This Manual is designed to provide guidance on the interpretation of the contractual provisions of the Contribution Agreement template. It is an internal working tool and it is not legally binding, nor can it be relied upon to challenge a Contracting Authority’s decision, judicially or otherwise. The applicable legislation and any clarification provided by the Court of Justice of the European Union take precedence.
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General Conditions

Article 1 – Definitions

**Action**

the cooperation programme or project partly or wholly financed by the EU, which is carried out by the Organisation as described in Annex I. Where reference is made to the Action or part of the Action financed by the EU Contribution, this refers both (i) to activities exclusively financed by the EU Contribution and (ii) to activities jointly co-financed by the EU.

The Contribution Agreement is used by DG NEAR and DG INTPA. FPI will use the Contribution Agreement for all indirect management actions (IcSP (Instrument contributing to Stability and Peace), PI (Partnership Instrument), CFSP (Common Foreign and Security Policy)) with the exception of CSDP (Common Security and Defence Policy) Missions (and other Article 28 TEU actions) and EUSRs (European Union Special Representatives) for which FPI has adjusted the drafting of the Contribution Agreement based on the one approved by the Commission.

Information on the difference between Action and overall Action is included in the explanation of Article 3.3 of the General Conditions below.

Even if a component of an Action is exclusively financed by other donors, it will still form part of the Action if it is included in the Description of the Action.

**Contractor**

a natural or legal person with whom a Procurement Contract has been signed.

The Organisation shall ensure that the provisions listed in Article 2.4 of the General Conditions also apply, where applicable, to Contractors.

**Days**

calendar days

**Early Detection and Exclusion System**

a system set up by Regulation (EU, Euratom) No 2015/1929 of 28 October 2015 on the financial rules applicable to the general budget of the Union (OJ L 286/1, 30.10.2015), which includes information on the early detection of risks threatening the EU financial interests, on the cases of exclusion from EU funding of legal and natural persons and on the cases of imposition of financial penalties.

The applicable provisions on Early Detection and Exclusion System within the scope of the Contribution Agreement are set out in Article 23 of the General Conditions.

For the avoidance of doubt, the reference to the 2012 Financial Regulation (Regulation (EU, Euratom) No 2015/1929 of 28 October 2015 on the financial rules applicable to the general budget of the Union (OJ L 286/1, 30.10.2015))

**End Date**

the date by which the Agreement ends, i.e. the moment of the payment of the balance by the Contracting Authority in accordance with Article 19 or when the Organisation repays any amounts paid in excess of the final amount due pursuant to Article 20. If any of the Parties invokes a dispute settlement procedure in accordance with Article 14, the End Date shall be postponed until the completion of such procedure.

Please note that the End Date does not correspond with the end of the Implementation Period, which is stipulated under Article 2.2 and 2.3 of the Special Conditions.

The payment of the balance by the Contracting Authority may correspond to a “0 payment” (i.e. the total amount of the pre-financing instalments already paid to Organisation corresponds exactly to the final amount of the EU Contribution). When this is the case, the End Date shall then correspond to the date of the notification made by the Contracting Authority to the Organisation of the approval of the final report, which in that case will need to be encoded in ARES and uploaded in CRIS. In addition, in case of recoveries, the End Date corresponds to the date on which the Organisation repays the amount requested in the debit note.

Additional information on the payment of the balance is included in the explanation to Articles 19 and 20 below.

**Final Administrative Decision**

a decision of an administrative authority having final and binding effect in accordance with the applicable law.

Final Administrative Decisions are not subject to further review by the administration. However, they might still be challenged in court. An administrative decision can only be considered final upon expiry of the reasonable time limit for legal remedies or by exhaustion of those remedies.

**Final Beneficiary**

a natural or legal person ultimately benefitting from the Action

**Force Majeure**

any unforeseeable and exceptional situation or event beyond the Parties' control which prevents either of them from fulfilling any of their obligations under the Agreement, which may not be attributed to error or negligence on either part (or on the part of the Grant Beneficiaries, Partners, Contractors, agents or staff), and which could not have been avoided by the exercise of due diligence. Defects in equipment or material or delays in making them available cannot be invoked as force majeure, unless they stem directly from a relevant case of force majeure.

The concept is applied in light of Articles 12.5 to 12.8 of the General Conditions ("Suspension for exceptional circumstances").
| **Labour disputes, strikes or financial problems of the Organisation cannot be invoked as force majeure by the defaulting Party.** |

| **Grant** |
| a direct financial contribution by way of donation given by the Organisation or a Partner to finance third parties activities. |
| “Grants” refer to financial contributions provided by the Organisation or a Partner to a third party, not to be confused with the financial contribution provided by the Contracting Authority through the Contribution Agreement. |

| **Grant Beneficiary** |
| a natural or legal person to whom a Grant has been awarded. Grant Beneficiaries can sub-grant and procure for the implementation of their activities. |
| “Grant” as defined in these General Conditions relates to a financial contribution provided by the Organisation (or a Partner) to a third party. Therefore, under this template a “Grant Beneficiary” is a third party in receipt of a financial contribution from the Organisation (or a Partner). “Partners” are parties to the Contribution Agreement and therefore not “Grant Beneficiaries”. “Grant Beneficiaries” are not parties to the Contribution Agreement. |

| **Grave Professional Misconduct** |
| any of: |
| a violation of applicable laws or regulations, in particular the Organisation’s Regulations and Rules, or ethical standards of the profession to which a person or entity belongs, including any conduct leading to sexual or other exploitation or abuse, or |
| any wrongful conduct of a person or entity which has an impact on its professional credibility where such conduct denotes wrongful intent or gross negligence. |
| The definition of Grave Professional Misconduct is based on Article 136 (1) (c) of the 2018 Financial Regulation. Note that the reference in this Article to sexual exploitation and abuse is to be understood as one of the examples of Grave Professional Misconduct. |

| **Indicator** |
| the quantitative and/or qualitative factor or variable that provides a simple and reliable means to measure the achievement of the Results of an Action. |
| Indicators are relevant for reporting (see Articles 3.2, 3.7 b) of the General Conditions and performance-based financing (see Article 21.1 of the General Conditions). |

| **The Organisation shall ensure that the provisions listed in Article 2.4 of the General Conditions apply also to Grant Beneficiaries.** |

| **Ethical standards have to be understood in the light of the relevant profession. Such standards can, for example, be set out in codes of conduct/ethics issued by the Organisation or for specific professional groups.** |

| **In case of Grave Professional Misconduct, the Contracting Authority may terminate the Contribution Agreement in accordance with Article 13.1 d) of the General Conditions. When considering a termination, the Contracting Authority shall apply the principle of proportionality.** |

| **Indicators may be changed in agreement with the Contracting Authority without the need for a formal addendum provided that this does not affect the main** |
Internal Control System

a process applicable at all levels of management designed to provide reasonable assurance of achieving the following objectives:

a) effectiveness, efficiency and economy of operations;
b) reliability of reporting;
c) safeguarding of assets and information;
d) prevention, detection, correction and follow-up of fraud and irregularities;
e) adequate management of the risks relating to the legality and regularity of the financial operations, taking into account the multiannual character of programmes as well as the nature of the payments concerned.

International Organisation

an international public-sector organisation set up by international agreement (including specialised agencies set up by such organisations), or an organisation assimilated to international organisations in accordance with the EU Financial Regulation.

“Public-sector organisation” refers to the institutional nature of the Organisation rather than to its activities.

Member State Organisation

an entity established in a Member State of the European Union as a public law body or as a body governed by private law entrusted with a public service mission and provided with adequate financial guarantees from the Member State.

Financial backing provided to private-law bodies by a Member State in accordance with existing requirements set out in Union law, in a form decided by that Member State and not necessarily requiring a bank guarantee, should be considered as adequate financial guarantees (see recital 13 to the 2018 Financial Regulation). Accordingly, the reference to the “financial guarantees from the Member State” does not imply that the Contracting Authority would have to request a (pre-financing) guarantee from the Member State Organisation.

Multi-Donor Action

an Action co-financed by the EU Contribution (whether or not earmarked) and other donor(s).

The concept of Multi-Donor Action covers all the situations where the Organisation or a(n)other donor(s) provide co-financing along with the EU Contribution. It encompasses both the cases where the EU Contribution is earmarked and joint co-financing (where the EU Contribution is not earmarked). Each Contribution Agreement needs to specify in Article 1.2 of the Special Conditions whether or not the relevant Action is a Multi-Donor Action.

Where co-financing from Grant Beneficiaries (or final beneficiaries) is paid back to the Organisation and redirected to fund further activities under the Action, the Action is also considered Multi-Donor.

Blending operations are always considered Multi-Donor Actions.
Outcome
the likely or achieved short-term and medium-term effects of an Action's Outputs.

Output
the products, capital goods and services which result from an Action’s activities.

Partner
an entity implementing part of the Action and being a party to the relevant Contribution Agreement together with the Organisation.

The notion of Partners includes both pillar assessed and non-assessed implementing partners that sign the Contribution Agreement together with the Organisation. EU decentralised agencies follow the rules for pillar assessed organisations (note that EU executive agencies work in direct management, i.e. they will never implement Contribution Agreements).

If the Commission is the Contracting Authority, non-assessed Partners are only possible in the context of calls for proposals. In all other cases, the Action qualifies as indirect management, i.e. all Partners have to be pillar assessed (or EU decentralised agencies).

In the exceptional situations allowed by the 2018 Financial Regulation whereby the authorising officer of the Commission decides to award a grant directly to a pillar assessed organisation and such direct award was not indicated in the Action Document (because it was initially foreseen to award the grants through a competitive procedure) the agreement to be signed is a Contribution Agreement but the management mode remains direct management. In such cases, non-assessed organisation could be Partners.

If the Contracting Authority is from a Partner Country, non-assessed Partners are also possible if the Contribution Agreement is awarded directly.

In Contribution Agreements awarded through calls for proposals and direct award by Contracting Authorities from Partner Countries, part of the Action may also be implemented by affiliated entities (see Annex II.b).

The rules for Partners apply to affiliated entities mutatis mutandis. Affiliated entities are not Party to the Contribution Agreement but shall be mentioned in Article 7 of the Special Conditions.

Further information on affiliated entities is included in section 6.1.2 of the PRAG.
### Procurement Contract
a contract signed between the Contractor and either the Organisation or a Partner under which the Contractor provides services, supplies or works.

### Regulations and Rules
regulations, rules, organisational directives, instructions and other parts of the regulatory framework of the Organisation.

### Result
the Output or Outcome of an Action.

### Sound Financial Management
a principle overarching the implementation of this Agreement, namely economy, effectiveness and efficiency (including all aspects of internal control). The principle of economy requires that resources used in the pursuit of the implementation of the Action shall be made available in due time, in appropriate quantity and quality and at the best price. The principle of effectiveness concerns the attainment of the specific objectives and the achievement of the intended results. The principle of efficiency concerns the best relationship between resources employed and results achieved.

### Additional Definitions not provided in Article 1 of the General Conditions:

**Notional Approach (see Article 155 (5) of the 2018 Financial Regulation):**
Jointly co-financed Actions (i.e. where the EU Contribution is not earmarked) need to have costs eligible in accordance with the relevant provisions of the General Conditions to be covered by the EU Contribution. What is ineligible for the EU Contribution may be eligible for other donors. Under the notional approach, the EU cost eligibility requirements are met as long as other donors cover the costs which are ineligible under EU rules. The use of the notional approach allows the EU to jointly co-finance an Action even though some of the costs of this Action are not eligible for EU funding. The use of the notional approach has to be reported (see Article 3.8 f) of the General Conditions) and confirmed by the Organisation. The notional approach does not purport to impose an obligation on the Organisation itself to cover such costs (even though the Organisation may be considered as another donor - see the clarification to the definition of “Multi-Donor Action” in Article 1 above).
Priority of Consumption:
In order to keep the Contracting Authority’s presence in a long-term Action short, cost eligible for EU funding can be charged to the EU Contribution as a priority during the Contracting Authority’s presence in the Action. Priority of consumption has to do with the 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 the Contribution Agreement) are attributed as a priority to the EU Contribution, and not divided among the donors pro rata, as could otherwise be expected. In this way, the Contracting Authority’s financial participation can come to an end more quickly. In other words, during the implementation period set out in the Contribution Agreement, it is assumed that the EU funds are “consumed” first.

The concepts of notional approach and priority of consumption are not applicable to Contribution Agreements where the maximum EU Contribution is also expressed as a percentage (Contribution Agreements following calls for proposals, see Annex II.b). As indicated above, they also do not apply where the EU Contribution is earmarked.

In case of Multi-Donor Actions where other donors (i.e. apart from the EU and the Organisation/Partners) contribute to the Action, it should be discussed at any early stage how potential remaining funds at the end of the Action will be used/distributed by the Organisation. This is particularly relevant where the overall action lasts longer than the Implementation Period of the Action. Relevant arrangements should then be reflected in the Special Conditions (see INTPA Companion, section 5.1.4.4).

Article 2 – General obligations

Implementation of the Action

2.1 The Organisation is responsible for the implementation of the Action described in Annex I, regardless of whether the activities are performed by the Organisation itself, a Contractor or a Grant Beneficiary. Both Parties will endeavour to strengthen their mutual contacts with a view to foster the exchange of information throughout the
implementation of the Action. To this end, the Organisation and the Contracting Authority shall participate in coordination meetings and other jointly organised common activities, and the Organisation shall invite the European Commission to join any donor committee which may be set up in relation to the Action.

Financial responsibility is regulated by Article 2.3 of the General Conditions.

See also Article 6 of Annex II.a for Multi-Partner Agreements and the last paragraph of Annex II.b for Agreements involving non-pillar assessed Partners and/or affiliated entities.

Responsibility

2.2 The Organisation shall be responsible for the performance of the obligations under this Agreement with a due degree of professional care and diligence, which means that it shall apply the same level of duty and care which it applies in managing its own funds. The Organisation shall respect the principles of Sound Financial Management, transparency, non-discrimination and visibility of the European Union in the implementation of the Action.

2.3 The Organisation shall have full financial responsibility towards the Contracting Authority for all funds, including those unduly paid to or incorrectly used by Contractors or Grant Beneficiaries. The Organisation shall take measures to prevent, detect and correct irregularities and fraud when implementing the Action. To this end, the Organisation shall carry out, in accordance with the principle of proportionality and its positively assessed Regulations and Rules, ex-ante and/or ex-post controls including, where appropriate, on-the-spot checks on representative and/or risk-based samples of transactions, to ensure that the Action financed by the EU Contribution is effectively carried out and implemented correctly. The Organisation shall inform the European Commission and the Contracting Authority of irregularities and fraud detected in the management of the EU Contribution and the measures taken. Where funds have been unduly paid to or incorrectly used by Contractors or Grant Beneficiaries, the Organisation shall take all applicable measures in accordance with its own Regulations and Rules to recover those funds, including, where appropriate, by bringing legal proceedings and by endeavouring to assign claims against its Contractors or Grant Beneficiaries to the Contracting Authority or the European Commission. Where the Organisation has exhausted such measures and the non-recovery is not the result of error or negligence on the part of the Organisation, the Contracting Authority will consider the amounts that could not be recovered from Contractors and/or Grant Beneficiaries as eligible costs.

The Organisation’s financial responsibility also includes the part of the Action implemented by Contractors and Grant Beneficiaries, subject to the below.

The Organisation is responsible for managing the EU Contribution with the same care as it would manage its own funds through the use of its own Regulations and Rules.

The last sentence was already part of the PAGoDA template Special Conditions and has now been moved to the General Conditions as the obligation applies to all actions.

Pillar assessed Partners are financially responsible for the part of the Action implemented by them (see Article 6 of Annex II.a).

Subject to the above, each Organisation/Partner is financially responsible for its affiliated entities.

For the purpose of this Article, the funds unduly paid to or incorrectly used by Contractors or Grant Beneficiaries can only be considered eligible for the EU Contribution if the loss of the funds has not derived from any error or negligence on the part of the Organisation and if the Organisation has taken all applicable measures in accordance with its own Regulations and Rules to recover the funds. This may include the recovery through legal proceedings.

The assessment on whether all the applicable measures were taken should be based
on the following criteria:

a) it is clear that the Organisation applied the same level of duty of care it normally applies to its own funds;
b) the best efforts of the Organisation and all the measures concretely taken were duly documented;
c) in case a possible measure was not taken, the Organisation documented a reasonable justification for not taking it, as well as it demonstrated it would not have taken such a measure regarding the recovery of its own funds.

For the avoidance of doubt, a separate communication to the Contracting Authority is only necessary where the European Commission is not the Contracting Authority.

Fraud is any intentional act or omission relating to:

a) the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the Union or budgets managed by, or on behalf of, the European Union;
b) non-disclosure of information in violation of a specific obligation, with the same effect;
c) the misapplication of such funds for purposes other than those they were originally granted.

