report or a detailed breakdown of expenditure if required under Article 15.7; <p>For the purposes of the initial pre-financing payment, the signed contract serves as payment request. A financial guarantee shall be attached if required in the Special Conditions.</p> <p>Payment shall not imply recognition of the regularity or of the authenticity, completeness and correctness of the declarations and information provided.</p> | <p>The initial pre-financing payment will be made after the Contracting Authority has received a signed contract accompanied by a financial guarantee, if required in the Special Conditions. It is no longer necessary to submit a payment request with the signed contract.</p> <p>The further pre-financing payments will only be made if the payment request is accompanied by a narrative and financial report, a forecast budget for the following reporting period, and a detailed breakdown of expenditure or an expenditure verification report if required (see Article 15.7).</p> <p>Payments shall not imply recognition of the authenticity, completeness and correctness of the declarations and information provided. Audits or verifications of Actions and accounts may be done after the final payment was made and may entail a reimbursement of a part of the grant, if some costs are found to be ineligible (see Art. 18 General Conditions).</p> |

19.3.2.4. PAYMENT DEADLINES

| Text of the Article | Guidelines |
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| <p>15.4. Initial pre-financing payments shall be made within 30 days of receipt of the payment request by the Contracting Authority.</p> <p>Further pre-financing payments and payments of the balance shall be made within 60 days of receipt of the payment request by the Contracting Authority.</p> <p>However, further pre-financing payments and payments of the balance shall be made within 90 days of receipt of the payment request by the Contracting Authority in any of the following cases:</p> <ul style="list-style-type: none"> a) one Beneficiary with affiliated entity(ies); b) if more than one Beneficiary is part to this Contract; c) if the Commission is not the Contracting Authority d) for grants exceeding EUR 5 000 000 <p>The payment request is deemed accepted if there is no written reply by the Contracting Authority within the deadlines set above.</p> | <p>The initial pre-financing will be paid in all cases within 30 days after the Contracting Authority has received a signed contract accompanied by a financial guarantee, if required. For actions financed under the EDF, the initial pre-financing will be paid in all cases within 45 days.</p> <p>The further pre-financing payments and payments of the balance will be made according to the cases set, with no distinction between further pre-financing payments and payments of the balance.</p> <p>As a general rule there are no separate periods for the approval of the report and for the payment, unless otherwise specified in Art. 7 of the Special Conditions.</p> <p>The payment is due at the end of the time-limit for payment if there hasn't been any written reaction by the Contracting Authority, notifying the suspension of the payment deadline.</p> |
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19.3.2.5. SUSPENSION OF THE PERIOD FOR PAYMENTS

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| <p>15.5. Without prejudice to Article 12, the Contracting Authority may suspend the time-limits for payments by notifying the Coordinator that:</p> <ul style="list-style-type: none"> a) the amount indicated in its request of payments is not due, or; a) proper supporting documents have not been supplied, or; b) the Contracting Authority needs to request clarifications, modifications or additional information to the narrative or financial reports, or; | <p>The suspension is stopped on the day the reply/clarification is recorded, i.e. the payment period starts running again as normal, even if the Contracting Authority does not look into the reply/clarification immediately (on the day of the recording). If this reply/clarification is not sufficient, the suspension can be prolonged or started again, but it has to be explicitly notified to the Coordinator.</p> |
| <ul style="list-style-type: none"> c) the Contracting Authority needs to carry out additional checks, including on-the-spot checks to make sure that the expenditure is eligible or; d) it is necessary to verify whether presumed substantial errors, irregularities, fraud have occurred in the grant award procedure or the implementation of the Action. e) it is necessary to verify whether the Beneficiary(ies) have breached any substantial obligations under this Contract. | |
| <p>The suspension of the time-limits for payments starts when the above notification is sent by the Contracting Authority to the Coordinator. The time-limit starts running again on the date on which a correctly formulated request for payment is recorded. The Coordinator shall provide any requested information, clarification or document within 30 days of the request.</p> | |

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| <p>If, notwithstanding the information, clarification or document provided by the Coordinator, the payment request is still inadmissible, or if the award procedure or the implementation of the grant proves to have been subject to substantial errors, irregularities, fraud, or breach of obligations, then the Contracting Authority may refuse to proceed further with payments and may, in the cases foreseen in Article 12, terminate accordingly this Contract.</p> <p>In addition, the Contracting Authority may also suspend payments as a precautionary measure without prior notice, prior to, or instead of, terminating this Contract as provided for in Article 12.</p> | |
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19.3.2.6. INTEREST ON LATE PAYMENT

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| <p>15.6. If the Contracting Authority pays the coordinator after the time limit, it shall pay default interest as follows:</p> <p>a) at the rediscount rate applied by the central bank of the country of the Contracting Authority if payments are in the currency of that country;</p> <p>b) at the rate applied by the European Central Bank to its main refinancing transactions in euro, as published in the Official Journal of the European Union, C series, if payments are in euro,</p> <p>on the first day of the month in which the time-limit expired, plus three and a half percentage points. The interest will be payable for the time elapsed between the expiry of the payment deadline and the date on which the Contracting Authority's account is debited.</p> <p>By way of exception, when the interest calculated in accordance with this provision is lower than or equal to EUR 200, it will be paid to the Coordinator only upon demand submitted within two months of receiving late payment.</p> <p>The default interest is not considered as income for the purposes of Article 17.2.</p> <p>This Article 15.6 does not apply if the coordinator is a European Union Member State, including regional and local government authorities or other public body acting in the name and on behalf of the Member State for the purpose of the Contract.</p> | <p>Interest on late payment is paid usually by default by the Contracting Authority, if it amounts to more than EUR 200. When the Contracting Authority is a Beneficiary country (decentralised management), the Coordinator has to submit a claim within two months of receiving late payment. A specific clause is inserted in the Special Conditions.</p> <p>The Coordinator makes the calculation and presents the request, and the Contracting Authority at that point will then verify the calculation and pay the appropriate amount. Note that the interest is payable for the time elapsed between the expiry of the payment deadline and the date on which the Contracting Authority's account is debited.</p> |
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19.3.2.7. EXPENDITURE VERIFICATION REPORT

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| <p>15.7. The Coordinator must provide an expenditure verification report for:</p> <p>a) any request for further pre-financing payment in case of grants of more than EUR 5 000 000;</p> <p>b) any final report in the case of a grant of more than EUR 100 000.</p> <p>The expenditure verification report shall conform to the model in Annex VII and shall be produced by an auditor approved or chosen by the Contracting Authority. The auditor shall meet the requirements set out in the Terms of Reference for expenditure verification in Annex VII.</p> | <p>Expenditure verification report (EVR)</p> <p>The terms of reference and template for the expenditure verification report set out in Annex VII of the Contract are compulsory for all Actions, when an EVR is requested.</p> <p>When the grant is more than EUR 5 000 000, an expenditure verification report, covering the entire project accounts (EU, other donors and the Grant Beneficiary 's contributions) and produced by an approved external auditor, must be submitted together with each payment request. Each expenditure verification report must cover all expenses incurred since the end of the previous reporting period and not covered by the previous expenditure verification report.</p> |
| <p>The auditor shall examine whether the costs declared by the Beneficiary(ies) and the revenue of the Action are real, accurately recorded and eligible under this Contract. The expenditure verification report shall cover all expenditure not covered by any previous expenditure verification report.</p> <p>If no expenditure verification is required, a detailed breakdown of expenditure covering the preceding reporting periods not already covered, shall be provided for every other request for further pre-financing payment and starting with the second request for further pre-financing payment (i.e. 3rd, 5th,7th... pre-financing payment).</p> | <p>As a general rule, it is up to the Coordinator to contract the audit firm (according to Annex IV), which must be a member of an internationally recognised supervisory body of statutory auditors (for more details refer to Annex VII). The name of the auditor is indicated in Art.5 of the Special Conditions of the contract, and may be changed through a written notification (not a formal amendment request) to the Contracting Authority, which reserves the right to oppose to this change (see Article 9.5). Therefore the name of the auditor should be communicated prior to contract signature, during contract preparation stage.</p> |