An irregularity is any infringement of a provision of Community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Union or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Union, or by any unjustified item of expenditure. If an irregularity is committed deliberately, however, it is fraud.

Information on irregularities and frauds detected is to be shared timely with the Commission and the Contracting Authority.

Other obligations

2.4 The Organisation undertakes to ensure that the obligations stated in this Agreement under Articles 2.6, 5-Conflict of interests, 7-Data protection, 8-Communication and 2.4.1-Which applicable" refers to situations in which any of the listed provisions may be of relevance for the subject matter of the contract. For example, in the case of
Visibility, 16-Accounts and archiving and Article 17 - Access and financial checks apply, where applicable, to all Contractors and Grant Beneficiaries.

2.5 The Organisation shall notify the Contracting Authority and the European Commission without delay of any substantial change in the rules, procedures and systems applied in the implementation of the Action. This obligation concerns in particular (i) substantial changes affecting the pillar assessment undergone by the Organisation or affecting the rules and procedures which have been assessed by the Commission for the purpose of granting an exemption from the obligation to undergo a pillar-assessment, or (ii) those that may affect the conditions for eligibility provided for in the applicable legal instruments of the EU. The Parties shall use their best efforts to resolve amicably any issues resulting from such changes. The Contracting Authority reserves the right to adopt or require additional measures in response to such changes. In the event an agreement on such measures or other solutions cannot be reached between the Parties, either Party may terminate the Agreement in accordance with Article 13.3.

2.6 The Organisation shall promote the respect of human rights and respect applicable environmental legislation including multilateral environmental agreements, as well as internationally agreed core labour standards. The Organisation shall not support activities that contribute to money laundering, terrorism financing, tax avoidance, tax fraud or tax evasion.

For the purpose of this Article, the notion of substantial change is to be assessed by the Organisation, with changes deemed, in particular, to be substantial if they were to affect the pillar assessment or the rules and procedures which have been assessed by the Commission for the purpose of granting an exemption from the obligation to undergo a pillar-assessment (applicable in the case of EU Decentralised Agencies – see also article 1.3 of the Special Conditions for additional details). When in doubt, the Organisation should always notify the Commission of the changes.

Tax evasion or tax fraud means using illegal practices to avoid paying taxes, for example by not declaring profits or using various ways to avoid paying VAT.

Tax avoidance means using legal instruments in order to pay as little tax as possible, for example by shifting profits to a low-tax country or deducting interest payments for loans with artificially-inflated interest rates. Projects shall not be structured in a way to contribute to tax avoidance. The financed projects should not involve aggressive tax planning, i.e. it should be established that there are sound business reasons (other than tax reasons) for structuring of the projects and that they are not structured so to take advantage of the technicalities of a tax system or of mismatches between two or more tax systems for the purpose of reducing tax liability.

The obligation to not support activities that contribute to tax avoidance is deemed to be complied with if the Organisation applies the exclusion situations related to shell companies included in Article 23.2 d) and 23.2 e) of the General Conditions.

Further information is included in the Communication from the Commission on new requirements against tax avoidance in EU legislation governing in particular financing and investment operations of March 21, 2018 (COM (2018) 1756 – see INTPA Companion, annex e6a).
2.7 Where the European Commission is not the Contracting Authority, it shall not be a party to this Agreement, with the consequence that rights and obligations are conferred upon it only where explicitly stated. This is without prejudice to the European Commission’s role in promoting a consistent interpretation of the terms of this Agreement.

Article 3 – Obligations regarding information and reporting

General issues

3.1 The Organisation shall provide the Contracting Authority with full information on the implementation of the Action. To that end, the Organisation shall include in Annex I a work plan at least for the first year of the Implementation Period (or the whole Implementation Period where it is less than one year). The Organisation shall submit to the Contracting Authority progress report(s) and a final report in accordance with the provisions below. These reports shall consist of a narrative part and a financial part.

The “Implementation Period” starts at a date as defined in Article 2.2 of the Special Conditions and it takes the number of months as specified in Article 2.3 of the Special Conditions. The Implementation Period ends at the conclusion of that number of months.

The “Implementation Period” should be distinguished from the “End Date” of the Agreement as defined in Article 1 of the General Conditions.

The Contribution Agreement does not impose a template for reporting and hence Organisations are free to use their own format, provided that the minimum requirements for reporting foreseen in this Article are met, as well as possible additional reporting requirements specified under Article 4 of the Special Conditions. Therefore, an Organisation can generally use its own templates/format. This is also the case for the budget, i.e. Annex III (e.g. resources-based budget or activity-based budget). However, in the context of calls for proposals, Organisations have to use the templates published with the relevant call. At the pre-contractual stage, the Contracting Authority may request additional information on the budget headings and items to properly assess the Organisation’s proposal.

Article 3 of the General Conditions sets out minimum requirements that the financial and narrative reports must comply with. These reports shall be laid out in such a way as to allow monitoring of objective(s), the means envisaged and employed. The level of detail in the reports shall match that of Annexes I and III, including detail on...
incurred number of units and unit costs when they are foreseen in the budget.

As a general principle, there should be one progress report for every twelve-months of implementation. This frequency of reporting is in principle considered sufficient by the Contracting Authority. To request more than one report per year represents an exception to this general rule. Where specific circumstances require an increase in the frequency of reports, this will be agreed by the Parties beforehand, and explicitly stipulated in the Special Conditions of the Contribution Agreement (namely Article 4.3).

The Authorising Officer may decide that reports can be provided via e-mail in electronic form if the following conditions are fulfilled:

a) A functional mailbox of the Contracting Authority is indicated for this purpose in Article 5.3 of the Special Conditions of the relevant agreement.

b) The responsible service of the Contracting Authority manually acknowledges the receipt of the relevant report (i.e. it is not sufficient to have an automatic acknowledgement of receipt). In addition, emails must be registered by the responsible service (e.g. in ARES or ABAC) like a payment request received on paper.

If this option is not used, advance copies of reports may still be submitted by electronic means, but the electronic submission will not trigger the deadline for payments.

3.2 Every report, whether progress or final, shall provide a complete account of all relevant aspects of the implementation of the Action for the period covered. The report shall describe the implementation of the Action according to the activities envisaged in Annex I as well as the degree of achievement of its Results (Outcomes or Outputs) as measured by corresponding indicators. The report shall be drafted in such a way as to allow monitoring of the objective(s), the means envisaged and employed. The level of detail in any report shall match that of Annexes I and III.

The narrative report will maintain the level of detail of the Annex I and it has to include the elements listed in Article 3.7 of the General Conditions.

The financial report will be presented with the same level of detail as the budget headings/items established in Annex III.

3.3 Where the overall action of the Organisation lasts longer than the Implementation Period of this Agreement, the Contracting Authority may request – in addition to the final reports to be submitted pursuant to Article 3.8 – the final reports of the overall action, once available.

Overall action

The notion of overall action is relevant in the context of Multi-Donor Actions where the project continues after the end of the Implementation Period of the Contribution Agreement. In this case, the Contracting Authority may request (at any time) the Organisation to submit – in addition to the final report to be provided in accordance with Article 3.8 of the General Conditions – also final reports produced
at the end of the overall action.

There is no link between the final report of the overall action and the final payment in accordance with Article 20 of the General Conditions, i.e. the payment shall not be made contingent on the submission of the final report on the overall action.

The concepts of *notional approach* and *priority of consumption* (see explanations in the Additional Definitions above) will often be relevant in this context.

In case of Multi-Donor Actions where other donors (i.e. apart from the EU and the Organisation/Partners) contribute to the Action, it should be discussed at any early stage how potential remaining funds at the end of the Action will be used/distributed by the Organisation. Relevant arrangements should then be reflected in the Special Conditions (see INTPA Companion, section 5.1.4.4).

**3.4** Any alternative or additional reporting requirement shall be set out in the Special Conditions.

As a general principle, there should be one progress report for every twelve months of implementation. This frequency of reporting is, in principle, considered sufficient by the Contracting Authority.

Where specific circumstances require an increase in the frequency of reports, this will be agreed by the Parties beforehand, and explicitly stipulated in the Special Conditions of the Contribution Agreement (namely *Article 4.x*).

Alternative or additional reporting requirements should be discussed between the Parties as early as possible.

Any deviations to the standard reporting requirements shall respect the relevant provisions in the applicable Financial Framework Partnership Agreement (FFPA), where relevant.

These additional reporting requirements may also include specifications to what already is included in *Article 3* of the General Conditions, and may relate both to substance and form (i.e. minimum $\frac{1}{2}$ page etc.).

**For EU external action:**
As long as alternative or additional reporting requirements include the minimum elements stated in Article 3 of the General Conditions a derogation/exception request (as per the rules of the relevant Commission service) is not needed. The agreed requirements have to be introduced in a new paragraph under Article 4 of the Special Conditions.

Alternative or additional reporting requirements which would not include all elements set out in Article 3 of the General Conditions have to be mutually agreed, justified and appropriate in the light of the specific circumstances. This needs to be reflected in Article 7.2 of the Special Conditions and an exception case (for INTPA currently case 7.b) must be registered.

3.5 The Contracting Authority may request additional information at any time, providing the reasons for that request. Subject to the Organisation’s Regulations and Rules, such information shall be supplied within thirty (30) days of receipt of the request. The Organisation may submit a duly motivated request to extend the 30-day deadline.

The additional information requested by the Contracting Authority under this Article shall be reasonable and relevant. This Article does not impose additional reporting requirements nor will the obtained additional information be used for a desk review, verification or audit, which are regulated under Article 17 of the General Conditions and, if applicable, under the verification clause/annex of the FFPA signed with the Organisation.

The request for additional information or clarifications does not immediately imply a suspension of the time limit for payment, which is subject to the provisions of Article 12 of the General Conditions. As per Article 12.1 b) of the General Conditions, the suspension may be considered when the Contracting Authority has doubts about compliance by the Organisation with its obligations in the implementation of the Action.

No request for extension of the deadline should be unreasonably withheld.

Please note that the terms ‘Subject to the Organisation’s Regulations and Rules’ only refer to the time limit of 30 days, not to the content or extent of the information to be provided by the Organisation.

3.6 The Organisation shall notify the Contracting Authority without delay of any circumstances likely to adversely affect the implementation and management of the Action, or to delay or jeopardise the performance of the activities.

It is underlined that this includes the obligation to notify the contracting authority without delay of any case of physical abuse or punishment, or threats of physical abuse, sexual abuse or exploitation, harassment and verbal abuse, as well as other forms of intimidation committed in relation to the implementation of the Action...
Content of the reports

3.7 The progress report(s) shall relate directly to this Agreement and shall at least include:

a) summary and context of the Action;

b) actual Results: an updated table based on a logical framework matrix including reporting of Results achieved by the Action (Outcomes or Outputs) as measured by their corresponding Indicators, agreed baselines and targets, and relevant data sources;

c) information on the activities directly related to the Action as described in Annex I and carried out during the reporting period;

d) information on the difficulties encountered and measures taken to overcome problems and eventual changes introduced;

e) information on the implementation of the Visibility and Communication Plan (Annex VI) and any additional measures taken to identify the EU as source of financing;

f) a breakdown of the total costs, following the structure set out in Annex III, incurred from the beginning of the Action as well as the legal commitments entered into by the Organisation during the reporting period;

g) a summary of controls carried out and available final audit reports in line with the Organisation's policy on disclosure of such controls and audit reports. Where errors and weaknesses in systems were identified, an analysis of their nature and extent, as well as information on corrective measures taken or planned, shall also be provided;

h) where applicable, a request for payment;

i) work plan and budget forecast for the next reporting period.

Article 3.7 b)

For the progress made in the achievement of the Results (Article 3.7 b) of the General Conditions), information on Outputs and/or Outcomes should be provided.

The Logical Framework presented for the Description of the Action should be updated for reporting purposes by adding one column providing the actual value of the Results/Indicators for each relevant level of the chain of the Results. Any necessary update/modification of the targets, baselines or sources of verification related to these Indicators should be made in the same Logical Framework of the Action with due consideration to the rules for amendments (see Article 11 of the General Conditions).

Where the Commission is the Contracting Authority: once the Operational Information System (OPSYS) is in place (see also Article 4.3 of the Special Conditions), the information under Article 3.7 b) of the General Conditions has to be provided through OPSYS.

Article 3.7 f)

Financial reports should reflect the costs incurred (see explanation for Article 18.1 of the General Conditions) and the amounts subject to legal commitments, presented in 2 separate columns, which correspond to the pertaining reporting period. This reference is crucial for the assessment of the minimum thresholds for further pre-financing, as set out in Article 19 of the General Conditions: 70% of the immediately preceding payment and 100% of previous payments, if any.

As regards eligible amounts disbursed to staff that count for the calculation of the 70% threshold, these have to be included in the costs incurred. The staff costs in question are direct costs corresponding to the Organisation's staff since indirect staff costs are covered by the remuneration. Additionally and for further clarification:

a) Legal commitments cover also (committed and) paid costs.

b) Legal commitments are considered to be contracts that the Organisation...
c) There can be costs of staff of the Organisation that can be considered as direct costs (if they are directly related to the Action), still are not covered by a legal commitment (see above). These amounts need to be taken into consideration along with the legal commitments of the project, to evaluate a further pre-financing payment.

d) Direct costs that correspond to staff outside the Organisation, shall be included in the legal commitments (in order to avoid double calculation, based on the 1st comment above).

Costs and commitments of Partners and affiliated entities also have to be included in the reports.

Article 3.7 g)
This obligation is without prejudice to the obligation to inform the Commission (and the Contracting Authority) about any irregularities and fraud in accordance with Article 2.3 of the General Conditions.

Article 3.7 i)
The forecast budget for the next reporting period must be provided to allow defining the amount of the next pre-financing payment when the latter is not yet defined in the Special Conditions.

For Multi-Donor Actions where the EU Contribution is earmarked, the information required as per Articles 3.7 f), 3.8 b) and 3.8 c) of the General Conditions has to be included only for the part of the Action financed by the EU Contribution. Such cases have to be indicated in Article 4 of the Special Conditions (optional text “The information required as per Articles 3.7 f), 3.8 b) and c) of Annex II has to be included only for the part of the Action financed by the EU Contribution”). All other reporting elements have to cover the entire Action. As regards the financial reporting for the parts that are not (co-)financed by the EU Contribution, the Organisation should at least include the total amount disbursed and the total amount of commitments made in the relevant period.

In all other cases, the information requested under this Article shall cover the full Action (for a definition of an Action see Article 1 of the General Conditions).
3.8 The final report shall cover the entire Implementation Period and include:

a) all the information requested in Article 3.7 a) to h);

b) a summary of the Action’s receipts, payments received and of the eligible costs incurred;

c) where applicable, an overview of any funds unduly paid or incorrectly used which the Organisation could or could not recover itself;

d) the exact link to the webpage where, according to Article 22.1, information on Grant Beneficiaries and Contractors is available;

e) if relevant, details of transfers of equipment, vehicles and remaining major supplies mentioned in Article 9;

f) where the Action is a Multi-Donor Action and the EU Contribution is not earmarked, a confirmation from the Organisation that an amount corresponding to that paid by the Contracting Authority has been used in accordance with the obligations laid down in this Agreement and that costs that were not eligible for the EU Contribution have been covered by other donors’ contributions;

g) where applicable, a request for payment.

Article 3.8 b)
This article sets the requirement to indicate all sources of financing. In case the Action was a Multi-Donor Action and the EU contribution was not earmarked, the final report would include information on amounts contributed by other donors. This is also important because of the “notional approach” mentioned also under Article 3.8 f) of the General Conditions.

Article 3.8 c)
Explanations on the measures that have been put in place to recover the funds and why such measures were not successful must be provided by the Organisation in the report (see in this context also the explanation to Article 2.3 of the General Conditions).

With reference to Article 3.8 f) of the General Conditions, it is understood that the meaning of such Article is that the Organisation needs to indicate in the Final Report whether reported costs that were not considered eligible for the Contracting Authority have been covered by other donors’ contributions under which such costs were considered eligible. For the avoidance of doubt, Article 3.8 f) of the General Conditions does not purport to impose an obligation on the Organisation itself to cover such costs (even though the Organisation may be considered as another donor – see the clarification to the definition of Multi-Donor Action in Article 1 of the General Conditions above). On the scope of the reporting in cases of Multi-Donor Actions, see the explanation to Article 3.7 of the General Conditions.

Subject to the conditions described under Article 3.1 of the General Conditions, reports (and the payment requests, see Article 19.2 of the General Conditions) can also be submitted in electronic format via e-mail.

Unless otherwise specified in the applicable FFPA, the reports shall be sent to the Contracting Authority (as per the contact details determined in Article 5 of the Special Conditions) i.e. it is not sufficient to refer the Contracting Authority to a website that contains the relevant information.

All reports have to be specific to the Action.