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| <p>The detailed breakdown of expenditure should provide the following information for each cost heading in the financial report and for all underlying entries and transactions: amount of the entry or transaction, accounting reference (e.g. ledger, journal or other relevant reference) description of the entry or transaction (detailing the nature of the expenditure) and reference to underlying documents (e.g. invoice number, salary slip or other relevant reference), in line with Article 16.1. It shall be provided in electronic form and spread sheet format (excel or similar) whenever possible.</p> <p>The detailed breakdown of expenditure shall be supported by a declaration of honour by the Coordinator that the information in the payment request is full, reliable and true and that the costs declared have been incurred and can be considered as eligible in accordance to this Contract.</p> | <p>However, in some cases the Contracting Authority might have its own audit and/or verification system, in order to ensure an appropriate degree of quality and reliability of the verification. For instance, for the EVR they could require the Coordinator to use one specific audit firm (or one out of a pool) that has been previously selected in in conformance with the applicable procurement rules. If this is the case, specific instructions are inserted in the Call for Proposals section 2.1.5 (e.g.: name or list of auditors, pre-negotiated prices, details for the verification etc.).</p> <p>When the expenditure verification is required by the contract, it constitutes an eligible cost of the Action.</p> |
| <p>The final report shall in all cases include a detailed breakdown of expenditure covering the whole Action.</p> <p>Where the Coordinator is a government department or a public body, the Contracting Authority may accept to substitute the expenditure verification with a detailed breakdown of expenditure.</p> <p>The expenditure verification report shall not be provided by the Coordinator if the verification is directly done by the Contracting Authority's own staff, by the Commission or by a body authorised to do so on their behalf, according to Article of 5.2 of the Special Conditions.</p> | <p>The verification may also be done directly by the Contracting Authority's own staff, by the Commission, or by a body authorised to do so on their behalf. This option is specified in the Call for proposals and formalised in Article of 5.2 of the Special Conditions.</p> <p>The auditors should not limit themselves to vague declarations that they have verified the eligibility of the costs, they have to declare explicitly that they certify that these costs are "real, accurate and eligible", i.e. adopt a stricter, specific and not ambiguous formulation.</p> <p>Detailed breakdown of expenditure (DBE)</p> |

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| | <p>For grants up to EUR 5 000 000 and above EUR 100 000, an expenditure verification report covering the entire implementation period and project accounts (EU, other donors and the Grant Beneficiary's contributions) is only required to be submitted along with the final report but a detailed breakdown of expenditure has to be provided with the 3rd, 5th, 7th... pre-financing payments.</p> |
| | <p>There is no standard template for the detailed breakdown of expenditure. However the following information for each cost heading in the financial report and for all underlying entries and transactions should be provided:</p> <ul style="list-style-type: none"> - the amount of the entry or transaction - the accounting reference (e.g. ledger, journal or other relevant reference) - a description of the entry or transaction (detailing the nature of the expenditure) - a reference to underlying documents (e.g. invoice number, salary slip or other relevant reference). |

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| | <p>This information may, and should, be easily derived from the accounting documents (ex. nominal ledger or T accounts). Therefore, when derived directly from the accountancy, amounts may be in the currency of the accountancy. It shall be provided in electronic form and spread sheet format (excel or similar) whenever possible.</p> <p>The declaration of honour supporting the DBE is already included in the payment request (Annex V). By signing this the Coordinator declares on its honour that all the information provided is full, reliable and true and that the costs declared have been incurred and can be considered as eligible in accordance to the provisions of the Contract.</p> |
| | <p>In case no payment request is presented with the final report, a declaration of honour supporting the DBE and all reports has to be provided separately.</p> <p>(See table below)</p> <p>Where the Coordinator is a government department or a public body, the Contracting Authority may accept to substitute the EVR with a DBE, though it must ensure conformance with the same frequency prescribed above for the EVR.</p> |
| | <p>Example: Public body and grant of EUR 6 mil: the DBE has to be presented with every payment request.</p> <p>When International Organisations whose pillars have been positively assessed participate into a grant contract, that part of expenditure that they incur has to be supported only by the DBE, though it must ensure compliance with the same frequency prescribed above for the EVR.</p> |

| | 2nd pre- financing payment | 3rd pre- financing payment | 4th pre- financing payment | 5th pre- financing payment | pre- financing payment | Final Report |
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| Grant > EUR 5 Mil | EVR covering the preceding reporting periods not already covered | EVR covering the preceding reporting periods not already covered | EVR covering the preceding reporting periods not already covered | EVR covering the preceding reporting periods not already covered | EVR covering the preceding reporting periods not already covered | EVR covering the preceding reporting periods not already covered + DBE covering entire action |
| Grant <= EUR 5 Mil and > EUR 100 k | - | DBE covering the preceding reporting periods not already covered | - | DBE covering the preceding reporting periods not already covered | - | EVR covering entire Action DBE covering entire Action |
| Grant <= EUR 100 k | - | - | - | - | - | DBE covering entire Action |

19.3.2.8. FINANCIAL GUARANTEE

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| Text of the Article | Guidelines |
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| <p>15.8. If the grant exceeds EUR 60 000 the Contracting Authority may request a financial guarantee for the amount of the initial pre-financing payment.</p> <p>The guarantee shall be denominated in euro or in the currency of the Contracting Authority, conforming to the model in Annex VIII and, unless the Contracting Authority agrees otherwise, provided by an approved bank or financial institution established in one of the Member States of the European Union. This guarantee shall remain in force until its release by the Contracting Authority when the payment of the balance is made.</p> | <p>In most cases a financial guarantee will no longer be required, unless it brings a clear added value to the protection of the EU budget.</p> <p>The Contracting Authority may, if it considers it appropriate on the basis of its risk assessment, require the Coordinator to lodge a guarantee to limit the risks linked with the payment of pre-financing.</p> |
| <p>This provision shall not apply if the Coordinator is a non-profit organisation, an organisation which has signed a framework partnership agreement with the European Commission, a government department or public body, unless otherwise stipulated in the Special Conditions.</p> | <p>In such a case, when the guarantee is not required in the Call for Proposal, and it is requested only before signature of the grant contract by the Contracting Authority, the related estimated costs are to be added as estimated direct eligible cost in the budget (as they were not included in the budget as submitted by the applicant). The budget will be increased of the correspondent amount (not affecting the contingency reserve).</p> <p>The amount of the guarantee is at most equal to the amount of the initial pre-financing payment and will not be adjusted during the Action, although the Contracting Authority may decide to reduce it, or release it, pursuant to its risk assessment. Otherwise, as a general rule it will remain in force until its release by the Contracting Authority when the payment of the balance is made.</p> |

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| | <p>There are no more automatic triggering thresholds in terms of the value of pre-financing of its share in the total amount of the grant. The Contracting Authority has to be able to justify the request for guarantee, which is an administrative charge, against the risk to the EU budget in the payment of pre-financing.</p> <p>A financial guarantee may not be requested:</p> <ul style="list-style-type: none"> - for grants up to EUR 60 000 - when the Coordinator is an International Organisation whose pillars have been positively assessed, as provided for in art. 7.3 of the Special Conditions of the Contract. |
| | <p>When the financial guarantee is required by the contract, it constitutes an eligible cost of the Action. The cost for issuing and maintaining a bank guarantee complying with the requirements of the contract is considered to be incurred with relation to the implementation period of the contract, even if maintained in place after the end of the implementation period.</p> <p>In some cases a bank guarantee may be avoided by agreeing with the Contracting Authority at the contract preparation stage to adjust the amount of pre-financing.</p> |