3.9 The Organisation shall submit a report for every reporting period as specified in the Special Conditions starting from the commencement of the Implementation Period, unless otherwise specified in the Special Conditions. Reporting, narrative as well as financial, shall cover the whole Action, regardless of whether this Action is entirely or partly financed by the EU Contribution. Progress reports shall be submitted within sixty (60) days after the period covered by such report. The final report shall be submitted, at the latest, six (6) months after the end of the Implementation Period.

1 By default, the reporting period is every 12 months as from the commencement of the Implementation Period.
The Contracting Authority and the Organisation may agree on a different reporting schedule, be that for a specific report or for the whole reporting schedule (see also explanations related to Article 3.4 of the General Conditions above). It is possible, for example, to agree that the first report will be submitted before the end of the first year to then align the following reports with the financial year of the Organisation. As for other deviating reporting arrangements, this has to be specified in the Special Conditions.

Management Declaration

3.10 Every progress and final report shall be accompanied by a management declaration in accordance with the template included in Annex VII, unless Article 1.5 of the Special Conditions states that an annual management declaration shall be sent to the European Commission headquarters, separately from the reports provided under this Agreement.

Contribution Agreements contain the obligation to provide with every report a Management Declaration following the template annexed to the Contribution Agreement as Annex VII (see INTPA Companion, annex e2f7 and NEAR Map, section E.6.1). This obligation applies in all cases, i.e. also when the Contribution Agreement results from a call for proposals or when the Contracting Authority is from a Partner Country. The management declaration is one of the elements of the Commission’s internal control system and it serves the purpose of confirming that:

a) the information provided in the report is properly presented, complete and accurate;

b) the EU contribution was used for its intended purpose, as defined in the Contribution Agreements;

c) the control systems put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions;

d) the Organisation performed the activities in compliance with the obligations laid down in the Contribution Agreement and applying the rules and procedures defined in Article 1.3 of the Special Conditions.

However, it is possible to agree with the Commission to send annually both the Management Declaration covering all ongoing Contribution Agreements and – where relevant – the Audit or Control Opinion. In case there is an arrangement with the European Commission for this purpose, the Management Declaration shall be sent annually to INTPA R4 (europeaid-r4@ec.europa.eu) and it must cover all Contribution Agreements signed between the Commission (all services) and the Organisation. This arrangement can either be included in the FFPA or established through an exchange of letters. The template to be used for the annual Management declaration is Annex VII (Management Declaration template) with
additional reference to the related Agreements (Contribution Agreements and Delegation Agreements) that were ongoing during the related year.

The list of arrangements with the Organisations can be found on INTPA R4 Intranet: https://myintraomm.ec.europa.eu/dgi/INTPA/finance-contracts-legal/financing-contracting-guides/companion/Pages/management-declaration-control-audit-opinion.aspx.

In this case, the Organisation sends within the year “n” (this could be either the calendar year or the financial year of the Organisation):

a) The Annual Management Declaration for year “n-1” covering all contracts implemented in year “n-1” (calendar year or financial year of the Organisation, as indicated in the Annual Management Declaration). This Management Declaration is valid until the end of year “n+1” (calendar year or financial year of the Organisation), i.e. it serves as Management Declaration for payment requests/reports submitted until this point in time. **In case the Management Declaration is missing or does not cover the relevant/correct period, the reports will be considered incomplete and the Contracting Authority may suspend the respective payment.** Example: Organisation “X” provides in April 2017 an Annual Management Declaration covering the period 1/10/2015 to 30/09/2016. The Declaration is valid until 30/09/2018; and – where relevant

b) The Audit or Control Opinion of the accounts of the organisation related to financial transactions of the Action(s) funded by the EU in year “n-1”.

The Organisation shall indicate in every report submitted (either progress or final) whether the Management Declaration and Audit or Control Opinion are attached to the report, or sent annually to the Commission headquarters. In the latter case, services can check on this web page whether the relevant documents have been sent.

In case of Multi-Partner Agreements, the Organisation and pillar assessed Partners will each submit Management Declarations related to the part of the Action implemented by them (see also Article 3 b) of the Annex II.a). Where part of the
Action is implemented by a non-pillar assessed Partner and/or an affiliated entity, the Management Declaration of the Organisation will also cover the part of the Action implemented by the non-assessed Partner and/or affiliated entity (see Annex II.b).

If the Organisation has opted for the submission of an annual management declaration, such declaration may cover both Contribution Agreements and Delegation Agreements (based on the PAGoDA template). There is no need to (re-)submit the annual declaration with the progress or final reports.

For the avoidance of doubt, the annual management declaration shall also be sent to the Commission headquarters when the Agreement is managed by an EU Delegation or a Contracting Authority from a Partner Country.

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**Audit or control opinion for organisations other than International Organisations / Member State Organisations**

### 3.11

In case the Organisation is neither an International Organisation, nor a Member State Organisation, the Organisation shall provide an audit or control opinion in accordance with internationally accepted audit standards, establishing whether the accounts give a true and fair view, whether the control systems in place function properly, and whether the underlying transactions are managed in accordance with the provisions of this Agreement. The opinion shall also state whether the audit work puts in doubt the assertions made in the management declaration mentioned above.

The Audit or Control Opinion should refer to the financial transactions of the Action(s) funded by the EU. That is to say, an overall financial audit on the Organisation or its annual audited balance sheets do not meet these requirements and are therefore not sufficient.

The list of arrangements with the Organisations that have opted for an annual submission is available here: [https://myintra.com/ieuropaeu/dgINTPA/finance-contracts-legal/financing-contracting-guides/companion/Pages/management-declaration-control-audit-opinion](https://myintra.com/ieuropaeu/dgINTPA/finance-contracts-legal/financing-contracting-guides/companion/Pages/management-declaration-control-audit-opinion).

The Audit or Control Opinion can be issued by an audit body which is operationally independent from the Organisation. In the case of EU decentralised agencies, the Audit or Control Opinion can be provided by the Internal Audit Service of the agency, provided that the parent DG positively assesses its compliance with Articles 154 and 155 of the Financial Regulation.

In case of Multi-Partner Agreements, the audit opinion is only requested from the Partner(s) that are neither an International Organisation nor a Member State Organisation.

For further information, see comments on Article 3.11 of the General Conditions above.
3.12 Such audit or control opinion shall be provided up to one (1) month following the management declaration sent with every progress or final report, unless Article 1.5 of the Special Conditions states that the management declaration and the audit or control opinion shall be sent annually to the European Commission headquarters separately from the reports provided under this Agreement.

Currency for reporting

3.13 The reports shall be submitted in the Currency of the Agreement as specified in Article 3 of the Special Conditions. The “Currency of the Agreement” is stated in the Special Conditions. By default it is EUR, but it may also be the accounting currency of the Organisation if the Organisation so requests (see Article 3.1 of the Special Conditions). In case the Currency of the Agreement is the accounting currency of the Organisation, every report and payment request will be presented in such currency. The only contractual reference in EUR is the maximum amount of the EU Contribution which corresponds to the EU budgetary commitment for the Action and cannot be exceeded, as stated in Article 20.2 of the General Conditions. It is important that the Organisation is made aware of this ceiling when negotiating a Contribution Agreement not in EUR.

If the Currency of the Agreement is the accounting currency of the Organisation, for the purpose of reporting there will be no need to set a conversion rule from the accounting currency of the Organisation to EUR.

Where necessary, the conversion should be made in accordance with the Organisation’s cost accounting practices (see Article 3.14 of the General Conditions).

3.14 The Organisation shall convert legal commitments, the Action’s receipts and costs incurred in currencies other than the accounting currency of the Organisation according to its usual accounting practices.

Failure to comply with reporting obligations

3.15 If the Organisation is unable to present a progress or final report, together with the accompanying documents, by the deadline set out in Article 3.9, the Organisation shall inform the Contracting Authority in writing of the reasons. The Organisation shall also provide a summary of the state of progress of the Action and, where applicable, a provisional work plan for the next period. If the Organisation fails to It is understood that the two-month period refers to the failure to inform the Contracting Authority of the reasons for the delay and the failure to provide the summary of the state of progress of the Action.
comply with this obligation for two (2) months, following the deadline set out in Article 3.9, the Contracting Authority may terminate the Agreement in accordance with Article 13, refuse to pay any outstanding amount and recover any amount unduly paid.

**Article 4 – Liability towards third parties**

**4.1** The European Commission shall not, under any circumstances or for any reason whatsoever, be held liable for damage or injury sustained by the staff or property of the Organisation while the Action is being carried out, or as a consequence of the Action. The European Commission shall not therefore accept any claim for compensation or increase in payment in connection with such damage or injury.

**4.2** The European Commission shall not, under any circumstances or for any reason whatsoever, be held liable towards third parties, including liability for damage or injury of any kind sustained by them in respect of or arising out of the implementation of the Action.

**4.3** The Organisation shall discharge the European Commission of all liability associated with any claim or action brought as a result of an infringement of the Organisation's Regulations and Rules committed by the Organisation or Organisation's employees or individuals for whom those employees are responsible, or as a result of a violation of a third party's rights in the context of the implementation of the Action.

**Article 5 – Conflict of interests**

**5.1** The Organisation shall refrain, in accordance with its Regulations and Rules, from any action which may give rise to a conflict of interests.

The Organisation shall refrain from acting in any manner that would interfere with an impartial and objective implementation of the Contribution Agreement. It shall also comply with the obligation to identify and take appropriate measures to avoid or resolve a conflict of interests.

In the context of Actions where the decision to finance a particular activity is based on the opinion of a steering committee, the decision by the Organisation to finance any project selected by a steering committee (whenever applicable) does not constitute *per se* a “conflict of interests” (this is often the case in blending
Without prejudice to Article 5.2 of the General Conditions, the decision by the Organisation to finance any project identified in the course, or as a result, of the implementation of the Action shall not constitute a "conflict of interest" within the application of Article 5.1 of the General Conditions provided that such financing is compliant with the Organisation's positively assessed Regulations and Rules.

5.2 A conflict of interest shall be deemed to arise where the impartial and objective exercise of the functions of any person implementing the Agreement is compromised.

### Article 6 – Confidentiality

6.1 The Contracting Authority and the Organisation shall both preserve the confidentiality of any document, information or other material directly related to the implementation of the Action that is communicated as confidential. The confidential nature of a document shall not prevent it from being communicated to a third party on a confidential basis when the rules binding the Parties, or the European Commission when it is not the Contracting Authority, so require. In no case can disclosure put in jeopardy the Parties’ privileges and immunities or the safety and security of the Parties’ staff, Contractors, Grant Beneficiaries or the Final Beneficiaries of the Action.

In light of this Article, any document, information or other material directly related to the implementation of the Action which is classified as “restricted”, “confidential” or “secret” by the Organisation or the Contracting Authority shall not be communicated to third Parties in any form or manner.

The fact that documents have been classified as “restricted”, “confidential” or “secret” by the Organisation cannot be a sufficient reason for such documents not to be communicated to the Contracting Authority, on a ‘need-to-know basis’ and only for the part pertaining to the programmes funded by the EU. Should rules binding upon a Party require access to such type of information or documents, the Parties will consult in order to come to a mutually agreeable arrangement informed of the disclosure policies binding upon the Organisation and the regulatory framework of the EU.

Where the European Commission is not the Contracting Authority, it shall still have access to all documents communicated to the Contracting Authority and should maintain the same level of confidentiality (see Article 6.4 of the General Conditions).

6.2 The Parties shall obtain each other’s prior written consent before publicly disclosing such confidential information unless:

a) the communicating Party agrees in writing to release the other Party from the
earlier confidentiality obligations; or
b) the confidential information becomes public through other means than in breach of the confidentiality obligation by the Party bound by that obligation; or
c) the disclosure of confidential information is required by law or by Regulations and Rules established in accordance with the basic constitutive document of any of the Parties.

6.3 The Parties shall remain bound by confidentiality for five (5) years after the End Date of the Agreement, or longer as specified by the communicating Party at the time of communication.

6.4 Where the European Commission is not the Contracting Authority, it shall nonetheless have access to all documents communicated to the Contracting Authority, and shall maintain the same level of confidentiality.

Article 7 – Data protection

The Organisation shall ensure an appropriate protection of personal data in accordance with its applicable Rules and Procedures. Personal data shall be:

- processed lawfully, fairly and in a transparent manner in relation to the data subject;
- collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes;
- adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;
- accurate and, where necessary, kept up to date;
- kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed; and
- processed in a manner that ensures appropriate security of the personal data.

This clause applies until the Organisation’s Regulations and Rules on data protection have been positively assessed.

Once positively assessed, this shall be indicated in Article 1.3 of the Special Conditions and the present article shall cease to apply. However, in relation to article 2.4, please note that all contractors and grant beneficiaries should still at least comply with national laws on data protection.

Member States Organisations applying the General Data Protection Regulation (GDPR) shall be deemed compliant with this provision.

For the avoidance of doubt, Article 7 does not lead to the application of the GDPR to International Organisations. The notion of “Rules and Procedure” is to be understood as “Regulations and Rules” as defined in Article 1 of the General Conditions.
**Article 8 – Communication and visibility**

**8.1** The Organisation shall implement the Communication and Visibility Plan detailed in Annex VI.

In the case of an Action that is co-financed by other donors, visibility for the Commission can be provided within the Organisation’s overall visibility plan for the Action. In such cases, acknowledgement of the use of EU funds, including display of the EU emblem, will be effected in the same manner as for the other donors to the Action and in accordance with the Communication and Visibility in EU-financed external action – Requirements for implementing partners (Projects) (the “Communication Requirements” or any succeeding document thereto), available at: https://ec.europa.eu/europeaid/sites/INTPA/files/communication-visibility-requirements-2018_en.pdf or as per guidelines agreed between the Organisation and the Commission.

The details of the agreed communication and visibility strategy are laid down in the Annex VI of the Contribution Agreement – this is the document where the Organisation explains the proposed communication tools, targets as well as budget planned for the purpose.

**8.2** Unless the European Commission requests or agrees otherwise, the Organisation shall take all appropriate measures to publicise the fact that the Action has received funding from the EU. Information given to the press and to the Final Beneficiaries, as well as all related publicity material, official notices, reports and publications shall acknowledge that the Action was “funded by the European Union” or “co-funded by the European Union” and shall display the EU emblem (twelve yellow stars on a blue background) in an appropriate way. Publications by the Organisation pertaining to the Action, in whatever form and whatever medium, including the internet, shall carry the following disclaimer: “This document was produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.” Such measures shall be carried out in accordance with the Communication and Visibility Requirements for EU External Action published by the European Commission, or with any other guidelines agreed between the European Commission and the Organisation.

In case the provisions in a Contribution Agreement or in a FFPA deviate from the Communication Requirements, the provisions of the Contribution Agreement or FFPA prevail (see section 5.5 of the Communication Requirements).

It is important to note that, according to point 2.3 of the Communication and Visibility Requirements, Contribution Agreements must include a specific budgetary provision for communication and visibility activities that is commensurate with the scale, context and nature of the Action proposed. Therefore, a visibility budget heading/item is required in the budget presented in Annex III.

The disclaimer shall be translated into (the) local language(s) where appropriate. For the avoidance of doubt, please note that the term ‘emblem’ is often used in other Commission documents instead of ‘emblem’.

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Please note that the disclaimer included in publications by the Organisation pertaining to the Action should be translated into the local language(s) where appropriate.

8.3 If, during the implementation of the Action, equipment, vehicles or major supplies are purchased using the EU Contribution, the Organisation shall display appropriate acknowledgement on such vehicles, equipment or major supplies, including the display of the EU emblem (twelve yellow stars on a blue background). Where such display could jeopardise the Organisation's privileges and immunities or the safety of the Organisation's staff or of the Final Beneficiaries, the Organisation shall propose appropriate alternative arrangements. The acknowledgement and the EU emblem shall be of such a size and prominence as to be clearly visible in a manner that shall not create any confusion regarding the identification of the Action as an activity of the Organisation, nor the ownership of the equipment, vehicles or major supplies by the Organisation.

8.4 If, pursuant to Article 9.5, the equipment, vehicles or remaining major supplies purchased with the EU Contribution have not been transferred to the local authorities, local Grant Beneficiaries or Final Beneficiaries when submitting the final report, the visibility requirements as regards this equipment, vehicles or major supplies (in particular display of the EU emblem) shall continue to apply between submission of the final report and the end of the overall action, if the latter is longer. Where the Organisation retains ownership in accordance with Article 9.6, the visibility requirements shall continue to apply as long as the relevant equipment, vehicles or remaining major supplies are used by the Organisation.

8.5 Unless otherwise provided in the Special Conditions, if disclosure risks threatening the Organisation's safety or harming its interests, the European Commission and the Contracting Authority (if other than the European Commission) may publish in any form and medium, including on its internet sites, the name and address of the Organisation, the purpose and amount of the EU Contribution.