19.3.2.9. RULES FOR CURRENCY CONVERSION

| Text of the Article | Guidelines |
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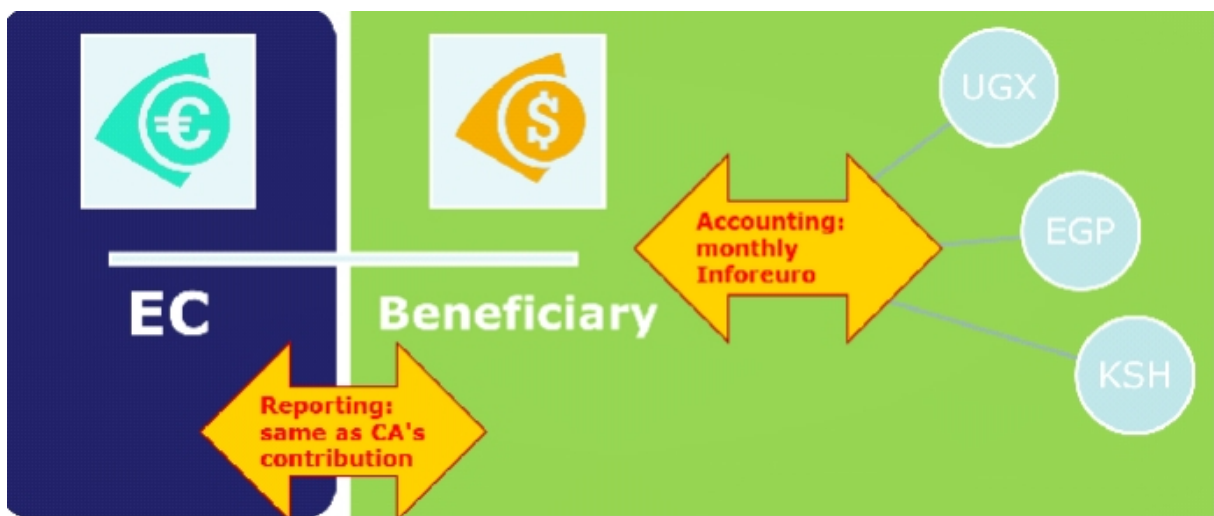
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| <p>15.9. The Contracting Authority shall make payments to the Coordinator to the bank account referred to in the financial identification form in Annex V, which allows the identification of the funds paid by the Contracting Authority. The Contracting Authority shall make payments in euro or in the currency of the country to which it belongs, in accordance with the currency set in the Special Conditions.</p> | <p>The Grant Beneficiary has to provide details of the bank account or sub-account into which the EU funds will be paid. It is not necessary to open a project-specific account provided the Contracting Authority's contribution and the project financial flows can be traced.</p> <p>There is no obligation to open interest-bearing accounts for projects financed by the EU BUDGET, nor to report on or repay the interest earned.</p> |
| <p>Reports shall be submitted in the currency set out in the Special Conditions, and may be drawn from financial statements denominated in other currencies, on the basis of the Beneficiary(ies)'s applicable legislation and applicable accounting standards. In such case and for the purpose of reporting, conversion into the currency set in the Special Conditions shall be made using the rate of exchange at which the Contracting Authority's contribution was recorded in the Beneficiary(ies)'s accounts, unless otherwise provided for in the Special Conditions.</p> <p>Costs incurred in other currencies than the one used in the Beneficiary(ies)'s accounts shall be converted using the monthly Inforeuro on the date of payment or according to its usual accounting practices if so provided for in the Special Conditions.</p> | <p>However this obligation regarding interest still exists for projects financed by the EDF, unless falling under the conditions set out under Art.7.2 of the Special Conditions. In particular, there is no such obligation in the case of redistribution of the pre-financing by the Coordinator to the other Beneficiary(ies) or Affiliated Entity(ies).</p> <p>Even in cases when there is an obligation to open interest-bearing accounts, in countries where it is impossible to do so (e.g. an Islamic banking system) or if the costs for opening and/or maintaining an interest-bearing account equals or exceeds the expected interest, applicants may be exempted from this obligation by submitting a declaration of honour to this fact. This exemption has to be inserted in the Special Conditions.</p> |

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| <p>In the event of an exceptional exchange-rate fluctuation, the Parties shall consult each other with a view to amending the Action in order to lessen the impact of such a fluctuation. Where necessary, the Contracting Authority may take additional measures such as terminating the Contract.</p> | <p><u>Exchange rate for Reporting</u></p> <p>NB: This provision applies only for the Grant Beneficiary having their accounting in a currency different from the one of the contract (usually EUR, but not in all cases: refer to Special Conditions). In the other cases there is no need to convert currencies as the books of account and the financial report are already in the currency of the contract.</p> <p>In order to reduce exchange rate differences and for reporting purposes only, in the case of books of account in a currency other than the one of the contract, the costs have to be converted using the same exchange rate as that used when the Contracting Authority 's pre-financing payment was recorded in the Grant Beneficiary's(ies') accounts.</p> |
| | <p>If the Coordinator prefers to apply another currency approach, this must be agreed during contract preparation stage and reflected in the Special Conditions.</p> <p>At the time of reporting, this exchange rate will then be used to convert all expenses in the reporting period into the currency of the contract.</p> <p>The conversion does not have to be done individually for each foreign currency in the accounting nor directly from the currency of expenditure. The rate is applied to the total of each budget line as resulting by the balance of the accounts, and the unit values may be derived accordingly.</p> |

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| | <p><i>Example: pre-financing payment of EUR100 000 recorded as USD 120 000 in the Grant Beneficiary's(ies) accounts.</i></p> <p><i>At the end of the reporting period, the financial report drawn from financial statements denominated in USD amounts to USD 90 000. The report sent to the Contracting Authority will amount to EUR 75 000.</i></p> <p>If there is a carry-over balance from a prior pre-financing, the expenditure is first converted into Euro using the exchange rate used when this prior pre-financing was recorded, until exhaustion of this balance. Then, the exchange rate of the following instalment will be used.</p> |
| | <p><u>Exchange rate for Accounting</u></p> <p>This rule has to be applied to record costs in the Beneficiary's(ies) or Affiliated Entity's(ies) accounts.</p> <p>The standard rates to be used to convert actual expenditure incurred in other currencies are based on the monthly InforEuro rate on the date of payment as published on:</p> <p>http://ec.europa.eu/budget/inforeuro/index.cfm</p> <p>In order to further reduce exchange rate differences the Beneficiary(ies) and/or Affiliated Entity(ies) may request - at the proposal stage - to use their usual accounting practices, provided this is agreed by the Contracting Authority, as specified in Art. 7 of the Special Conditions.</p> |

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| | <p>The Beneficiary(ies) may request to use a different rate (other than the monthly Inforeuro), according to its usual accounting practices, but this has to be agreed with the Contracting Authority and it has to be provided for in the Special Conditions.</p> <p>As a general rule, the accounting practices of the Beneficiary(ies) for the conversion have to respect the following basic requirements:</p> <ul style="list-style-type: none"> - they are written down as an accounting rule, i.e. they are a standard practice of the Beneficiary(ies) or Affiliated Entity(ies) - they are applied consistently - they give equal treatment to all types of transactions and funding sources - the system can be demonstrated and the exchange rates are easily accessible for verifications |
| | <p>For verification purposes, the exchange rate used for recording expenses in the accounts, together with the generated value, should be stamped on the original documents. In any case the Beneficiary(ies) must be able to demonstrate it and the accounting system allow for easy verification of the rates used and how the conversion is operated.</p> <p>There is no specific definition of an exceptional exchange-rate fluctuation.</p> |

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| | <p>Depending on the impact of the fluctuation on the implementation of the Action, different remedial Actions may be envisaged:</p> <ul style="list-style-type: none"> a) restructuring of the Action - for example, one project component could be removed/modified b) suspension or termination of the contract c) use of the contingency reserve <p>Refer also to Art. 14.6 for the use of the contingency reserve.</p> |
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19.3.3. ARTICLE 16 - ACCOUNTS AND TECHNICAL AND FINANCIAL CHECKS

19.3.3.1. ACCOUNTS

| Text of the Article | Guidelines |
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| <p>16.1. The Beneficiary(ies) shall keep accurate and regular accounts of the implementation of the Action using an appropriate accounting and double-entry book-keeping system.</p> | <p>The Grant Beneficiary(ies) and Affiliated Entity(ies) should follow professional and recognised standards for book-keeping and accounting systems and must use double entry book-keeping systems to manage EU funds.</p> |

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| <p>The accounts:</p> <p>a) may be an integrated part of or an adjunct to the Beneficiary(ies)'s regular system;</p> <p>b) shall comply with the accounting and bookkeeping policies and rules that apply in the country concerned;</p> <p>c) shall enable income and expenditure relating to the Action to be easily traced, identified and verified.</p> | <p>There is no obligation to translate all the supporting documents in the language of the contract or in any European language (see Art.2 for more information).</p> <p><u>Reconciliation of information in the Financial Report and audit / accounting trail</u></p> <p>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. When interest reporting is required by the contract conditions, the accounts must provide details of interest accruing on funds paid by the Contracting Authority.</p> |
| | <p>The Coordinator must put in place the relevant control instruments and agreements with the Beneficiary(ies) and/or Affiliated Entity(ies) to be able to ensure that the financial reports (both interim and final) as required under Article 2 can be properly and easily reconciled to each one's accounting and bookkeeping systems and to the underlying accounting and other relevant records. For this purpose the Coordinator, in cooperation with the Beneficiary(ies) and the Affiliated Entity(ies) shall prepare and keep appropriate reconciliations, supporting schedules, analyses, and breakdowns for inspection and verification.</p> |

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| | <p>The Commission provides a “Financial Management Toolkit” for recipients of EU funds for external actions. This toolkit aims to help recipients of EU funds for external actions to comply with the conditions for financial management set out in contracts for EU-financed external actions. Module 8 of this toolkit provides guidance and support with regard to financial reporting (it also includes a financial reporting checklist). Beneficiaries are strongly recommended to refer to this Module.</p> <p>http://ec.europa.eu/europeaid/work/procedures/financial-management-toolkit_en.htm</p> |
| <p>16.2. The coordinator shall ensure that any financial report as required under Article 2 can be properly and easily reconciled to the accounting and bookkeeping system and to the underlying accounting and other relevant records. For this purpose the Beneficiary(ies) shall prepare and keep appropriate reconciliations, supporting schedules, analyses and breakdowns for inspection and verification.</p> | |

19.3.3.2. RIGHT OF ACCESS

| Text of the Article | Guidelines |
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| <p>16.3. The Beneficiary(ies) shall allow verifications to be carried out by the European Commission, the European Anti-Fraud Office, the European Court of Auditors and any external auditor authorised by the Contracting Authority.</p> <p>The Beneficiary(ies) has to take all steps to facilitate their work.</p> | <p>All Beneficiary(ies), Affiliated Entity(ies), contractors, and recipients of financial support receiving funds from the European Commission, have to allow easy access to all documents and systems used to manage the project to personnel from the European Commission, European Anti-Fraud Office, the European Court of Auditors and any external auditor carrying out verifications/audits of the project.</p> <p>They will require access to documents in the country where the project is operational, and at the Head Office, as appropriate.</p> <p>The Coordinator has to take all measures possible to facilitate the verifications and promptly provide the required information.</p> |
| <p>16.4. The Beneficiary(ies) shall allow the above entities to:</p> <ul style="list-style-type: none"> a) access the sites and locations at which the Action is implemented; b) examine its accounting and information systems, documents and databases concerning the technical and financial management of the Action; c) take copies of documents; d) carry out on the-spot-checks; e) conduct a full audit on the basis of all accounting documents and any other document relevant to the financing of the Action; | |

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| <p>16.5. Additionally the European Anti-Fraud Office shall be allowed to carry out on-the-spot checks and inspections in accordance with the procedures laid down by the European Union legislation for the protection of the financial interests of the European Union against fraud and other irregularities.</p> <p>Where appropriate, the findings may lead to recovery by the Commission.</p> | |
| <p>16.6. Access given to agents of the European Commission, European Anti-Fraud Office and the European Court of Auditors and to any external auditor authorised by the Contracting Authority carrying out verifications as provided for by this Article as well as by Article 15.7 shall be on the basis of confidentiality with respect to third parties, without prejudice to the obligations of public law to which they are subject.</p> | <p>The information provided to the Commission will be confidential and not shared openly with other organisations, without prejudice to the obligations of public law to which the agents are subject to.</p> |

19.3.3.3. RECORD KEEPING

| Text of the Article | Guidelines |
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| <p>16.7. The Beneficiary(ies) shall keep all records, accounting and supporting documents related to this Contract for five years following the payment of the balance and for three years in case of grants not exceeding EUR 60 000, and in any case until any on-going audit, verification, appeal, litigation or pursuit of claim has been disposed of.</p> <p>They shall be easily accessible and filed so as to facilitate their examination and the Coordinator shall inform the Contracting Authority of their precise location.</p> | <p>All the relevant information has to be kept for 5 (or 3 if grant is less than EUR 60 000) years after the payment of the balance, the repayment (Art. 18.4), or the offsetting (Art. 18.6), whichever occurs last, and even if it's not a requirement of the country where the activities are implemented.</p> <p>This applies to the Beneficiary(ies), Affiliated Entity(ies), contractors, and recipients of financial support that take part to or receive funds from the EC-funded Action.</p> <p>The Coordinator has to make sure that Beneficiary(ies), Affiliated Entity(ies), contractors, and recipients of financial support are made aware of this obligation by including in contracts or MOUs a provision for the record-keeping and which authorises audits and verifications in accordance with Art.16.</p> |
| | <p><u>Location of supporting documents</u></p> <p><u>This</u> is often an important issue in audits/verifications, particularly in cases where activities are dispersed over various and sometimes remote locations within the same country or in various countries.</p> <p>Many national regulations may require any legal entity to maintain originals of accounting documents (e.g. invoices and tax documentation) in the country where the entity is registered.</p> |

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| | <p>The Coordinator bears the financial responsibility towards the Contracting Authority in case adequate supporting documents are not provided (in a timely manner) and/or costs are declared ineligible, including with regards to co-Beneficiary(ies), Affiliated Entity(ies), contractors, or recipients of financial support. The Coordinator has to put in place control systems to ensure that costs are eligible according to the Contract.</p> <p>It is thus recommended that copies of the supporting documentation related to disperse activities be kept by the Coordinator at a central location (without prejudice to the fact that the Contracting Authority or auditors may request to consult the original documentation). Data stored in electronic form in computerised information systems should be accessible from this location.</p> |
| | <p>The Coordinator must inform the Contracting Authority in the final report (Annex VI, point 5) of the location(s) of the above mentioned systems and documents. This is to plan and carry out efficiently subsequent audits or verifications, and to avoid costs being declared ineligible simply because the documentation is not available in a reasonable time.</p> <p>The Coordinator should inform the Contracting Authority of any changes in the location(s) at a later stage, and must update this information if necessary, as soon a request for audit is sent. The unavailability of the supporting documents at the declared location(s) may per se entail the ineligibility of costs.</p> |