8.6 The Organisation shall ensure that reports, publications, press releases and updates relevant to the Action are communicated to the addresses stated in the Special Conditions. By default, all the documents relevant to the Action have to be sent to the Contracting Authority and, more specifically, to the address specified in the Special Conditions.
Conditions upon their issuance.

However, FFPAs may provide for different arrangements. For example, the obligation to communicate reports and other information to the Contracting Authority should be deemed fulfilled once the relevant documents are posted, for example, through a donor portal or website of the Organisation or, if applicable, through a different channel as established to the benefit of the contributors to the Action. This is the case, for example, for the IMF.

8.7 The Parties will consult immediately and endeavour to remedy any detected shortcomings in implementing the visibility requirements set out in this Article. This is without prejudice to measures the Contracting Authority may take in case of substantial breach of an obligation.

Article 9 – Right to use results and transfer of equipment

9.1 Ownership of the results of the Action shall not vest in the Contracting Authority. Subject to Article 6, the Organisation shall grant, and shall act to ensure that any third party concerned grants the Contracting Authority (and the European Commission where it is not the Contracting Authority) the right to use free of charge the results of the Action, including the reports and other documents relating to it, which are subject to industrial or intellectual property rights.

Intellectual property vests in the Organisation (or the Partner, as applicable) and will not be subject to joint or co-ownership with the Contracting Authority. Where the application of Articles 9.1 or 9.2 of the General Conditions poses a problem, the Parties should consult one another with a view to finding a mutually acceptable solution.

By “right to use”, it is understood that the Contracting Authority (and the European Commission where it is not the Contracting Authority) is not prevented from using deliverables produced in the course of the Action by any contractual or legal copyright constraint.

9.2 Where the results mentioned in Article 9.1 include pre-existing rights and the Organisation cannot warrant the Contracting Authority (and the European Commission where it is not the Contracting Authority) the right to use such results, the Organisation shall inform in writing the Contracting Authority (and the European Commission, where it is not the Contracting Authority) accordingly.

9.3 The equipment, vehicles and remaining major supplies purchased with the EU Contribution shall be transferred to or remain with local authorities, local Grant Beneficiaries or Final Beneficiaries, at the latest when submitting the final report. Articles 9.3 to 9.6 of the General Conditions do not apply if the Organisation only requests reimbursement of depreciation costs, following the Organisation’s depreciation rules, instead of the full purchase costs.
Equipment, vehicles and major supplies purchased during an Action financed by the European Union are required to be transferred to local authorities, local Grant Beneficiaries or to the Final Beneficiaries. In case local non-pillar assessed Partners participate in the implementation of the Action, equipment, vehicles and major supplies may also be transferred to such local Partners (see Annex II.b).

However, in cases of Multi-Donor Actions, certain exemptions can be envisaged (see Article 9.5 of the General Conditions).

Without prejudice to the foregoing, the transfer of assets or property should be in accordance with the Organisation’s Regulations and Rules. The decision on the recipients of this transfer pertains to the Organisation and does not require prior approval by the Contracting Authority.

The documentary proof of those transfers shall not be presented with the final reports, but shall be kept for verification for the duration and along with the documents mentioned in Article 16.2.

The Organisation is not required to submit copies or originals of certificates of donation with the final report. The Organisation, however, shall keep the documentary proof of the transfer for verification along with the documents mentioned in Article 16 of the General Conditions.

The form of proof of transfer depends on the concrete transfer. Annex e3h10 to the PRAG standard grant contract can serve as an example.

By way of derogation from Article 9.3, the equipment, vehicles and remaining major supplies purchased with the EU Contribution in the framework of actions which continue after the end of the Implementation Period may be transferred at the end of the overall action. The Organisation shall use the equipment, vehicles and remaining major supplies for the benefit of the Final Beneficiaries. The Organisation shall inform the Contracting Authority on the end use of the equipment, vehicles and remaining major supplies in the final report.

The end of the overall action corresponds to the end of the project carried out by the Organisation, which often lasts longer than the Implementation Period of the Contribution Agreement.

The Implementation Period corresponds to the period during which the activities financed by the EU must take place and related costs will be eligible for EU financing. This period is defined in Article 2.3 of the Special Conditions.

The final report invoked in this Article refers to the one mentioned in Article 3.3 of the General Conditions.

In the event that there are no local authorities, local Grant Beneficiaries or Final Beneficiaries to whom the equipment, vehicles and remaining major supplies could be transferred, the Organisation may transfer them to another action funded by the EU or – exceptionally – retain ownership of the equipment, vehicles and remaining major supplies purchased with the EU Contribution.

The final report invoked in this Article refers to the one mentioned in Article 3.3 of the General Conditions.

The cases foreseen by the word “exceptionally” include the situations in which the
supplies at the end of the Action or the overall action. In such cases, it shall submit a justified written request with an inventory listing of the items concerned and a proposal concerning their use in due course and - at the latest - together with the submission of the final report. In no event may the end use jeopardize the sustainability of the Action.

In case the items are transferred to another action wholly or partially financed by the EU, this shall be indicated in the Description of the Action of the other Action but the costs related to the items may not be included in the budget of the other Action, except for costs related to their use and maintenance.

**Article 10 – Monitoring and evaluation**

**10.1** Keeping in mind the commitment of the Parties to the effective and efficient operation of the Agreement, the Organisation shall invite representatives of the European Commission and the Contracting Authority (if other than the European Commission) to participate at their own costs to the main monitoring missions and evaluation exercises related to the performance of the Action. Participation in evaluation exercises should be ensured by requesting comments from the European Commission and the Contracting Authority on the terms of reference before the exercise takes place, and on the different deliverables related to an evaluation exercise prior to their final approval (as a minimum, on the final report). The Organisation shall send all monitoring and evaluation reports relating to the Action to the European Commission and the Contracting Authority once issued, subject to confidentiality.

Evaluation and monitoring missions are to be distinguished from a financial verification. The former do not affect the latter.

Where evaluations by the Organisation take place, the European Commission should be invited to take part in the mission and should receive the evaluation report. These missions should be completed in a collaborative manner, it being understood that they will be conducted under the Organisation's responsibility.

Deliverables may include, for instance, the inception report, the desk report and any other data collection or interim report.

**10.2** Article 10.1 is without prejudice to any monitoring mission or evaluation exercise, which the European Commission as a donor, or the Contracting Authority, at their own costs, may wish to perform. Monitoring and evaluation missions by representatives of the European Commission or the Contracting Authority shall be planned ahead and completed in a collaborative manner between the staff of the Organisation and the European Commission’s (or Contracting Authority’s) representatives, keeping in mind the commitment of the Parties to the effective and efficient operation of the Agreement. The European Commission (or the Contracting Authority) and the Organisation shall agree on procedural matters in advance. The European Commission (or the Contracting Authority) shall make available to the Organisation the terms of reference of the evaluation exercise before it takes place, as well as the different deliverables (as a minimum, the draft final report) for comments prior to final issuance. The European Commission (or the Contracting Authority) shall send the final monitoring and evaluation report to the Organisation once issued.

The European Commission may perform evaluation missions as a donor. These evaluations are funded by the EU separately from the budget of the Contribution Agreement with the Organisation. Such missions should be planned and completed in a collaborative manner. For that purpose, matters as timing of the missions and questions to be addressed with the management of the Organisation will be previously discussed by both Parties. In this respect, Commission services shall ensure that notice of the intended evaluations and monitoring exercises is communicated to the Organisation as soon as this is available.

For the evaluation or monitoring missions performed by the Commission, the Commission will inform the Organisation of the evaluation and monitoring plans at the beginning of the year and send the terms of reference for information. This is without prejudice to the provisions agreed in the respective FFPA.
In line with the spirit of partnership, the Organisation and the European Commission (and the Contracting Authority, if applicable), may also carry out joint monitoring and/or evaluation. Such arrangements will be discussed and agreed in due time, planned ahead and completed in a collaborative manner.

Considering the shared principles of aid effectiveness as promoted by the Paris Declaration, the European Commission and the Organisation are encouraged to conduct joint evaluation missions. One can also rely on exercises performed by the other (or by another entity where relevant, for example in case of Multi-Donor Actions where such exercises could be carried out by other donors).

Representatives of the relevant partner country shall also be invited to participate at their own costs in the main monitoring missions and evaluation exercises, unless such participation would be detrimental to the objectives of the Action or threaten the safety or harm the interests of Partners, Grant Beneficiaries or Final Beneficiaries.

**Article 11 – Amendment to the Agreement**

**11.1** Without prejudice to Articles 11.3 to 11.7, any amendment to this Agreement, including its annexes, shall be set out in writing in an addendum signed by both Parties. This Agreement can only be amended before the End Date.

An addendum can be used, inter alia, in order to grant an extension of the Implementation Period. The Organisation cannot extend the Implementation Period of the Action unilaterally. Such modification needs to be set out in writing in an addendum to the Contribution Agreement. Between the end of the Implementation Period and the End Date it is still possible to amend the Contribution Agreement.

For the purpose of this Article, the reference to “Parties” includes Partners, i.e. in case of Multi-Partner Agreements, if the initial agreement was signed by the Organisation and the Partner(s), the addendum also has to be signed by the Organisation and the Partner(s). However, where the Organisation has signed the Contribution Agreement on behalf of the Partners (default option), there is no need for the latter to sign the addendum.

Possible modifications which might have a substantive impact on the quality of the implementation should always be discussed in detail with the Contracting Authority beforehand.

**11.2** The requesting Party shall request in writing any amendment thirty (30) days before the amendment is intended to enter into force and no later than thirty (30) days before the End Date, unless there are special circumstances, duly demonstrated by it, and accepted by the other Party. The other Party shall notify its decision regarding the amendment proposed in due time and in any case no later than thirty (30) days.
after the date when the amendment request was received.

11.3

By way of derogation from Articles 11.1 and 11.2, where an amendment to Annex I and/or Annex III does not affect the main purpose of the Action, such as its objectives, strategy and priority areas, and the financial impact is limited to a transfer within a single budget heading, including cancellation or introduction of an item, or a transfer between budget headings involving a variation (as the case may be in cumulative terms) of 25% or less of the amount originally entered (or as amended by a written addendum) in relation to each concerned heading, the Organisation may unilaterally amend Annex I and/or Annex III and shall inform the Contracting Authority accordingly in writing, at the latest in the next report.

With respect to the first sentence of Article 11.3 of the General Conditions, should any doubts arise as to whether the modification affects "the main purpose of the Action", the Organisation shall inform the Contracting Authority in a separate communication. In this case, the Contracting Authority shall proceed with the request as soon as possible.

For the avoidance of doubt, as soon as a modification has an impact on the objectives, strategy or priority areas, no unilateral amendment will be possible.

As there is no standard template for the budget (except where the Organisation responds to a call for proposals), there is room for discussion on what constitutes a budget heading. In order to avoid disputes at a later point, this should be clarified between the Contracting Authority and the Organisation prior to the signature of the Contribution Agreement (see also the respective footnote in the Special Conditions).

For the purpose of interpreting the 25% flexibility rule mentioned above, a budget heading is an aggregate of individual budget lines:

a) In input-based budgets (e.g. in agreements stemming from calls for proposals), a group of budget items related to a particular type/nature of the input constitutes together a budget heading. For instance, in the Commission template for the Budget of the Action, the sections 1 "human resources", 2 "travel", 3 "equipment and supplies", are the budget headings. Within the main budget headings, the Organisation may rearrange items up to 100% without prejudice to Article 11.5 of the General Conditions. The detailed categories of costs within a budget heading are, for example, 1.1 “salaries - gross amount local staff”, 1.1.1 “Technical”, 1.1.2 “Administrative/support staff”, 1.2 “Salaries - gross amount, expat/int. staff”…);

b) In results-based budgets, the aggregation of the resources required to implement an activity/result could be considered as the budget heading. In case of doubt, it is advisable to clarify what the budget headings are before the signature of the agreement.
Within the parameters specified above (and provided the basic purpose of the Action is not affected), the Organisation can, for instance, adjust the unit rates or monthly fees for Staff which are indicative (estimate) at the time when the agreement is signed. The unit rates included in the budget headings are considered as an average and can therefore change over the time of implementation (this is not possible when the SCO approach is followed).

As soon as the Organisation becomes aware that a reallocation of funds exceeding 25% from one budget heading to another will be necessary, an addendum has to be initiated.

Procedure to determine the 25% threshold:

a) The 25% variation is calculated on the original value of each concerned heading where funds are taken from, as well as on the original value of each corresponding heading where the funds are to be added;

b) If more than one modification to a Budget heading is foreseen, such modifications made by the Organisation are taken into account in a cumulative way. That is to say, for example, that if a budget heading was increased by 20% of its initial value (as set out in the Budget of the Action) through unilateral modification, that same heading can be further increased only by up to 5% of that same initial value set out in the budget of the Action (thus reaching in total up to 25% variation of its initial value). Therefore, it is not possible to proceed with several unilateral reallocations which would equal, altogether, a total variation of more than 25%;

c) When the cumulative variations of a given budget heading exceed 25% of the budget heading’s value in force, it is necessary to process a formal budget revision (addendum) for which the EU’s formal approval is required. Any amount in excess of the 25% ceiling which is not covered by an addendum is not eligible for EU financing;

d) The 25% is calculated on the total value of the heading (i.e. the total amount for all years in case of multi-annual Actions and/or Multi-Donor Actions) set out in the actual Budget of the Action (the original one or the one modified through an addendum), not just on
Please assess whether a standard derogation (as stated in Article 7.2 of the Special Conditions) regarding Article 11.3 of the General Conditions is needed in each agreement.

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
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<tbody>
<tr>
<td>11.4</td>
<td>The method described in Article 11.3 shall be used neither to amend the contingency reserve, the rate for remuneration, nor the agreed methodology or fixed amounts/rates of simplified cost options. The contingency reserve (also called “contingencies” in this Manual) is an amount not exceeding 5% of the direct eligible costs that may be included in the budget due to the specificity and the high level of unpredictability of external actions. It aims to cover unforeseen needs and/or fluctuations in the exchange rate. For an example of how to allocate the contingency reserve to direct costs and remuneration, please see the explanation of Article 18.3 below.</td>
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<tr>
<td>11.5</td>
<td>The Organisation may, in agreement with the Contracting Authority, change Outputs, the Indicators and their related targets, baselines and sources of verification described in Annex I and in the logical framework if the change does not affect the main purpose of the Action, without the need for a formal addendum to the Agreement. Changes to Outputs, the Indicators and their related targets, baselines and sources of verification should be agreed in writing (exchange of letters or emails). The Organisation should also highlight the respective changes in the next report. For the avoidance of doubt, the relevant changes constitute an amendment to the Agreement, but they do not require a formal addendum unless they imply a transfer between budget headings involving a variation (as the case may be in cumulative terms) of more than 25% of the amount originally entered (or as amended by an addendum) in relation to each concerned heading.</td>
</tr>
<tr>
<td>11.6</td>
<td>The Organisation may, in agreement with the European Commission, amend Annex VI without the need for a formal addendum to the Agreement. Amendments to Annex VI should be agreed in writing (exchange of letters or emails) directly with the European Commission (even where it is not the Contracting Authority). In case the Contracting Authority is different from the European Commission, the Commission shall inform the relevant Contracting Authority of any agreed changes to Annex VI.</td>
</tr>
</tbody>
</table>
| 11.7    | Changes of address and of bank account shall be notified in writing to the Contracting Authority. Where applicable, changes of bank account must be specified in the request for payment, using the financial identification form attached as Annex IV. Where a payment is to be made to a bank account which is already known to the European Commission (i.e. the Organisation had already signed an agreement before), the Organisation may provide a copy of the relevant financial identification form. There is no need to provide a new original form unless the previously submitted form is no longer applicable. The same applies to the Legal Entity File (LEF). Where the Organisation has signed an agreement before, the
Article 12 – Suspension

12.1 The Contracting Authority may suspend the time limit for payment following a single payment request by notifying the Organisation that either:

a) the amount is not due; or

b) the appropriate supporting documents have not been provided and therefore the Contracting Authority needs to request clarifications, modifications or additional information to the narrative or financial reports. Such clarifications or additional information may notably be requested by the Contracting Authority if it has doubts about compliance by the Organisation with its obligations in the implementation of the Action; or

c) credible information has come to the notice of the Contracting Authority that puts in doubt the eligibility of the reported expenditure; or

d) credible information has come to the notice of the Contracting Authority that indicates a significant deficiency in the functioning of the Internal Control System of the Organisation or that the expenditure reported by the Organisation is linked to a serious irregularity and has not been corrected. In this case, the Contracting Authority may suspend the payment deadline if it is necessary to prevent significant damage to the EU’s financial interests.

The implications are different for each case.

The suspension of the time limit of a single payment request might occur either for reasons strictly related to the payment request itself (situations under a), first sentence of b) and c)), or for reasons related to the implementation of the Action which would put into question the content of the reports or the reliability of the expenditures reported (situations under the second sentence of b) and d)).

In either case, invoking suspension shall be duly substantiated by the Contracting Authority.

Once the payment request is received, the deadline for payment starts running. The time limits for payments are:

a) with respect to the pre-financing instalment as set out in Article 4.2 of the Special Conditions, 30 days from the receipt of the Agreement signed by both Parties as established in Article 19 of the General Conditions (unless a derogation is introduced in Special Conditions in cases where the Implementation Period starts later);

b) with respect to further pre-financing instalments and the final payment, 90 days from the receipt of a payment request accompanied by a progress or final report as laid out in Article 19 of the General Conditions. In the situation listed in Article 12 of the General Conditions, the Contracting Authority is entitled to “stop the
"clock" and suspend the abovementioned time limits for payment. Nonetheless, the suspension of the time limit does not suspend the implementation of the Action nor the eligibility of the costs.

The suspension of the time limit for payment should be applied carefully since the non-provision of a payment may put into jeopardy the implementation of the Action as well as it can have serious negative implication for the Organisation and for the beneficiaries.

The Contracting Authority may also suspend the time limit for payment if supporting documents have been provided but these documents are incomplete (i.e. information is missing). Considering that narrative and financial reports must contain the same level of detail as Annex I and Annex III, lack of the respective details would qualify as "missing information" with the subsequent right to suspend. However, requests for additional information on reports or some other operational details relating to the activities shall not per se suspend the time limit for payment.

For a definition of "irregularity" see the explanations on Article 2.3 of the General Conditions above.

In the situations listed in Article 12.1, the Contracting Authority shall notify the Organisation as soon as possible, and in any case within thirty (30) days from the date on which the payment request was received, of the reasons for the suspension, specifying - where applicable - the additional information required. Suspension shall take effect on the date when the Contracting Authority sends the notification stating the reasons for the suspension. The remaining payment period shall start to run again from the date on which the requested information or revised documents are received or the necessary further checks are carried out. If the requested information or documents are not provided within the deadline fixed in the notification or are incomplete, payment may be made on the basis of the partial information available.

The suspension of the time limit is encoded in the system and takes effect on the date when the Contracting Authority sends the notification to the Organisation stating the reasons for suspension.

This notification has to take place within 30 days from the reception of the payment request. After this deadline, the time limit can no longer be suspended. However, it is still possible to ask for additional information before processing the payment.

The suspension of the time limit for the payment may be lifted, if the Organisation, in its observations submitted pursuant to Article 12.2 of the General Conditions, confirms that remedial measures are being taken to the satisfaction of the Contracting Authority.

When the observations are not submitted or are incomplete, it is still possible to proceed to a partial payment on the basis of the information available.
12.3 The Contracting Authority may suspend the implementation of the Agreement, fully or partly, if:
   a) the Contracting Authority has proof that irregularities, fraud or breach of substantial obligations have been committed by the Organisation in the procedure of its selection, in its pillar assessment or in the implementation of the Action;
   b) the Contracting Authority has proof that irregularities, fraud or breach of obligations have occurred which call into question the reliability or effectiveness of the Organisation's Internal Control System or the legality and regularity of the underlying transactions;
   c) the Contracting Authority has proof that the Organisation has committed irregularities, fraud or breaches of obligations under other agreements funded by EU funds provided that those irregularities, fraud or breaches of obligations have a material impact on this Agreement.

12.4 Before suspension, the Contracting Authority shall formally notify the Organisation of its intention to suspend, inviting the Organisation to make observations within ten (10) days from the receipt of the notification. If the Organisation does not submit observations, or if - after examination of the observations submitted by the Organisation - the Contracting Authority decides to pursue the suspension, the Contracting Authority may suspend all or part of the implementation of this Agreement serving seven (7) days' prior notice. In case of suspension of part of the implementation of the Agreement, upon request of the Organisation, the Parties shall enter into discussions in order to find the arrangements necessary to continue the part of the implementation that is not suspended. Any expenditures or costs incurred by the Organisation during the suspension and related to the part of the Agreement suspended shall not be reimbursed, nor be covered by the Contracting Authority. Following suspension of the implementation of the Agreement, the Contracting Authority may terminate the Agreement in accordance with Article 13.2, recover amounts unduly paid and/or, in agreement with the Organisation, resume implementation of the Agreement. In the latter case, the Parties will amend the Agreement where necessary.

12.5 The Organisation may decide to suspend the implementation of all or part of the Action if exceptional or unforeseen circumstances beyond the control of the Organisation make such implementation impossible or excessively difficult, such as in cases of Force Majeure. The Organisation shall inform the Contracting Authority immediately and provide all the necessary details, including the measures taken to minimise any possible damage, and the foreseeable effect and date of resumption. Costs incurred during this type of suspension of the Agreement are not eligible.

The result of a suspension of the implementation of the Agreement by the Contracting Authority is that the related costs incurred are not eligible (subject to Article 12.8 of the General Conditions below). The Organisation may still continue with the implementation but the relevant costs will have to be covered by other sources.

The Agreement may be suspended in full or in part. In case of partial suspension, it might be necessary to find practical arrangements with the Organisation in order to continue the part of the implementation which is not suspended. In such a case, the costs related to the part of the Agreement that is not suspended remain eligible.

If, following the suspension, the implementation is resumed, the Agreement might have to be amended to be adjusted to the new situation (for example, for an extension of the Implementation Period).

This provision covers the suspension of the implementation of the Action by the Organisation. This includes Force Majeure (as defined in Article 1 of the General Conditions) and other exceptional and unforeseen circumstances that are beyond control of the Organisation. It covers, inter alia, the situations where there is an unacceptable risk to the security of staff members, experts or their contractors.
involved in the implementation of the Action. More specifically, the Organisation may cancel some or all of the scheduled activities if such a situation arises. Such a cancellation has to be processed in accordance with Article 11 of the General Conditions.

The Organisation should immediately inform the Contracting Authority of the need to suspend the implementation of the Action due to Force Majeure or other exceptional or unforeseen circumstances beyond its control which make the implementation impossible or excessively difficult, indicating whether the suspension is full or partial, signalling the start date of the suspension and specifying what measures are taken to minimise the financial damage and the foreseeable date of resumption.

The Organisation may decide to terminate the implementation of all or part of the Action if the suspension renders it impossible for the Organisation to continue the implementation.

12.6 The Contracting Authority may also notify the Organisation of the suspension of the implementation of the Agreement if exceptional circumstances so require, in particular:

a) when a relevant EU Decision identifying a violation of human rights has been adopted; or

b) in cases such as crisis entailing a change of EU policy.

In this case, the reasons for suspension are determined by external events that in generally require immediate action. Under such circumstances, no prior consultation with the Organisation is required and the suspension takes effect on the date stated in the written notification.

12.7 Neither of the Parties shall be held liable for breach of its obligations under the Agreement if Force Majeure or exceptional circumstances as set forth under Articles 12.5 and 12.6 prevent it from fulfilling said obligations, and provided it takes any measures to minimise any possible damage.

The exclusion of responsibility is subject to the conditions that:

a) the breach is caused by the exceptional circumstances or Force Majeure; and,

b) that the party concerned has taken any possible measures to minimise the damage.

12.8 In the situations listed in Articles 12.5 and 12.6, the Parties shall minimise the duration of the suspension and shall resume implementation once the conditions allow. During the suspension period, the Organisation shall be entitled to the reimbursement of the minimum costs, including new legal commitments, necessary for a possible resumption of the implementation of the Agreement or of the Action. The Parties shall agree on such costs, including the reimbursement of legal commitments entered into for implementing the Action before the notification of the suspension was received which the Organisation cannot reasonably suspend, during the suspension of the implementation of the Agreement, the costs are not eligible. However, under exceptional circumstances, such as crisis, the Organisation is likely to need to bear some costs or enter into new legal commitments in order to ensure the security of staff and supplies and guarantee a minimum structure in view of the possible resumption of the Agreement (e.g., costs of warehouse, repatriation of staff, salaries of staff which cannot be allocated to other projects and for which the termination of the contract would not be cost-effective, indemnities or damages which the Organisation might have to pay as a
reallocate or terminate on legal grounds. This is without prejudice to any amendments to the Agreement that may be necessary to adapt the Action to the new implementing conditions, including, if possible, the extension of the Implementation Period or to the termination of the Agreement in accordance with Article 13.3. In case of suspension due to Force Majeure or if the Action is a Multi-Donor Action, the Implementation Period is automatically extended by an amount of time equivalent to the duration of the suspension.

These agreed costs would also include the reimbursement of legal commitments entered into before the notification of the suspension was received by the Organisation, if these commitments cannot be reasonably suspended, reallocated or terminated. In case the Organisation suspends the implementation of all or part of the Action, there is no notification to the Organisation. Instead, this refers to commitments entered into by the Organisation before the suspension took effect.

The Parties should agree on the amount of minimum costs, including legal commitments. To this end, following the notification of the suspension, the Organisation will make a proposal to the Contracting Authority where it justifies the reasons of such costs for the Contracting Authority's approval. The agreement to cover minimum costs should not be unreasonably withheld.

Upon resumption, the Agreement might require amendments to suit the new situation. The Organisation should inform the Contracting Authority through a written note that it resumes the implementation once the conditions allow.

In case of suspension for Force Majeure or in Multi-Donor Actions, the Implementation Period is automatically extended by the time equivalent to the duration of suspension without need of an amendment to the Agreement.

**Article 13 – Termination**

13.1. Without prejudice to any other provision of these General Conditions or penalties foreseen in the EU Financial Regulation, where applicable, and with due regard to the principle of proportionality, the Contracting Authority may terminate the Agreement if the Organisation:

a) fails to fulfil a substantial obligation incumbent on it under the terms of the Agreement;

b) is guilty of misrepresentation or submits false or incomplete statements to obtain the EU Contribution or provides reports that do not reflect reality to obtain or keep the EU Contribution without cause;

The decision to terminate the Agreement is a last resort decision and the principle of proportionality should be taken into account.

Substantial obligations are all requirements that are essential for the proper implementation of the Action. One example are the obligations set out in Article 17 of the General Conditions (see also Article 17). Both the importance of the obligation and the seriousness of the breach should be taken into account when deciding on a possible termination.
c) is bankrupt or being wound up, or is subject to any other similar proceedings;
d) is guilty of Grave Professional Misconduct proven by any justified means;
e) has committed fraud, corruption or any other illegal activity to the detriment of the EU’s financial interests on the basis of proof in the possession of the Contracting Authority;
f) fails to comply with the reporting obligations in accordance with Article 3.15;
g) has committed any of the failings described in Article 12.3 on the basis of proof in the possession of the Contracting Authority.

In accordance with Article 1 of the General Conditions, Grave Professional Misconduct is to be understood as any of:
a) a violation of applicable laws or regulations, in particular the Organisation’s Regulations and Rules, or ethical standards of the profession to which a person or entity belongs, including any conduct leading to sexual or other exploitation or abuse or any wrongful conduct of a person or entity which has an impact on its professional credibility where such conduct denotes wrongful intent or gross negligence.

The fact that the misconduct must be “grave” implies that the conduct denotes a wrongful intent or negligence of certain gravity. Accordingly, any incorrect, imprecise or defective performance of a contract or a part thereof could demonstrate the limited professional competence of the economic operator at issue, but does not automatically imply grave misconduct.

For a definition of “fraud” see the explanations on Article 2.3 of the General Conditions above.

“Corruption” is to be understood as follows:
“Passive Corruption” is the deliberate action of an official, who, directly or through an intermediary, requests or receives advantages of any kind whatsoever, for himself or for a third party, or accepts a promise of such advantage, to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties in a way that damages or is likely to damage the European Union’s financial interest.

“Active Corruption” is the deliberate act of whosoever promises or gives, directly or through an intermediary, an advantage of any kind whatsoever to an official for himself or for a third party for him to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties in a way which damages or is likely to damage the European Union’s financial interests.

The penalties provided for in the 2018 Financial Regulation refer to administrative and financial penalties that the Contracting Authority under certain circumstances may impose without prejudice to the privileges and immunities of the Organisation as regards the enforcement of financial penalties.
Before terminating the Agreement in accordance with Article 13.1, the Contracting Authority shall formally notify the Organisation of its intention to terminate, inviting the Organisation to make observations (including proposals for remedial measures) within thirty (30) days from the receipt of the notification. During this period, and until the termination takes effect, the Contracting Authority may suspend the time limit for any payment in accordance with Article 12.2 as a precautionary measure informing the Organisation immediately in writing. If the Organisation does not submit observations, or if, after examination of the observations submitted by the Organisation, the Contracting Authority decides to pursue the termination, the Contracting Authority may terminate the Agreement serving seven (7) days’ prior notice. During that period, the Organisation may refer the matter to the responsible director in the European Commission. Where the Contracting Authority is the European Commission, the termination will take effect if and when confirmed by the Director only where the Commission is the Contracting Authority. In the event of termination of the Agreement pursuant to Article 13.2 of the General Conditions, the final amount of the EU Contribution shall be determined in accordance with Article 20 of the General Conditions on the basis of the part of the Action carried out up to the date of termination. No indemnity or damage can be claimed by either Party on the account of the termination.

If, at any time, either Party believes that the purpose of the Agreement can no longer be effectively or appropriately performed, it shall consult the other Party. Failing agreement on a solution, either Party may terminate the Agreement by serving sixty (60) days written notice. In this case, the final amount shall cover:

a) payment only for the part of the Action carried out up to the date of termination;
b) in the situations described in Articles 12.5 and 12.6, the unavoidable residual expenditures incurred during the notice period; and,
c) in the situations described in Articles 12.5 and 12.6, reimbursement of legal commitments the Organisation entered into for implementing the Action before the written notice on termination was received by it and which the Organisation cannot reasonably terminate on legal grounds.

The Contracting Authority shall recover the remaining part in accordance with Article 15.
In addition, when the termination is due to reasons which are beyond the control of the Organisation, the Organisation is also entitled to the reimbursement of the unavoidable residual expenditures (i.e., costs related to the closure of the Action) incurred during the notice period. That is to say that the costs necessary for the closure of the activities financed under the Agreement will be reimbursed provided they satisfy the eligibility criteria.

The Organisation is also entitled to the reimbursement of the costs of the legal commitments it entered into for implementing the Action before the written notice was received and which the Organisation cannot reasonably terminate on legal grounds.

For blending projects, in case of termination (with no disbursement of the EU Contribution or very partial disbursement) pursuant to Article 13.3 special arrangements apply for the payment of the remuneration and are included in Article 3.2 of the Special Conditions.

13.4 In the event of termination, a final report and a request for payment of the balance shall be submitted in accordance with Articles 3 and 19. The Contracting Authority shall not reimburse or cover any expenditure or costs which are not included or justified in a report approved by it.

**Article 14 – Applicable law and settlement of disputes**

14.1 The Parties shall endeavour to settle amicably any disputes or complaints relating to the interpretation, application or validity of the Agreement, including its existence or termination.

Amicable settlement is conceived of as the primary remedy for any disagreement concerning the interpretation, application or fulfilment of the Agreement.

In case the Contracting Authority is a Partner Country, the disputed issue can be referred to the Commission for mediation purposes, particularly when the disagreement concerns questions of interpretation of the contractual templates. The mediation by the Commission should come after the amicable settlement procedure has failed.

14.2 Where the Organisation is not an International Organisation, and the European Commission is the Contracting Authority, this Agreement is governed by EU law.

In case the Organisation is not an International Organisation, and no agreement is reached following the settlement attempt, the Parties may refer the matter to the
If the Organisation is not an International Organisation and is not established or incorporated in the EU, the dispute may also be brought before the Brussels courts.
Article 15 – Recovery

15.1 Where an amount is to be recovered under the terms of the Agreement, the Organisation shall repay the amount due to the Contracting Authority.

15.2 Before recovery, the Contracting Authority shall formally notify the Organisation of its intention to recover any undue amount, specifying the amount and the reasons for recovery and inviting the Organisation to make any observations within 30 days from the date of receipt of the notification. If, after examination of the observations submitted by the Organisation or if the Organisation does not submit any observations, the Contracting Authority decides to pursue the recovery procedure, it may confirm recovery by formally notifying the Organisation. If there is a disagreement between the Organisation and the Contracting Authority on the amount to be repaid, the Organisation may refer the matter to the responsible director in the European Commission within thirty (30) days. Where the Contracting Authority is the European Commission, a debit note specifying the terms and the date for payment may be issued after the deadline for the referral to the director. Where the Contracting Authority is not the European Commission, the referral to the responsible director in the European Commission will not prevent the Contracting Authority from issuing the debit note.

15.3 If the Organisation does not make the payment by the date specified in the debit note, the Contracting Authority shall recover the amount due:
   a) by offsetting it against any amounts owed to the Organisation by the EU;  
   b) by taking legal action pursuant to Article 14;  
   c) in exceptional circumstances justified by the necessity to safeguard the financial interests of the EU, the Contracting Authority may, when it has justified grounds to believe that the amount due would be lost, recover by offsetting before the deadline specified in the debit note without the Organisation’s prior consent.