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| | <p>Where local legislation requires Beneficiary(ies), Affiliated Entity(ies), contractors, or recipients of financial support to retain original documentation on their premises, the Coordinator must to be able to check this, and should ensure in advance the existence of established internal control systems to ensure that costs are eligible according to the Contract.</p> <p>The Coordinator remains responsible for the eligibility of all project expenditure reported in the Financial Report.</p> |
| | <p>If necessary, the Contracting Authority may request the Coordinator to make the above mentioned systems and original documents available for inspection at one central location (for example the Coordinator's headquarters) inside or outside the country where the Action is implemented. The Coordinator should duly inform the Contracting Authority about any legal or other restrictions that apply or may apply to the transfer of the above mentioned systems and documents.</p> |

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| <p>16.8. All the supporting documents shall be available in the original form, including in electronic form.</p> | <p>The Beneficiary(ies) must maintain information systems and accounts and accounting records, and keep all supporting documents, both financial and technical, relating to the Action.</p> <p>The supporting documents should be the originals.</p> <p>Records, and accounting and supporting documents, must be available in documentary form, whether paper, electronic or another medium (e.g. a written record of a meeting is more reliable than an oral presentation of the matters discussed).</p> <p>Electronic documents can be accepted only where:</p> <ul style="list-style-type: none"> a. the documentation was first received or created (e.g. an order form or confirmation) by the Beneficiary(ies) in electronic form; or b. the Auditor is satisfied that the Beneficiary(ies) uses an electronic archiving system which meets established standards (e.g. a certified system which complies with national law). |
| <p>16.9. In addition to the reports mentioned in Article 2, the documents referred to in this Article include:</p> | <p>This Article provides the minimum requirements and examples of the types of documents that need to be kept. However, it is the responsibility of the Grant Beneficiary(ies) to provide any other necessary or relevant evidence in support of expenditure, according to applicable standards.</p> <p>The list is not exhaustive, and documents referring to the proper functioning of the Beneficiary (related laws and contracts, authorisation of signatures, minutes of board meetings, accounting and staff policies etc.) may also be requested for inspection.</p> |

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| <p>a) Accounting records (computerised or manual) from the Beneficiary(ies)'s accounting system such as general ledger, sub-ledgers and payroll accounts, fixed assets registers and other relevant accounting information;</p> <p>b) Proof of procurement procedures such as tendering documents, bids from tenderers and evaluation reports;</p> | <p>It is strongly advised that the Coordinator verify the compliance and completeness of these documents continuously during the implementation of the Action, and keep relevant copies. The turnover of staff and the time elapsing until the end of the Action or the occurrence of an audit, can make it difficult - sometimes impossible - to retrieve the necessary missing information and justify eligible expenditure.</p> |
| <p>c) Proof of commitments such as contracts and order forms;</p> <p>d) Proof of delivery of services such as approved reports, time sheets, transport tickets, proof of attending seminars, conferences and training courses (including relevant documentation and material obtained, certificates) etc;</p> <p>e) Proof of receipt of goods such as delivery slips from suppliers;</p> <p>f) Proof of completion of works, such as acceptance certificates;</p> | <p><u>Procurement:</u></p> <p>All paperwork related to procurement undertaken for all work, supply and service contracts (Art.10) have to be available to verify that all the purchases have been done following the applicable procurement rules.</p> <p>It is therefore advisable to file together all the documents that can prove that the rules have been complied with: the consultation of the market, the tender dossier, the bids from the candidates, the result of the evaluation, etc...</p> |
| <p>g) Proof of purchase such as invoices and receipts;</p> <p>h) Proof of payment such as bank statements, debit notices, proof of settlement by the contractor;</p> <p>i) Proof that taxes and/or VAT that have been paid cannot actually be reclaimed;</p> <p>j) For fuel and oil expenses, a summary list of the distance covered, the average consumption of the vehicles used, fuel costs and maintenance costs;</p> | <p><u>Staff costs:</u></p> <p>Make sure that clear records of all local staff and expatriate staff costs that relate to the project are kept. Information that should be kept includes the working contract and the details of calculation from gross salary to net salary including relevant social security and insurance contributions.</p> <p>All these costs must be documented for the Grant Beneficiary(ies) and Affiliated Entity(ies). Lack of documentation and/or access to payroll information is a frequent source of cost ineligibility.</p> |

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| <p>k) Staff and payroll records such as contracts, salary statements and 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. For expatriate and/or European-based staff (if the Action is implemented in Europe) analyses and breakdowns of expenditure per month of actual work, assessed on the basis of unit prices per verifiable block of time worked and broken down into gross salary, social security charges, insurance and net salary.</p> | <p>Note that for expatriate (based in country) or HQ-based staff, and in addition to the above information, a more detailed record of how much time the person has spent working on the project per month must be kept. Signed and approved time-sheets are the soundest way to demonstrate the distribution of a person along the different projects he/she worked for.</p> <p>In the case of a consultant hired for a specific period of time for the project, the contract should give all the relevant information concerning their participation in the project. NB: the hiring of consultants is usually a type of service contract and therefore, in order to recruit them, the rules described in Annex IV apply (see Art.14.4 a) for further guidance).</p> |
| | <p><u>Taxes</u></p> <p>In all cases (whether taxes are eligible or ineligible), Beneficiaries (and their Affiliated Entity(ies) if applicable) must document the fact that they cannot recover taxes nor obtain an exemption under the applicable national law. This proof does not need to be submitted by default to the Contracting Authority but must be available on request, and must be available to auditors during the expenditure verification report or audit. Refer to Annex J for further information on required evidence.</p> <p>A “self-certification” would not be sufficient to demonstrate impossibility to get exempted or reimbursed, an “external” confirmation is needed: extract of law, notification by tax authorities, etc.</p> |

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| | <p><u>Boarding passes</u></p> <p>Air fares must be substantiated by the passenger receipt and proof of payment. Exceptionally, for circumstances where “traditional” original boarding passes are not provided by the airline company, other adequate alternative and/or corroborative evidence may be accepted (attendance list of a conference, hotel bills, credit card accounts, copy of passport entry/exit stamps, declaration on honour, etc.) provided that the person concerned undertakes not to have been or be refunded by any other means of this expense.</p> |
| | <p><u>Financial support (including Subgranting)</u></p> <p>The supporting documents for FS depend on the purpose of the sub-grant, the type of sub-grant chosen (unit costs, lump-sum, flat-rate, reimbursement of actual incurred costs etc.) as explained in the description of the Action.</p> <p>As a general indication this should include the agreement or contract, and proof that the funds of been received and that the activity for which the sub-grant is given has taken place.</p> |

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| | <p>Any other supporting document as agreed in the contract is acceptable; it does not necessarily have to be the usual "grant" supporting documents (invoices, pay slips etc), since the same cost eligibility rules that cover grant Beneficiaries do not necessarily apply (this is also why it is better to make use of the correct terminology of "financial support" instead of subgranting, when the FS does not take the form of a sub-grant). The Contracting Authority and the Grant Beneficiary(ies) should determine what is more appropriate.</p> <p>It is strongly recommended to describe this in detail as much as possible in the contract, so that at the end of the Action or reporting period the Contracting Authority is satisfied and the Beneficiaries do not subsequently have problems with auditors. It is best practice, during information sessions, to suggest to potential applicants to already come up with proposals for justifying the FS given.</p> |
| | <p><i>Example: the F.S. was established to pay an amount following the realisation of a specific event, or to returnees just to return to their country. In these cases, a proof of the accomplishment of the event or the settling back to the place of origin may be proved other than with invoices or so.</i></p> <p>----</p> <p>This Article indicates which type of supporting documents might be accepted in accordance with a purpose of harmonisation and clarity. If, for duly justified reasons, such documents cannot be produced, an explanation should be provided and a reasoned decision will be taken on a case-by-case basis by the Contracting Authority, with the advice of the auditors as appropriate.</p> |