15.4 If the Organisation fails to repay by the due date, the amount due shall be increased by late payment interest calculated at the rate indicated in Article 19.6(a). The interest shall be payable for the period elapsing from the day after the expiration of the time limit for payment up to and including the date when the Contracting Authority actually receives payment in full of the outstanding amount. Any partial payment shall first cover the interest.
Where the European Commission is not the Contracting Authority, it may, if necessary, proceed itself to the recovery. In this case, the Contracting Authority will provide the necessary information and documents to the European Commission.

The European Commission may waive the recovery in accordance with the principle of Sound Financial Management and proportionality or it shall cancel the amount in the event of a mistake. The circumstances when the Commission may waive a recovery order are set out in Article 101 of the 2018 Financial Regulation.

### Article 16 – Accounts and archiving

The Organisation shall keep accurate and regular records and accounts of the implementation of the Action. The accounting Regulations and Rules of the Organisation shall apply to the extent that they ensure accurate, complete, reliable and timely information. Financial transactions and financial statements shall be subject to the internal and external auditing procedures laid down in the Regulations and Rules of the Organisation.

The Organisation complies with the requirements of this Article if it applies its positively assessed rules and procedures.

In view of the numerous cases where the European Court of Auditors or external auditors have identified ineligible costs due to the lack of supporting documents, the Organisation should take particular note of the very serious financial consequences that could result from wrongful or belated implementation of this contractual obligation.

For a period of five (5) years from the End Date and in any case until any on-going audit, verification, appeal, litigation or pursuit of claim or investigation by the European Anti-Fraud Office (OLAF), if notified to the Organisation, has been disposed of, the Organisation shall keep and make available according to Article 17 all relevant financial information (originals or copies) related to the Agreement and to any Procurement Contracts and Grant agreements financed by the EU Contribution.

Supporting documents are not required in order to close the Action and make the final payment.

Supporting documents must, however, be retained for 5 years after the “End Date” of the Agreement (see definition in Article 1 of the General Conditions) and may have to be presented in the course of a verification of the Action.

The five-year period may be extended, should the Organisation become aware of the initiation of any claim. In such a case, the custody of documents containing financial information and identified as potentially relevant to the claim should be extended until the claim has been dropped, settled or dismissed.

Electronic copies of the originally paper versions of documents are sufficient (unless the Organisation’s rules require otherwise).
**Article 17 – Access and financial checks**

**17.1** The Organisation shall allow the European Commission, or any authorised representatives, to conduct desk reviews and on-the-spot checks on the use made of the EU Contribution on the basis of supporting accounting documents and any other document related to the financing of the Action.

Please note that this Article refers to access and financial checks in the context of a specific Action. It does not in any way refer to the ex-ante assessment the Organisation has to undergo to become eligible for indirect management.

Authorised representatives of the European Commission include, for example, external auditors commissioned by the European Commission to verify the Action. In case the agreement is signed between the Organisation and a Contracting Authority from a Partner Country, the agents involved in the reviews or checks are still considered representatives of the European Commission.

Desk reviews and on-the-spot checks respond to the need of the Commission to rest reassured about the financial management of the Action by the Organisation.

For the purpose of this Article, on-the-spot checks, desk reviews, investigations and inspections are to be understood as verifications.

**17.2** The Organisation agrees that OLAF may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions laid down by EU law for the protection of the financial interests of the EU against fraud, corruption and any other illegal activity.

With respect to the present Article, it is understood that the investigations will be carried out pursuant to any Administrative Cooperation Arrangement (ACA) signed between OLAF and the International Organisation (when applicable). OLAF will retain the right to carry out investigations in view of protecting EU interests also in absence of an ACA.

The ACA will set out, inter alia, the details and modalities for the implementation of Articles 17.2, 17.3 and 17.4 of the General Conditions for what concerns specifically OLAF.

For the purpose of this Article, the scope of the investigations, including on-the-spot checks, should be limited to the protection of the financial interests of the EU in relation to the Action. The references to EU law relate only to the procedures applicable to OLAF in order to carry out investigations, including on-the-spot checks.

Investigation shall mean any inspection, check or other measure undertaken by OLAF in accordance with Articles 3 and 4 of Regulation (EU, Euratom) 883/2013,
with a view to step up the fight against fraud, corruption and any other illegal activity affecting the financial interests of the European Union and of the European Atomic Energy Community and to establishing, where necessary, the irregular nature of the activities under investigation; those investigations shall not affect the powers of the competent authorities of the Member States to initiate criminal proceedings.

a) General rules
For the cooperation between OLAF and the Organisation under this Article, the following general rules apply:

i. Privileges and immunities
In its investigations, OLAF will respect any privileges and immunities to which the organisation may be entitled to.

ii. Confidentiality
Information communicated to OLAF is protected by professional secrecy in accordance with Article 10 of Regulation (EU, Euratom) 883/2013.

iii. Personal data protection
OLAF will handle and process any personal data received from the Organisation in accordance with Regulation (EU) 2016/679.

iv. Contact person
The Organisation should designate a contact person for the exchange of information and any other communication related to the investigative cooperation with OLAF.

b) Administrative cooperation arrangement with OLAF
Some Organisations have established an Administrative Cooperation Arrangement (ACA) with OLAF.

c) Practical guidelines for the investigative cooperation between OLAF and the organisation
Exchange of information: in accordance with Article 17 of the General Conditions, OLAF may submit a written request to the Organisation to ask necessary information or documents concerning the technical and financial management of operations. When requesting such information or documents, OLAF will state the purpose of the request, what information or documents are requested and the time in which it would like the information to be provided.
The requested documents or information may be provided by any means, including in paper or electronic form, attached to a note, e-mail or during meetings, and may be copied, kept, stored and used for the purpose of OLAF investigations in connection with operations financed under the relevant Agreement.

When appropriate, OLAF and the Organisation may agree to set up ad hoc joint or parallel investigations in order to conduct checks and inspections or other investigative activities.

17.3 The Organisation agrees that the execution of this Agreement may be subject to scrutiny by the Court of Auditors when the Court of Auditors audits the European Commission’s implementation of EU expenditure. In such case the Organisation shall provide to the Court of Auditors access to the information that is required for the Court to perform its duties.

This provision has to be interpreted in light of the powers of the European Court of Auditors set out in Art. 287 TFEU.

In case the Commission or any authorised representatives, OLAF or the European Court of Auditors, request information or documents which the Organisation considers confidential, the Organisation should provide such information. The way of sharing the information will take into account the Organisation’s policy on information disclosure.

17.4 To that end, the Organisation undertakes to provide officials of the European Commission, OLAF and the European Court of Auditors and their authorised agents, upon request, information and access to any documents and computerised data concerning the technical and financial management of operations financed under the Agreement, as well as grant them access to sites and premises at which such operations are carried out. The Organisation shall take all necessary measures to facilitate these checks in accordance with its Regulations and Rules. The documents and computerised data may include information that the Organisation considers confidential in accordance with its own established Regulations and Rules or as governed by contractual agreement. Such information once provided to the European Commission, OLAF, the European Court of Auditors, or any other authorised representatives, shall be treated in accordance with EU confidentiality rules and legislation and Article 6. Documents must be accessible and filed in a manner permitting checks, the Organisation being bound to inform the European Commission, OLAF or the European Court of Auditors of the exact location at which they are kept. Where appropriate, the Parties may agree to send copies of such documents for a desk review.

As a preliminary remark, by default and in the absence of specific arrangements referred to in Art. 17.5, the Commission will apply its Rules and Procedures for verification purposes.

Previous monitoring, evaluation, European Court of Auditors or OLAF missions relating to the Action may not be invoked by the Organisation to refuse a verification on that same Action.

The decision to conduct a verification can be taken by the Contracting Authority. While considering whether to do so, the Contracting Authority should take into account the following:

- the verification should take place during the lifetime of the Action;
- previous verifications - have there already been any (by INTPA/NEAR or other Commission’s service) conducted on the same project or office or Organisation? If so what were the findings?
Repetitions/multiplications should be avoided;
c) is there any audit information on the project (co)funded by the EU? If so, the Contracting Authority may request that such information be provided, where possible and available, and – based on the information provided – decide whether the verification mission is still necessary.

**Conduct of a verification mission:**

The decision to conduct a verification mission should be announced to the International Organisation in due time.

The Commission’s Authorising Officer should ensure that the verification team is properly briefed by the Commission on the verification process, its scope, nature, conduct and outcome. There may be differences in verification procedures depending on the Organisation.

The *draft report* will be transmitted to the Organisation as soon as it is available. The Organisation will review the report and provide its comments which shall be reflected in the report. As a result, certain findings may be cancelled or adjusted. A copy of the final verification report will be transmitted to the Organisation as per the agreed communication lines. All this shall be done in a timely manner.

The reports are not public. Requests to access such reports will be analysed on a case-by-case basis in consultation with the Organisation concerned before any communication of the report. These documents are subject to the Regulation (EC) No 1049/2001 regarding public access to EU documents, and in particular its Article 4.

The final report and follow-up on the findings

A final report is a management tool at the disposal of the Contracting Authority.

It is not an audit report and therefore should not be considered as presenting an audit opinion.

The responsibility to follow-up on factual findings lies with the operational and/or the financial officers who requested the verification.
If there are financial findings, a contradictory procedure between the Contracting Authority and the Organisation subject to verification should be started in order for the Organisation subject to verification and the Contracting Authority to discuss the findings indicated in the final report of the verification. For instance, for amounts considered ineligible by the verifiers for EU funding and contested by the Organisation, the Contracting Authority should examine whether the amount concerned is indeed ineligible (the eligibility criteria are set out in each agreement concluded between the Commission/Contracting Authority and the Organisation).

In case the parties cannot agree on certain findings in the final report, the case should be reported to the next hierarchical level.

Ineligible costs found may lead to a recovery of the concerned amount by the Commission/Contracting Authority. In such a case, the terms of the specific contract/agreement must be reviewed to determine the amount to be recovered taking into account e.g. whether the Action is fully-funded by the EU, whether the EU Contribution is reflected as a percentage of eligible costs, etc.

In practical terms, only after receipt and examination of the comments of an Organisation concerning the findings might there be a pre-information notice and a subsequent debit note.

Other findings shall be addressed within the framework of the Action (if it is still ongoing) or in the context of the broader cooperation with the Organisation (for future projects). In practical terms, the operational or financial officer shall convene a meeting with the Organisation during which the correctness (vis-à-vis provisions of a specific agreement and applicable FFPAs) of the findings should be reviewed. Where possible, a mutually acceptable way forward shall be agreed.

Where applicable, the desk reviews, investigations, on-the-spot checks and inspections referred to in Article 17.1 to 17.4 shall refer to a verification that shall be performed in accordance with the verification clauses agreed between the Organisation and the European Commission. This is without prejudice to any cooperation arrangement between OLAF and the Organisation’s anti-fraud bodies.

Verifications should be carried out in accordance with verification clauses concluded with Organisations in the corresponding FFPAs (examples are the UN Organisations, IOM, COE, CEB, OECD, IMF, among others). Any such verification clause agreed between the Commission and the Organisation shall not affect the powers of OLAF and the Organisation’s obligations vis-à-vis OLAF.

Additionally, this Article makes applicable any Administrative Cooperation Arrangement between the Organisation and OLAF.

This Article does not in any respect limit the powers of OLAF as set out in Articles
17.6 The European Commission shall inform the Organisation of the planned on-the-spot missions by agents appointed by the European Commission in due time in order to ensure adequate procedural matters are agreed upon in advance.

17.7 Failure to comply with the obligations set forth in Article 17 constitutes a case of breach of a substantial obligation under this Agreement. This provision reinforces the importance of cooperation with OLAF, the European Court of Auditors and (other) representatives of the Commission. In case of non-compliance, the Contracting Authority may apply the sanctions provided for in the Contribution Agreement (including suspension and termination of the Agreement) or the 2018 Financial Regulation.

**Article 18 – Eligibility of costs**

**18.1** Direct costs are eligible for EU financing if they meet all the following criteria:

a) they are necessary for carrying out the Action, directly attributable to it, arising as a direct consequence of its implementation and charged in proportion to the actual use;

b) they are incurred in accordance with the provisions of this Agreement;

c) they are actually incurred by the Organisation, i.e. they represent real expenditure definitely and genuinely borne by the Organisation, without prejudice to Article 18.5;

d) they are reasonable, justified, comply with the principle of Sound Financial Management and are in line with the usual practices of the Organisation regardless of their source of funding;

e) they are incurred during the Implementation Period with the exception of costs related to final report, final evaluation, audit and other costs linked to the closure of the Action which may be incurred after the Implementation Period;

f) they are identifiable and backed by supporting documents, in particular determined and recorded in accordance with the accounting practices of the Organisation;

g) they are covered by one of the sub-headings indicated in the estimated budget in Annex III and by the activities described in Annex I; and

h) they comply with the applicable tax and social legislation taking into account the Organisation’s privileges and immunities.

Direct eligible costs can be charged either on an actual basis (Article 18.1 of the General Conditions) or as simplified costs options (Article 18.5 of the General Conditions).

For the avoidance of doubt, the provisions of the Contribution Agreement on the eligibility of costs refer to the eligibility of costs for the EU financing, except where the maximum EU Contribution is also expressed as a percentage of total eligible costs (i.e. in the context of calls for proposals).

In order to be eligible, costs have to:

**Article 18.1 a):**

Be necessary for the implementation of the Action, i.e. they would not be incurred if the Action did not take place. It is essential to explain which specific resources and related costs are needed for the implementation of the Action (this can be done in Annex I and Annex III, with the appropriate level of detail).

**Costs related to Audits and Verifications:**

In case the Action should be specifically audited or verified (e.g. as per request by the Contracting Authority) and this is agreed by the Parties and mentioned in Annex I and in Annex III, the underlying costs can be considered as direct eligible
costs, provided that eligibility criteria set out under Article 18.1 of the General Conditions are met.

In all the other cases, when Audits are carried out on the initiative of the Organisation but not agreed at the signature of the Agreement with the Contracting Authority (for example systemic/annual/ad-hoc audit on an Action), such costs will be considered as part of the remuneration, under Article 18.3 of the General Conditions.

In case an Audit Opinion has to be submitted in accordance with Articles 3.11 and 3.12 of the General Conditions, the Audit Opinion (either annually or project by project) is deemed to be systemic and always covered by the remuneration.

**Article 18.1 b):**
Incurred costs are costs which represent real expenditure definitely and genuinely borne by the Organisation (and, where applicable, the Partner(s)) with reference to a specific time period (see also description in subparagraph c)).
To be eligible, costs have to comply with the provisions of the Contribution Agreement, such as Article 23 of the General Conditions on contracting.

**Article 18.1 c):**
Be actually incurred, i.e. the costs are real and generated an obligation to be paid by the Organisation.

Costs related to Procurement Contracts are incurred when services are rendered, supplies are delivered and works are carried out for the purpose of the Action and they have been verified or accepted, regardless of the date of the actual payment. Similarly, costs related to Grants are incurred when the related action has been verified or accepted, regardless of the date of the actual payment.

For example, when (the first) pre-financing is paid by the Contracting Authority to a third party, this amount is not considered incurred yet. When the action is accepted/verified, then this amount will be considered incurred.

Additionally, in cases where there is no pre-financing to a third party, if the action has been verified or accepted, the committed amount is considered incurred even if not yet paid.
Article 18.1 e)

Be incurred during the Implementation Period, which does not necessarily mean that the costs have to be paid during the Implementation Period.

The costs relating to services or equipment supplied in order to carry out the Action may be invoiced and paid after the end of the Implementation Period, provided that the service/goods were in fact supplied during the Implementation Period.

The cost of audits for the purpose of subparagraph e) only refers to audits linked to the closure of the Action.

Regarding cost of audits, please see above (subparagraph a)).

Costs linked to the closure of the Action (e.g. costs of staff necessary for the closure, costs related to communication and visibility activities) may be incurred after the Implementation Period.

Cost related to the closure are only eligible if incurred during the closure period but not later than the submission of the final report.

Negative interest incurred during the ‘closure period’ of the Agreement may be considered as eligible, subject to (a) the condition that there is an active avoidance strategy in place and (b) additional reporting requirements.

Article 18.1 f):

All the costs incurred – corresponding to the entire budget of the Action and not only to the EU Contribution – must be recorded in the accounts of the Organisation. The supporting documents (tenders, orders, vouchers, invoices, receipts etc.) must exist, be available for inspection and accurately reflect the recorded costs. See also Article 16 of the General Conditions for more details.