19.3.4. ARTICLE 17 - FINAL AMOUNT OF THE GRANT

19.3.4.1. FINAL AMOUNT

| Text of the Article | Guidelines |
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| <p>17.1. The grant may not exceed the maximum ceiling in Article 3.2 of the Special Conditions either in terms of the absolute value or the percentage stated therein.</p> <p>If the eligible costs of the Action at the end of the Action are less than the estimated eligible costs as referred to in Article 3.1 of the Special Conditions, the grant shall be limited to the amount obtained by applying the percentage laid down in Article 3.2 of the Special Conditions to the eligible costs of the Action approved by the Contracting Authority.</p> | <p>The Special Conditions define a maximum grant amount that can never be exceeded, and a % contribution to eligible costs (as well as “accepted costs” when the accepted cost system has been introduced guidelines for applicants; see Art. 14.2 g).</p> <p>The % contribution stems from the principle of co-financing, which requires that the resources necessary for the implementation of the Action are not entirely provided by the EU.</p> |
| | <p>Accordingly these funds from other sources may take the form of:</p> <ul style="list-style-type: none"> - the Beneficiary(ies)'s own contribution - income generated by the Action (if relevant an estimate should be provided at proposal stage; it must be confirmed when the request for payment of the balance is submitted) - financial or in-kind contributions by other donors <p>In order to avoid double funding of the same costs, the Coordinator must indicate the sources and amounts of Union funding received or applied for the same Action or part of the Action or for its functioning during the same financial year, as well as any other funding received or applied for the same Action.</p> |

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| | <p>The Coordinator has to declare the co-financing actually provided in the final report, but no evidence is needed.</p> <p>The determination of the final amount of the grant is based on the final reports approved by the Contracting Authority.</p> <p>The first step to be taken is the validation of these reports and the verification of the compliance with the provisions of the contract.</p> <p>The final amount of the grant will depend on the approved eligible costs.</p> <p>The verification of the eligibility of costs is done on the basis of Art. 14 of the General Conditions.</p> |
| | <p>If applicable, for eligible costs reimbursed on the basis of simplified cost options, the eligible costs are determined solely on the qualitative and quantitative evidence necessary to verify compliance with the conditions for the payment defined in the description of the Action (notably the justification sheet of the budget, but also the description of the Action). In the case of partial fulfilment of the conditions, a pro rata may be applied to the final payment in accordance with the effective realisation. When funding is determined on the basis of unit costs the adjustment is automatic, and is calculated simply by multiplying the unit cost by the number of units consumed or produced.</p> |

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| | <p>For lump sums or flat-rates, the correction applied may be more difficult to determine.</p> <p>Therefore, to avoid litigation, it is strongly recommended to agree during the contract preparation stage and then to specify clearly in the contract:</p> <ul style="list-style-type: none"> - the conditions for the payment - how reductions will be applied when only partial fulfilment of these conditions is attained. <p>It is important that the review of the narrative report and final financial statement occurs in a coordinated manner because to be eligible the costs reported must correspond to an actual implementation of the Action, as provided by the contract.</p> |
| | <p>In addition, regardless of the costs incurred, the grant may be reduced in case of non-implementation or poor, partial or late execution (Art. 17.2 of the General Conditions).</p> <p>The provisional amount of EU funding is calculated by application of the set percentage of co-financing of eligible costs specified in Article 3.2 the Special Conditions to the eligible costs declared with the request for payment of the balance and approved by the Contracting Authority.</p> <p>a) If the approved eligible costs are less than the estimated eligible costs as referred to in Article 3.1 of the Special Conditions, the grant is limited to this amount.</p> |

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| | <p>b) If the approved eligible costs exceed the estimated eligible costs as referred to in Article 3.1 of the Special Conditions, the grant is limited to the maximum contribution expressed in terms of the absolute value in Art. 3.2 of the Special Conditions, and the Grant Beneficiary will have to bear the exceeding costs.</p> <p>If a clause in the Special Conditions (Art.7) provides for the “Accepted cost system”, the grant is further limited to a percentage of the total accepted cost of the Action (and not only to a % of eligible costs, i.e. the smaller of the two values obtained by application of both percentages apply)</p> |
| | <p>Example:</p> <p>If total final expenditure is less than originally foreseen and/or the reserve has not been used, the final payment will be less than the amount stated in Art.4 of the Special Conditions, as the Contracting Authority contribution will be limited to the percentage of eligible or accepted costs, as stated in Art. 3 of the Special Conditions (see also Article 17.2).</p> |
| | <p><i>Example: Total budgeted costs are EUR 500 000 of which the Contracting Authority has agreed to contribute to 80% - i.e. EUR 400 000. It is stated in the Special Conditions that a final instalment of EUR 40 000 will be paid as the balance. However, at the end of the project, total reported expenditure is only EUR 475 000. The EU will pay 80% of this, i.e. EUR 380 000. The grant Beneficiary has already received EUR 360,000, so the balance to be paid is only EUR 20,000.</i></p> <p>The maximum EU contribution and percentage of eligible or accepted costs financed by the Contracting Authority may never be increased.</p> |

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| <p>17.2 In addition and without prejudice to its right to terminate this Contract pursuant to Article 12, if the Action is not implemented or is implemented poorly, partially or late, the Contracting Authority may, by a duly reasoned decision and after allowing the Beneficiary to submit its observations, reduce the initial grant in line with the actual implementation of the Action and in accordance with the terms of this Contract.</p> | <p>This Article states the principle of the "obligation of results".</p> <p>Without prejudice to Article 12, the Contracting Authority can terminate a contract if the Grant Beneficiary(ies) does/do not:</p> <ul style="list-style-type: none"> - Implement the project as a whole, making sure all the activities indicated in the original proposal, and the overall objective and results, have been achieved, as approved by the Contracting Authority and stated in the contract. |
| | <ul style="list-style-type: none"> - Make sure that the implementation of the project is of good quality; that all the activities are carried out in the timeframe stipulated in the contract, and that they are carried out with all the due diligence. <p>If only part of the Action has been implemented, the Contracting Authority may reduce the grant proportionally (e.g. if the Action has reached only 80% of the planned results, the grant may be reduced by 20%, even if 100% of the budget was spent) and taking into due consideration the observations of the Beneficiary(ies).</p> <p>"Proportionally" does not simply and only refer to a mere financial value or execution of activities: if the missing parts of the Action were crucial to its overall implementation, the Contracting Authority may decide to reduce its contribution beyond the mere financial value of these missing parts.</p> |

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| | <p><i>Example: an action consisted of a series of regional workshops culminating in a national conference, due to develop a common national strategy in a given field. The regional workshops took place but not the national one. The action had been selected for funding because of that national approach, and the lack of it renders the regional workshops useless. The contracting authority might decide not to fund all or parts of the costs of the regional workshops as these were not the crucial element of the action, going beyond a mere deduction of the cost of the national conference.</i></p> |
| | <p>For this reason it is fundamental to set clear and realistic indicators and results in the initial proposal/contract and to subsequently:</p> <ol style="list-style-type: none"> 1 - inform the Contracting Authority immediately about any problems in the implementation of the Action or any delays which might jeopardise the achievement of the results 2 - make sure to get Contracting Authority's approval before making changes that may affect the basic purpose of the Action, and make sure that these are duly reflected in the amended contract (see also Article 9). <p>Continuous dialogue and pro-active feedback should take place throughout the project's implementation. Such exchanges facilitate a better understanding of the difficulties encountered during the implementation and facilitate prompt decisions on mitigating measures (e.g. possible amendments to agreement/strategy, etc.).</p> |