It is strongly advisable for the Organisation to keep (electronic) copies of all relevant documents and accounts and to carry out ex-ante and -where applicable based on its risk assessment processes - ongoing intermittent checks to ensure that supporting and accounting documents are available, correct, and duly filed and recorded.
Costs expressed as unit costs, percentage or lump sum may be eligible direct costs but they are not actually incurred because they are not clearly identifiable nor backed up by supporting documents proving that they represent real expenditure definitely and actually incurred (not complying with letter c) and f) of the Article. The same reflection applies to up-lifts on salary costs, costs claimed by the Organisation or a Partner based on its own universal price list(s) and post occupancy charges (among others).

This type of costs is eligible costs only if authorised in the form of simplified cost options in accordance with Article 18.5 and following of the General Conditions. Otherwise, they shall be covered by the remuneration.

**Article 18.1 g):**
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. The relevant Contribution Agreement may be amended in accordance with Article 11 of the General Conditions.

Please note that costs included in the budget are provisional and that only costs actually incurred can be reported.

In all doubtful cases, it is advisable to discuss and, if possible, agree in writing with the Contracting Authority beforehand.

**Article 18.1 h):**
The Organisation is fully responsible for the coordination and execution of all activities and has to ensure compliance with local, national and other applicable legislation. It must respect its applicable rules, procedures and policies.

The Organisation is responsible for verifying and consolidating the information that will be provided to the Contracting Authority.

As a rule, the Organisation bears the ultimate financial responsibility for the entire Action and must reimburse to the Contracting Authority any cost declared ineligible. However, see Article 6 of Annex II.a in cases where pillar assessed Partners implement part of the Action: each pillar assessed Partner is financially responsible for the part of the Action to be implemented by it.
For Multi-Partner Agreements:
Costs incurred by the Organisation pursuant its tasks as coordinator (i.e. related to the coordination of the payments and reporting of the Action) are considered to be directly eligible, provided that all the criteria of Article 18.1 of the General Conditions are met.

For Actions involving Affiliated Entities (see Annex II.b):
Costs incurred by Affiliated Entities which are identified in the Special Conditions will also be accepted as eligible. In this case, the Affiliated Entities concerned have to abide by the same rules applicable to the Organisation with regard to the eligibility of costs and the rights of checks and audit/verification by the Commission, OLAF and the European Court of Auditors.

The Organisation is responsible for monitoring the correct implementation of the Action and for verifying and consolidating the information that will be provided to the Contracting Authority. Therefore, the Organisation should also make sure that the conditions for the eligibility of costs are met, through appropriate supervision of the Affiliated Entities, and appropriate internal arrangements.

18.2
The following costs may not be considered eligible direct costs, but may be charged as part of the remuneration: all eligible costs that, while necessary and arising as a consequence of implementation, are supporting the implementation of the Action and not considered part of the activities that the European Union finances as described in Annex I, including corporate management costs or other costs linked to the normal functioning of the Organisation, such as horizontal and support staff, office or equipment costs (except when duly justified and described in Annex I, such as a project office).

Article 18.2 of the General Conditions sets the general criteria to define whether a cost should be qualified as a direct cost or remuneration.

The distinction is not necessarily based on the localisation of the costs, but on their nature. As a general principle, in case the Organisation would have borne the concerned costs, had the Action financed by the EU not taken place, such costs should be considered as covered by the remuneration. This would also be the case if the Organisation was able to allocate such costs to individual actions.

These are costs typically associated with the normal functioning of the Organisation and the performance of its institutional and representation tasks.
Some examples of horizontal and support staff are staff from human resources, legal affairs, IT and equipment staff.
The concept of corporate management costs covers managerial functions which, while giving a contribution to the Action, only marginally deal with its implementation.

Costs incurred at the Organisation's headquarters are generally not considered as
direct costs, unless they fulfil all of the following conditions and therefore are:

a) necessary for carrying out the Action, directly attributable to it, arising as a direct consequence of its implementation;
b) included in the Budget and in the Description of the Action;
c) charged in proportion to the actual use; and
d) authorised by the Contracting Authority.

The costs that do not fulfil these cumulative conditions will be covered by the remuneration (maximum 7%).

Therefore, to avoid confusion or problems at latest stage, a specific assessment of the costs should be made on a case-by-case basis and described in detail in Annex I and Annex III.

It is stressed that reimbursement of project office costs is eligible only when the following criteria are satisfied:

a) the implementation of the Action requires deployment of staff to manage operations in the field or set up an office at another location. At the phase of contracting, the operational units (with the support of the finance and contract unit) shall carry out an assessment of the need of using/setting up a project office and shall include in the Description of the Action and the Budget information related to the Project Office.
b) the costs of the project office charged to the Action are additional to the normal functioning of the Organisation i.e. they are directly linked to the implementation of the Action and arise as a consequence of it;
c) the costs comply with the costs eligibility criteria referred to in Article 18.1 of the General Conditions;
d) the costs fall within one of the categories specified in Article 7.1 of the Special Conditions. Not all the categories indicated have necessarily to be considered eligible; it could be that for a specific Action only some of these categories are relevant (no derogation is needed in this case).

It is underlined that indirect costs claimed by Beneficiaries of Grants awarded by the Organisation and/or its partners are to be covered by the direct eligible costs of the Action and not by the remuneration.
The remuneration shall be declared on the basis of a flat-rate which shall not exceed 7% of the total eligible direct costs to be reimbursed by the Contracting Authority. The remuneration does not need to be supported by accounting documents. For Multi-Donor and comparable actions, the remuneration shall not be higher than that charged by the Organisation to comparable contributions.

The flat-rate not exceeding 7% is calculated as a percentage of the final amount of the direct eligible costs. The exact amount due to an Organisation will only be known after the direct eligible costs have been established by the Contracting Authority on the basis of the final report.

Note that different remuneration rules apply in the context of blending operations (see Article 3.2 of the Special Conditions).

**Example of how to calculate the percentage of remuneration in a joint co-financed Action:**

If an Action is jointly co-financed, the budget shall cover the total cost of the Action without differentiating between the EU contribution and the contribution of other donors.

The calculation will be the same regardless of whether the EU and the Organisation are the only contributors or other Donors are also included. For both cases, the EU cannot pay a higher percentage for remuneration than the other contributors. This is especially important in the case of joint co-financing where the budget covers the total Action.

The example below includes contingencies as well.

<table>
<thead>
<tr>
<th></th>
<th>EU Contribution</th>
<th>Contribution Other Contributor</th>
<th>TOTAL (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Budget line</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>... 1 to 6</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Budget of 1 to 6</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>7. Total direct</td>
<td>...</td>
<td>...</td>
<td>4 464 286.00</td>
</tr>
<tr>
<td>eligible costs (1 to 6)</td>
<td>...</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>8. Remuneration</td>
<td>...</td>
<td>...</td>
<td>312 500.00</td>
</tr>
<tr>
<td>(max 7%)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
If full use of contingencies is authorised, the contingencies shall be distributed as such:

Contingencies amount that corresponds to direct costs =
Contingencies / (1+remuneration percentage) = 223 214/1.07= EUR 208 611.

Contingencies amount that correspond to remuneration =
Contingencies amount to be added to the direct costs * remuneration percentage =
208 611 215 * 0.07 = EUR 14 603.

Therefore the updated budget (including contingencies added both to direct cost and remuneration) would be:

<table>
<thead>
<tr>
<th></th>
<th>EU Contribution</th>
<th>Contribution Other Contributor</th>
<th>TOTAL (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9. Total eligible costs (7+8)</td>
<td>...</td>
<td>...</td>
<td>4 776 786.00</td>
</tr>
<tr>
<td>10. Contingencies (max 5%)</td>
<td>...</td>
<td>...</td>
<td>223 214.00</td>
</tr>
<tr>
<td>11. Total costs (9+10)</td>
<td>4 000 000.00</td>
<td>1 000 000.00</td>
<td>5 000 000.00</td>
</tr>
</tbody>
</table>
On the basis of this updated budget, as the EU Contribution is EUR 4 000 000, the share of remuneration covered by the EU Contribution cannot exceed the following proportion:
EU share of remuneration / EU Contribution = Total remuneration / Total Eligible Cost.
Therefore:
EU share of remuneration = (Total Remuneration * EU Contribution)/ Total Eligible Cost = EUR 261 682.

Therefore, the share of remuneration covered by the EU Contribution cannot be more than EUR 261 682.

It is important to note that the rest of the remuneration (which corresponds to the other contributor = EUR 65 421) cannot be added to the direct costs without increasing the total cost of the Action. In that case, the direct costs would be EUR 4 672 897.00 + EUR 65 421 = EUR 4 738 318. Consequently, the remuneration would be: 7% * EUR 4 738 318 = EUR 331 682 and the total cost of the Action would become EUR 5 070 000. However, in this case what would not change is the remuneration to the Commission (which still would not be more than EUR 261 682) and of course the total EU Contribution.

The following costs are ineligible for EU financing:
a) bonuses, provisions, reserves or non-remuneration related costs. Employers' contributions to pension or other insurance funds run by the Organisation may only be eligible to the extent they do not exceed the actual payments made by these schemes and that the amount provisioned does not exceed the contribution that could have been made to an external fund;
b) full-purchase cost of equipment and assets unless the asset or equipment is specifically purchased for the Action and ownership is transferred in accordance with Article 9;
c) duties, taxes and charges, including VAT, that are recoverable/deductible by the Organisation;
d) return of capital;
e) debts and debt service charges;
f) provision for losses, debts or potential future liabilities;

**Article 18.4 a)**
For the avoidance of doubt, a bonus is to be understood as a payment of a “bonus” triggered by the participation of a staff member in the EU funded Action or that is in any way linked to the performance of the person in the Action or the performance of the Action itself is not an eligible cost. However, there are payments that might be called in a similar way and which could still be considered as a part of the normal salary package and therefore eligible (i.e. variable parts of the salary). Those payments have to be paid independently of the participation of the staff member in the EU funded Action.

For example, bonuses based on the overall performance of the Organisation may be accepted, if they are part of the usual remuneration practices of the Organisation. On the other hand, any part of the remuneration that is based on commercial targets or fund raising targets is not eligible (because neither incurred
g) banking charges for the transfers from and to the Contracting Authority;
h) costs incurred during the suspension of the implementation of the Agreement except the minimum costs agreed on in accordance with Article 12.8;
i) costs declared by the Organisation under another agreement financed by the European Union budget (including through the European Development Fund);
j) contributions in kind. The cost of staff assigned to the Action and actually incurred by the Organisation is not a contribution in kind and may be declared as a direct eligible cost if it complies with the conditions set out in Article 18.1; and
k) costs of purchase of land or buildings, unless otherwise provided in the Special Conditions.

Article 18.4 c) Value Added Tax (VAT) that is not recoverable shall also be considered eligible under the Contribution Agreement if incurred in the country in which the Organisation’s headquarters is located. For VAT in Partner Countries (also eligible if the requirements of Article 18.4 c) are fulfilled), please be aware that there may be relevant arrangements with the Partner Country.

How can the Organisation show that it is not tax-exempted and that it cannot recover taxes?

The Organisation must show that it is not tax exempted and that it cannot recover taxes under the applicable national law. The Organisation will have to prove that it has undertaken the necessary steps to obtain an exemption or the recovery of paid taxes vis-à-vis the relevant authorities.

This evidence may take the following forms:

- An official document from the competent tax authority stating that the Organisation is not entitled to reclaim taxes incurred for the activities in question (and that this does not depend on the simple fact that it does not wish to be subject to VAT). This official document may be a specific declaration or a refused claim for reimbursement by the competent tax authority.
- The absence of a reply by the competent tax authority within the legal deadline set by the applicable national law to a request submitted in due time (or 6 months in the absence of a legal deadline).
- The entity’s annual accounts complemented, if deemed necessary by the contracting authority, for example by an extract of the national VAT tax law showing that the entity does not have to account for VAT, a declaration of honour from the entity concerned accompanied by an expert statement (e.g. by a lawyer, auditor etc.).

The Organisation shall provide the evidence at the latest when submitting the final
Exceptions to the proof obligation

In the following cases, Organisation will not be required to seek exemption or provide proof of non-recovery of taxes.

The contracting authority has agreed to waive the proof obligation in the following cases:

1) **Low value taxes**: no proof needs to be provided for taxes for expenses where the amount of taxes per invoice is less than EUR 200, within a maximum of EUR 2 500 per contribution agreement, representing not more than 5% of the contracting authority’s contribution.

2) **Reimbursement of local expenses, including all taxes**: the following cases will be considered as proof that the Organisation has attempted to take the necessary steps to obtain exemption or recovery of taxes from the competent authorities:

   a. Excessive cost for tax recovery
      
      i. The Organisation demonstrates that the steps necessary for recovery of taxes oblige it to incur costs in a country where it only performs the relevant operations on an ad hoc, one-off basis; and/or
      
      ii. The Organisation shows that the recovery costs (registration fees in the country or the cost of appointing a tax representative, declaration fees, etc.) clearly exceed the amount of the taxes declared to the contracting authority.

   b. Excessive length of time for obtaining tax exemption: where a mechanism for tax exemption has to be agreed for by the relevant authorities prior to the purchase of goods or services and where the Organisation can demonstrate that the excessive length of time for
this prior authorisation endangers the implementation of the action.

3) **Crisis situation**: no proof needs to be provided where a country has been declared in crisis or in need of emergency and post-emergency assistance by the European Commission and as long as the country remains in that situation.

4) **Projects for the protection of fundamental rights of peoples**: It is understood that in the case of projects with a human rights dimension, an attempt to recover taxes may not be possible, by virtue of the nature of the project and/or the context of the intervention.

When a VAT reimbursement is received by the Organisation after the payment of the balance has been carried out by the Contracting Authority following the provisions of **Article 19**, in which the Contracting Authority deemed the VAT to be eligible, the VAT costs must be reimbursed to the Contracting Authority (as it would otherwise no longer satisfy the eligibility criteria under **Article 18**). In such cases, the Organisation must contact the Contracting Authority, which will issue a recovery order/debit note related to the VAT cost in question.

VAT paid in the context of an agreement between the Organisation and another donor or contributor (such as a national government that also contributes to the Action) is not eligible for EU funding.

**Article 18.4 g)**

Banking charges linked to the transfer of funds by the Organisation to Partners or other recipients of funds as well as banking charges linked to the transfer of funds between Partners or by Partners to other recipients of funds are also not eligible for EU funding.

<table>
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<tr>
<th>18.5</th>
<th>Direct eligible costs may also be declared by using any or a combination of unit costs, lump sums and flat-rate financing.</th>
<th>Simplified cost options may take the form of:</th>
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<td></td>
<td>a) unit costs: these cover all or certain specific categories of eligible costs which can be clearly identified (must be indicated in the Budget at proposal stage) and are expressed in amounts per unit. Example: unit cost per working month for personnel costs based on internal policies and average (payroll) costs; unit costs for small</td>
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local transportation or other expenses in rural areas (often in expense categories with many small value items and/or with poor documentation), per diems etc.

Per diems are not considered as a simplified cost option for the purposes of EU financing when the Organisation reimburses a fixed amount to its staff in accordance with its staff rules and requests for the reimbursement of that amount in the Budget of the Action. Such per diems are considered actual costs.

b) lump sums: these cover in global terms all or certain specific categories of eligible costs which can be clearly identified (must be indicated in the Budget at proposal stage). Example: global cost for the Organisation of an opening event, global cost for the production of information videos etc.

c) flat-rate financing: this covers specific categories of eligible costs which can be clearly identified (must be indicated in the Budget at proposal stage) and are expressed as a percentage of other eligible costs. Example: local office costs and related expenses (maintenance, security, a shared car etc.) charged as a percentage of staff costs, remuneration, etc.

Simplified cost options can apply to one or more of the direct cost headings of the budget, or to sub-cost headings or to specific cost items within these cost headings.

If the Organisation wishes to include simplified cost options, it must introduce them during the negotiations, i.e. before the agreement is signed.

The Contracting Authority will decide whether such costs can be accepted during the contracting phase on the basis of the Budget submitted.

Particular attention should be paid to explaining how costs are calculated and budgeted. More specifically, a clear explanation shall be given for those costs that are relevant or not easily justifiable because, for instance, they are especially expensive (compared to other similar items) and/or relating to quantity purchases.

The explanation should be provided at proposal/negotiation stage in the budget, and/or as appropriate in the reports to understand their relationship with the
results/activities of the Action. This is especially important in the case of simplified cost options under Article 18.5 - 18.10 of the General Conditions where for each corresponding budget item or heading, the text must:

a) describe the information and methods used to establish the amounts of unit costs, lump sums and/or flat-rates;

b) explain the formulas for the calculation of the final eligible amount;

c) identify the Organisation or Partner who will use the simplified cost option (in case of affiliated entities, the relevant Organisation/Partner should be specified first).

18.6 The methods used by the Organisation to determine unit costs, lump sums or flat-rates shall comply with the principles provided in Articles 18.1, 18.2 and 18.4, be clearly described and substantiated in Annex III, shall avoid double funding of costs and shall respect the principle of Sound Financial Management. These methods shall be based on the Organisation’s historical or actual accounting data, its usual accounting practices, an expert judgment or on statistical or other objective information where available and appropriate.