19.3.4.2. NO PROFIT

| Text of the Article | Guidelines |
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| <p>17.3. The grant may not produce a profit for the Beneficiary(ies), unless specified otherwise in Article 7 of the Special Conditions. Profit is defined as a surplus of the receipts over the eligible costs approved by the Contracting Authority when the request for payment of the balance is made.</p> | <p>The final amount of the Contracting Authority's contribution must also take into account the no-profit principle, i.e. the financial contribution is limited to the amount required to balance the receipts and the approved eligible costs of the Action.</p> <p>The application of the no-profit principle is made globally, at Action level (consolidated), and not for each Beneficiary/Affiliated Entity in the event of a multi-Beneficiary contract.</p> |
| <p>17.4. The receipts to be taken into account are the consolidated receipts on the date on which the payment request for the balance is made by the Coordinator that fall within one of the two following categories:</p> <p>a) income generated by the action, unless otherwise specified in the Special conditions;</p> <p>b) financial contributions specifically assigned by the donors to the financing of the same eligible costs financed by this Contract. Any financial contribution that may be used by the Beneficiary(ies) to cover costs other than those eligible under this contract or that are not due to the donor where unused at the end of the action are not to be considered as a receipt to be taken into account for the purpose of verifying whether the grant produces a profit for the Beneficiary(ies).</p> | <p>At the time of the request for payment of the balance the Coordinator must also declare all the receipts of the Action.</p> <p>The receipts to be taken into account for the purpose of the no-profit rule are the revenue established (revenue collected and recorded in the accounts), or the revenue generated or confirmed (revenue not yet received but for which the generating event has already occurred or for which the recipient has a commitment or a written confirmation) on the date on which the request for payment of the balance is made.</p> <p>Notably:</p> <p>a) income generated by the Action, (unless the Special Conditions foresee otherwise, i.e. where the purpose of the Action is to generate an income, see Art. 17.7 General Conditions). NB. If revenue is generated by the Action, it is not deducted from the approved eligible costs, but it is considered as a receipt for the purposes of the application of the no-profit rule.</p> <p>b) the financial contributions of others donors which are specifically used to finance the same eligible costs of the Action (see below).</p> |

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| | <p>Therefore, the following sources are not taken into account for the verification of the no-profit rule:</p> <ul style="list-style-type: none"> - the Beneficiary's(ies)' own resources, without prejudice to any provision in the Call for Proposal requiring a minimum financial contribution from the Beneficiary(ies) - the revenue generated by the Action after the date of the request for payment of the balance - revenue allocated to a particular project without assignment to certain eligible costs as defined by the contract in question or which the donors allow for the reassignment to similar projects or other activities after the implementation of the initial project in the case of surplus or non-consumption |
| | <ul style="list-style-type: none"> - any interest generated by pre-financing paid to the Beneficiary(ies) as well as any interest paid to the Beneficiary(ies) as a result of late payment of amounts owed by the Contracting Authority - exchange rate gains - in Operating Grants, the amounts allocated to the establishment of reserves (see Art. 17.5) - In-kind contributions. |

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| | <p><u>Financial contributions of other donors to be taken into account for the application of the no-profit rule</u></p> <p>At the time of submission of the request for final payment, the Coordinator must comprehensively declare and certify, in addition to the income generated by the Action, all financial contributions from third parties if and only if they meet all the following criteria:</p> <ul style="list-style-type: none"> - They must be allocated by the donor to the same Action or part of the Action, for a period not exceeding the period of implementation of the Action (before or after), or for Operating Grants the recipient's fiscal year; - The rules of eligibility of costs should be clearly defined by the donor. Eligible costs under its contribution cannot contain ineligible costs under the EU grant. |
| | <ul style="list-style-type: none"> - In case of under-execution of the budget, unused amounts must be repaid to the donor and may not be deferred beyond the period of implementation initially defined or reassigned to other activities (with or without permission of the donor). <p>These conditions are not usually met by donor contributions, and therefore they may be declared by the Coordinator for the amount necessary to balance receipts and the approved eligible costs of the Action.</p> <p>The certificates that may be requested in support of the request for payment of the balance and in case of controls or audits will be based on the agreements signed with the donors, and the criteria above, to check the nature of the amounts reported as receipts by the Coordinator.</p> |

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| | <p><u>Beneficiary's(ies)' own contributions</u></p> <p>In the absence of specific provisions imposing a minimum contribution to the recipient's own funds, the Beneficiary retains an interest to look for other types of external financing and to promote any revenue from its operations throughout the implementation period.</p> <p>Therefore, if the Beneficiaries have provided in the forecast budget a certain amount of their own resources in order to balance costs and receipts, and ultimately the revenue generated by the Action or the contributions provided by other donors are more than expected, it is possible to replace the amount of their own resources which have been paid in full, or partially.</p> |
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| <p>17.5. In case of an operating grant, amounts dedicated to the building up of reserves shall not be considered as a receipt.</p> | <p>Operating Grants are not subject to a special treatment for the purposes of the non-profit rule.</p> <p>Nevertheless, some difficulties of interpretation remain, especially when it comes to distinguishing the Beneficiary's own resources from income generated by the implementation of the work program, part of its normal operation and performance of its statutory duties.</p> <p>To reduce the risk of dependence vis-à-vis the EU funds - so that the abolition of the principle of gradual reduction may increase - it is advisable to adopt a restrictive approach to the concept of "revenue generated by the program of work" and to take into account only the revenues directly attributable to activities specifically listed in the work program (i.e. entrance fees at conferences organised by the Beneficiary under its awareness-raising mission).</p> <p>Conversely, contributions to the Beneficiary by its members or supporters, and the proceeds of its fundraising campaigns may be treated as the Beneficiary's own resources, and will thus fall outside the scope of the revenue to be used for the application of the principle of non-profit.</p> |
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| <p>17.6. Where the final amount of the grant determined in accordance with the Contract would result in a profit, it shall be reduced by the percentage of the profit corresponding to the final Union contribution to the eligible costs approved by the Contracting Authority.</p> | <p>When the subsidised action generates a surplus (profit), the Contracting Authority recovers the surplus pro rata, of the EU contribution to the financing of the approved eligible costs.</p> <p>The amount to be deducted by the Contracting Authority contribution (established according to Art 17.1) is calculated by applying the actual % reimbursement of eligible costs to the surplus, as determined at the time of payment of the balance. Therefore, the percentage recovery of profit may be less than the percentage of reimbursement of eligible costs conventionally fixed.</p> <p>This is also the case when the provisional grant amount, after applying double ceiling, reaches the maximum contribution in absolute value established in the Special Conditions.</p> |
| <p>17.7. The provisions in Article 17.3 shall not apply to:</p> <ul style="list-style-type: none"> a) actions the objective of which is the reinforcement of the financial capacity of a beneficiary, if specified in Article 7 of the Special Conditions; b) actions which generate an income to ensure their continuity beyond the end of this Contract, if specified in Article 7 of the Special Conditions; c) other direct support paid to natural persons in most need, such as unemployed persons and refugees, if specified in Article 7 of the Special Conditions; d) study, research or training scholarships paid to natural persons; e) grants of EUR 60.000 or less. | <p>The exemptions stated in letter a) b) and c) of this article are only applicable if clearly stated in Art.7 of the Special Conditions.</p> <p>When the no-profit rule does not apply, the Contracting Authority will not check whether there is a profit or not. It will just calculate the final amount of the grant according to Articles 17.1 and 17.2 of the General Conditions.</p> |

| COSTS | | REVENUES | |
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| Eligible costs (direct + indirect) declared as: - actual costs, - lump sums, - unit costs, - flat rates. (if foreseen) | | Receipts - EU grant, - Income generated by the action/ work programme, - Financial contributions from third parties earmarked to eligible costs | |
| + | | Other revenues - Own resources, - Other financial contributions from third parties. | |
| Other costs (ineligible) | | + | |
| Contributions in kind | | Contributions in kind | |
| = | | | |
| TOTAL COSTS | = | TOTAL REVENUES | |

19.3.5. ARTICLE 18 - RECOVERY

19.3.5.1. RECOVERY

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| Text of the Article | Guidelines |
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| <p>18.1. If any amount is unduly paid to the Coordinator, or if recovery is justified under the terms of this Contract, the Coordinator undertakes to repay the Contracting Authority these amounts.</p> | <p>The Coordinator has the sole financial responsibility for the contract. The Coordinator is liable for any undue funds they receive, even if the ineligible costs were incurred by other Beneficiaries or Affiliated Entity(ies).</p> |
| <p>18.2. In particular, payments made do not preclude the possibility for the Contracting Authority to issue a recovery order following an expenditure verification report, an audit or further verification of the payment request.</p> | <p>Although the main aim of audit and verifications is to enforce and obtain assurance and understanding of the control systems in place, if it is found that certain costs are not in line with the eligibility criteria that have been set, the underlying costs may be deemed ineligible, including after the final payment.</p> <p>In such cases the Contracting Authority may reduce the final amount on the grant and may need to recover the funds unduly paid.</p> |
| <p>18.3. If a verification reveals that the methods used by the Beneficiary(ies) to determine unit costs, lump sums or flat-rates are not compliant with the conditions established in this Contract and, therefore an undue payment has been made, the Contracting Authority shall be entitled to recover proportionately up to the amount of the unit costs, lump sums or flat rate financing.</p> | |
| <p>18.4. The Coordinator undertakes to repay any amounts paid in excess of the final amount due to the Contracting Authority 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 Coordinator.</p> | <p>If the amount of the pre-financing payments exceeds the final amount of the grant (as calculated on the basis of approved eligible costs according to Art.17) the Coordinator will have to reimburse the difference. In this case a recovery order will be issued by the Contracting Authority, or the amount can be offset against any other pending payment due to the Coordinator (Art.18.6).</p> |

19.3.5.2. INTEREST ON LATE PAYMENTS

| Text of the Article | Guidelines |
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| <p>18.5. Should the Coordinator fail to make repayment within the deadline set by the Contracting Authority, the Contracting Authority may increase the amounts due by adding interest:</p> <p>a) at the rediscount rate applied by the central bank of the country of the Contracting Authority if payments are in the currency of that country;</p> <p>b) at the rate applied by the European Central Bank to its main refinancing transactions in euro, as published in the Official Journal of the European Union, C series, where payments are in euros;</p> <p>on the first day of the month in which the time-limit expired, plus three and a half percentage points. The default interest shall be incurred over the time which elapses between the date of the payment deadline set by the Contracting Authority, and the date on which payment is actually made. Any partial payments shall first cover the interest thus established.</p> | <p>If the Coordinator fails to reimburse amounts due to the Contracting Authority within the deadline set following the issue of a debit note (or recovery order), the Contracting Authority may add late payment interest, similarly to the case described in Art. 15.6 of the General Conditions.</p> |
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19.3.5.3. OFFSETTING

| Text of the Article | Guidelines |
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| <p>18.6. Amounts to be repaid to the Contracting Authority may be offset against amounts of any kind due to the Coordinator, after informing it accordingly. This shall not affect the Parties' right to agree on payment in instalments.</p> | <p>The Contracting Authority may recover amounts due by offsetting them against any other payment due to the Coordinator (even for another/different contract, or even under a different budget line).</p> <p>The Contracting Authority shall not do this automatically, but will inform the Coordinator in advance. In case of difficulties, the Contracting Authority may agree on re-payment or offsetting through instalments.</p> |

19.3.5.4. OTHER PROVISIONS

| Text of the Article | Guidelines |
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| 18.7. The repayment under Article 18.4 or the offsetting under Article 18.7 amount to the payment of the balance. | |
| 18.8. Bank charges incurred by the repayment of amounts due to the Contracting Authority shall be borne entirely by the Coordinator. | Once the final amount of the grant has been established and funds have been unduly paid, the Coordinator has to bear the cost for returning these funds to the Contracting Authority, as they cannot be reclaimed. |
| 18.9. The guarantee securing the prefinancing may be invoked in order to repay any amount owed by the Beneficiary(ies), and the guarantor shall not delay payment nor raise objections for any reason whatsoever. | Guarantees may be called in as a means to recover undue funds paid to the Coordinator, even if the ineligible costs were incurred by co-Beneficiaries or Affiliated Entity(ies). |
| 18.10. Without prejudice to the prerogative of the Contracting Authority, if necessary, the European Union may, as donor, proceed itself to the recovery by any means. | |

19.4.

22. List of Annexes

| C | DELEGATED COOPERATION, COOPERATION WITH PARTNER COUNTRIES AND WITH INTERNATIONAL ORGANISATIONS, CO-FINANCING AND MANAGEMENT MODES | |
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| C1 | IMDA/Transfer Agreement Assessment Sheet | c1_special_entity_assessment_sheet_en.doc |
| C2a | Transfer Agreement: Special conditions | c2a_transfer_agr_sc_en.doc |
| C2b | Transfer Agreement: General conditions (annex II) | c2b_transfer_agr_gc_en.pdf |
| C3a | Financing Agreement - Special Conditions (Budget and EDF) | c3a_financing_agr_sc_en.doc |
| C3b | Financing Agreement - Annex II - General Conditions (Budget and EDF) | c3b_financing_agr_gc_en.pdf |
| C3c | Financing Agreement - Annex III - Report | c3c_financing_agr_report_en.doc |
| C3d | Financing Agreement - Annex IV - Management Declaration | c3d_financing_agr_manag_decl_en.doc |
| C4a | Contribution Agreement - Special Conditions | c4a_contribution_agr_sp_en.doc |
| C4b | Contribution Agreement: General Conditions (annex II) | c4b_contribution_agr_gc_en.pdf |
| C4c | Contribution Agreement: Financial identification form (annex IV) | c4c_contribution_agr_fif_en.pdf |
| C4d | Contribution Agreement - Payment request (annex V) | c4d_contribution_agr_request_en.doc |
| C4e | Template for One UN, Multi Partner Trust Funds (MPTF) and Joint Programming (JP) | c4e_contribution_agr_mdtf_jp_oneun_en.doc |
| C7a | Delegation Agreement - Special conditions | c7a_delegation_agr_sp_en.doc |
| C7b | Delegation Agreement - General conditions (annex II) | c7b_delegation_agr_gc_en.pdf |
| C7c | Delegation Agreement - Budget (annex III) | c7c_delegation_agr_budget_en.doc |
| C7d | Delegation Agreement - Provisions on the central exclusion database (annex IV) | c7d_delegation_agr_database_en.doc |

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| C7e | Delegation Agreement - Communication of information to the central exclusion database (annex V) | c7e_delegation_agr_comm_database_en.pdf |
| C7f | Delegation Agreement - Financial identification fiche (annex VI) | c7f_delegation_agr_fif_en.pdf |
| C7g | Delegation Agreement - Request for payment (annex VII) | c7g_delegation_agr_request_en.doc |
| C8a | IMDA - Special conditions | c8a_imda_sc_en.doc |
| C8b | IMDA - General conditions | c8b_imda_gc_en.pdf |
| C8c | Financial Identification Form | c8c_imda_agr_fif_en.pdf |
| C8d | IMDA - Request for Payment | c8d_imda_agr_request_en.doc |
| C8e | IMDA - Management Declaration | c8e_imda_manage_decl_en.doc |
| C8f | Communication of information to the central exclusion database (annex V) | c8f_comm_database_en.pdf |
| C8g | Arrangements for Management Declarations and Audit or Control Opinions | c8g_arrang_manag_decl_opinions_en.doc |

| | | |
|----------|---|------------------------------|
| S | THE IMPLEMENTATION OF GRANT CONTRACTS - A USERS' GUIDE | |
| S1 | The implementation of grant contracts - A Users' Guide | s1_users_guide_grants_en.pdf |