18.7 Costs declared under simplified cost options do not need to be backed by accounting or supporting documents except if they are necessary to demonstrate that the costs have been declared according to the declared method or cost accounting practices and that the qualitative and quantitative conditions defined in Annex I and III have been respected.

18.8 Simplified cost options not linked to the achievement of concrete Results shall only be eligible if they have been ex ante-assessed by the European Commission. If there is no ex ante-assessment, simplified cost options not linked to the achievement of concrete Results cannot be used and the reimbursement will be based on costs actually incurred or performance-based financing.

Please note that the Organisation and/or its partner(s) may choose to declare, where appropriate and relevant, travel, accommodation and subsistence costs based on the dedicated Commission Decision of 12.1.2021 authorising the use of unit costs for travel, accommodation and subsistence costs under an action or work programme under the 2021-2027 multi-annual financial framework (C(2021) 35 final).

18.9 If a verification reveals that the methods used by the Organisation to determine unit costs, lump sums or flat-rates are not clearly described and substantiated, the Organisation may be required to provide additional information or documentation to support the calculation methods used.
costs, lump sums or flat-rates are not compliant with the conditions established in this Agreement, the Contracting Authority shall be entitled to recover proportionately up to the amount of the unit costs, lump sums or flat-rate financing.

Organisation, Partner or affiliated entity to determine unit costs, lump sums or flat-rates are not in line with relevant conditions or factual information (e.g. the generating events have not occurred), the Contracting Authority may establish such costs as not eligible and recover or offset up to the amount of the simplified cost options used.

**Article 19 – Payments**

19.1 Payment procedures shall be as follows:

a) the Contracting Authority shall provide a first pre-financing instalment as set out in Article 4.1 of the Special Conditions within thirty (30) days of receiving the Agreement signed by both Parties;

b) the Organisation may submit a request for further pre-financing instalment for the following reporting period in accordance with Article 4 of the Special Conditions; the following provisions apply:

i) 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 eighteen (18) months, the reporting period shall cover it entirely;

ii) if at the end of the reporting period less than 70% of the last payment (and 100% of previous payments, if any) has been paid by the Organisation to its staff or otherwise subject to a legal commitment with a third party, the further pre-financing payment shall be reduced by the amount corresponding to the difference between the 70% of the immediately pre-financing payment (and 100% of previous payments, if any) and the part of the previous pre-financing payments which has been paid by the Organisation to its staff or has been subject to a legal commitment with a third party;

iii) the Organisation may submit a request for further pre-financing payment before the end of the reporting period, once more than 70% of the immediately preceding payment (and 100% of previous payments, if any) has been paid by the Organisation to its staff or otherwise subject to a legal commitment with a third party. In this case, the following reporting period starts anew from the end date of the period covered by this payment request;

iv) at the end of the Implementation Period, the Organisation shall submit a payment request for the balance, where applicable, together with the final report. The amount of the balance shall be determined according to Article 20 and following approval of the request for payment of the balance and of the final report; and

The agreed pre-financing rate is stated in Article 4.1 of the Special Conditions. For Contribution Agreements signed following a call for proposals, the rate of pre-financing should be announced in the respective call.

In order to agree on the amount of the first pre-financing, the Organisation has to provide either a detailed forecast budget for the first year or, where this is not feasible, a justification of how the amount has been calculated. It is important to ensure that such forecasts or justifications are thoroughly analysed, notably, with due regard to the description of the Action, and discussed, where necessary, with the Organisation. This is to avoid, as far as possible, the underachievement of the initial forecasts or justifications based on which first pre-financings are disbursed.

The determination of the amount of the pre-financing instalments corresponds to this percentage of the part of the forecast budget for the following reporting period of the Action which is being financed by the Contracting Authority, excluding not authorised contingencies for external Actions.

Please note that the FFPAs may contain provisions on the rate of pre-financing and allow for 100% pre-financing under specific circumstances.

The contingency reserve is not considered in the payments until, and unless, approved, as it will not be disbursed if not needed. This means that it should not be budgeted in the requests for pre-financing. Once approved, it will be reflected in the relevant budget lines and therefore treated like the other budgeted/eligible costs.

An initial pre-financing payment will be made after the Agreement has been signed by both Parties. This payment will cover a percentage of the Contracting
d) the Contracting Authority shall pay the further pre-financing instalments and the balance within ninety (90) days of receiving a payment request accompanied by a progress or final report, unless the time limit for payment was suspended according to Article 12 or 13.

Authority’s contribution to budgeted costs for the first year, as stated in Article 4.1 of the Special Conditions.

Please note that the first pre-financing instalment can also, exceptionally, be provided upon a related request for payment, as long as this is specified in Article 7.2x of the Special Conditions (without the need to encode a derogation/exception request), also mentioning that if no payment has been made within two years from the signature of the Agreement, the Agreement shall be terminated. In accordance with Art. 114 (6) of the 2018 Financial Regulation, the relevant amount has to be decommitted in this case.

**Example of calculation of the pre-financing instalments:**
The Contracting Authority is contributing 50% of the total eligible costs of a project. The pre-financing rate stated in Article 4.1 of the Special Conditions is 80%. The Budget for the first year is EUR 100 000, after deduction of the contingency reserve.

The initial pre-financing instalment may be EUR 40 000, which is 80% of EUR 50 000, i.e. of the part of the eligible costs which is financed by the Contracting Authority.

The further pre-financing instalments are intended to be split among the reporting periods. However, they can be also presented as a single global amount in the Special Conditions because the actual pre-financing instalments are based on the updated budget forecast for the following reporting period, as presented by the Organisation.

Nevertheless, with respect to Contribution Agreements, where there is high level of certainty in the amounts, the further pre-financing instalments can be broken down per payments and reflected already in the contract. This option is stated in footnote 14 of Article 4.2 of Special Conditions.

For Contribution Agreements after a call for proposal, the Contracting Authority’s percentage contribution to the forecast budget usually corresponds to its percentage contribution to the eligible costs as set out in Article 3.2 of the Special Conditions. Note that for Actions where the “accepted cost system” is used, the Contracting Authority’s percentage contribution to total “accepted costs” and total “eligible costs” will be different (for further information on the “accepted cost system”, please refer to the PRAG Guidelines for Applicants). The adjustment to ensure the co-financing will be done at the end of the Action, with the final
payment, according to Article 20 and 23 of the General Conditions. Please see the explanation to the standard supplementary provision 7.1.X on accepted costs system.

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. If for instance, the total second year budget estimate is EUR 112 000, including EUR 4480 (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.

The Organisation has 60 days following the end of the reporting period to present an interim report (narrative and financial, covering the elapsed reporting period). If at the end of the reporting period eligible costs of the Organisation related to its staff or otherwise subject to a legal commitment towards a third party are less than 70% of the last payment (and 100% of the preceding payments), the further pre-financing payment may not be paid in full, but may be partially paid. If the Organisation presents a payment request, the payment is reduced by the amount corresponding to the difference between the 70% of the last pre-financing payment (and 100% of the preceding payments) and the part of the eligible costs incurred which is financed by the Contracting Authority.

For the purposes of the application of the 70% rule, the applicable currency is the Currency of the Agreement.

Alternatively, the Organisation may present a summary of the progress of the Action, and present a payment request earlier 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. In the case of Multi-Partner Agreement, please note that the Commission will make a single/aggregated payment of each instalment to the Organisation, who is in turn responsible for the distribution of the funds among the Partners. The 70% threshold is therefore to be read in an aggregated way, meaning, covering the legal commitments of all Partners.
Example: In an Action fully financed by the EU, An Organisation has received an initial instalment of EUR 96 000 on the basis of a forecast budget of EUR 96 000 and an agreed pre-financing rate of 100%. The Organisation submits a first interim report stating that EUR 60 000 of this (i.e. the 62.5% of EUR 96 000) has been paid by the Organisation to its staff or otherwise subject to a legal commitment towards a third party.

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 paid by the Organisation to its staff or otherwise subject to a legal commitment towards a third party (EUR 60 000) is EUR 7 200. So the second instalment will be reduced by EUR 7 200 and it will amount to EUR 79 800.

In case the Organisation submits a report (narrative and financial) without requesting any further payment (for example when initial pre-financing was very high while implementation was very slow and significant under-spending occurs), such a report is in principle treated as a summary of the progress of the Action. In this case, it there is no need to submit a payment request.

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. The balance of the final amount of the EU contribution will only be payable after the end of Implementation Period, when the final report together with a request for payment has been approved by the Contracting Authority.

If total final approved costs are less than originally foreseen and/or the contingency reserve has not been used, the balance to be paid will be less than the amount stated in Article 4 of the Special Conditions, as the EU contribution is limited to the percentage of eligible or accepted costs, as stated in Article 3 of the Special Conditions (see also Article 20 and 23 of the General Conditions).

For the purposes of Contribution Agreements following a call for proposals, the maximum EU contribution and percentage of eligible or accepted costs financed by the Contracting Authority may never be increased.

Concerning the final payment and if the balance equals to zero, it is understood that, at the end of the Implementation Period, the Organisation should always confirm that no more payment is requested (this can be done, for example,
through a cover letter accompanying the submission of the final reports). This would typically happen in cases of EU 100% pre-financing.

In the exceptional event that the Organisation does not request any further pre-financing, the Organisation is still obliged to submit the reports in accordance with Article 3 of the General Conditions.

Example for priority of consumption and notional approach in further pre-financing:
An Organisation signs a Contribution Agreement (indirect management) with the European Commission:
- in USD
- with Joint co-financing
- for 2 years duration
- for USD 1 000 000 (xxx amount in EUR) when the total cost of the Action is USD 2 000 000 (additional USD 1 000 000 paid by the Organisation or other contributor)
- forecast budget for the 1st year of the Action: USD 1 100 000 (and therefore remaining USD 900 000 for the 2nd year of the Action)
- agreed pre-financing rate: 90%

Contract drafting level – tranches:
- The Budget in Joint co-financing shall represent the Action (USD 2 000 000), not only the EU contribution. Whenever a forecast budget is presented, for calculation purposes only, the EU contribution shall be taken pro-rata (USD 1 000 000 / 2 000 000 = 50%)
- Calculation of 1st pre-financing: USD 1 100 000 * 50% * 90% = USD 495 000.
- The calculation for the 2nd pre-financing is: USD 900 000 * 50% * 90% = USD 405 000.
- The balance payment is the remaining 10%, therefore USD 100 000.

Payment level – pre-financing instalments:
-By default, the 1st pre-financing takes place upon signature of the contract.
-For the 2nd pre-financing to be paid fully, the expenditure (legal commitments + amounts paid for staff costs) in the report shall reach the 70% of the 1st pre-financing, therefore USD 346 500.
Case 1: Expenditure = USD 400 000.
As the budget concern the Action, also the reports concern the total Action. Therefore, the USD 400 000 cover the amount spent from the contributions paid by both the Commission and other donors. That does not mean that the USD 400 000 correspond 50% to EU contribution and 50% to the other contribution. Due to the priority of consumption it is considered that the USD 400 000 of total expenditure were taken from the 1st pre-financing paid by EU. Therefore, the 70% was reached and the payment of the 2nd pre-financing can take place in full.

Case 2: Expenditure = USD 300 000.
The payment needs to be reduced by the amount corresponding to the difference between:
- the 70% of the immediately pre-financing payment (USD 346 500) and
- the part of the previous pre-financing payments which has been paid by the Organisation to its staff or has been subject to a legal commitment with a third party (USD 300 000).
The difference is USD 46 500, therefore the 2nd pre-financing of USD 405 000 would be USD 358 500.

Payment level: Balance payment:
Even if the expenditure reaches the maximum (USD 2 000 000), the payment will cover the remaining amount to reach the maximum EU Contribution in EUR as stipulated in Article 3.1 of the Special Conditions.

In the cases of Multi-Partner Agreements, requests for further pre-financing payment(s) for the following reporting period may be submitted by the Organisation before the end of the reporting period, when the legal commitments made by the Organisation or its Partners or amounts paid by the Organisation or its Partners to their staff reach an aggregate level of 70% of the immediately preceding instalment and 100% of the previous payment(s), if any.

Payment requests shall be accompanied by narrative and financial reports presented in accordance with Article 3. The requests for pre-financing payments and the request for the balance shall be drafted in the Currency of the Agreement as specified in the Special Conditions. Except for the first pre-financing instalment, the payments shall be made upon approval of the payment request accompanied by a
progress or final report. The final amount shall be established in line with Article 20. If the balance is negative, the payment of the balance takes the form of recovery.

19.3 Approval of the requests for payment and of the accompanying reports shall not imply recognition of the regularity or of the authenticity, completeness and correctness of the declarations and information contained therein.

19.4 The Contracting Authority shall make payments in the Currency of the Agreement as specified in the Special Conditions to the bank account referred to in the financial identification form in Annex IV.

19.5 Payment arrangements for performance-based financing in accordance with Article 21 shall be set out in Article 4 of the Special Conditions and Annex I.

19.6 In case of late payment of the amounts stated in Article 4 of the Special Conditions the following conditions apply:
   a) upon expiry of the time limits for payments specified in Article 19.1, if the Organisation is not a Member State Organisation, it shall receive interest on late payment based on the rate applied by the European Central Bank for its main refinancing operations in Euros (Reference Rate), increased by three and a half percentage points. The Reference Rate shall be the rate in force on the first day of the month in which the time limit for payment expires, as published in the C series of the Official Journal of the EU;
   b) the suspension of the time limit for payment by the Contracting Authority in accordance with Article 12 or 13 shall not be considered as late payment;
   c) interest on late payment shall cover the period running from the day following the due date for payment, up to and including the date of actual payment as established in Article 19.1. Any partial payment shall first cover the interest;
   d) by way of exception to point (c), when the interest calculated in accordance with this provision is lower than or equal to EUR 200, the Contracting Authority shall pay such interest to the Organisation only upon request from the Organisation submitted within two months of it receiving late payment;
   e) by way of exception to point (c), when the Contracting Authority is not the European Commission, and the European Commission does not make the payments, the Organisation shall be entitled to late payment interest upon its request submitted within two months of it receiving late payment.

As per Article 116 (4) of the 2018 Financial Regulation, Member States are not entitled to late payment interest. Member State Organisations are not entitled to late payment interest as they fall within the definition of Member State.
**Article 20 – Final amount of the EU Contribution**

20.1 The Contracting Authority shall determine the final amount of the EU Contribution when approving the Organisation's final report. The Contracting Authority shall then determine the balance:

a) to be paid to the Organisation in accordance with Article 19 where the final amount of the EU Contribution is higher than the total amount already paid to the Organisation; or

b) to be recovered from the Organisation in accordance with Article 15 where the final amount of the EU Contribution is lower than the total amount already paid to the Organisation.

For the purpose of calculating the EU Contribution, the final amount will be obtained by adding the costs reported in each progress report.

If payments are made in the accounting currency of the Organisation – which will be, for this case, the “Currency of the Agreement” (as indicated in Article 3.1 of the Special Conditions) – the final payment will in any case be limited to the maximum EU Contribution in EUR as stipulated in Article 3.1 of the Special Conditions.

After the end of the Implementation Period, the Organisation shall submit the final narrative and financial report in the Currency of the Agreement. The final financial report shall present eligible costs in the Currency of the Agreement. Where the final eligible costs attributable to the EU Contribution exceed the sum of all pre-financing instalments provided, the Organisation is entitled to request a final payment (“balance”). The amount of the balance shall be specified in the Currency of the Agreement and shall represent the amount needed to balance the “income” (i.e. all pre-financing payments received from the EU) and eligible expenditure attributable to the EU (up to the amount of EU contribution denominated in the Article 3.1 of the Special Conditions).

When the “balance” is negative (for instance, there is a surplus of amounts already paid over the EU final contribution, the Organisation will specify the amount of surplus balance in its accounting currency in its final report. In the pre-information letter the amount to be recovered will be indicated in the currency of the Organisation.

20.2 The final amount shall be the lower of the following amounts:

a) the maximum EU Contribution referred to in Article 3.1 of the Special Conditions in terms of absolute value;

b) the amount obtained after reduction of the EU Contribution in accordance with Article 20.3.

20.3 Where the Action (i) is not implemented, (ii) is not implemented in line with the Agreement or (iii) is implemented partially or late, the Contracting Authority may, after allowing the Organisation to submit its observations, reduce the EU Contribution...
in proportion to the seriousness of the above mentioned situations. If there is a
disagreement between the Organisation and the Contracting Authority on the
reduction, the Organisation may refer the matter to the responsible director in the
European Commission.

**Article 21 – Performance-based financing**

21.1 The payment of the EU Contribution may be partly or entirely linked to the
achievement of Results measured by reference to previously set milestones or
through performance indicators. Such performance-based financing is not subject to
Article 18. The relevant Results and the means to measure their achievement shall be
clearly described in Annex I.

Performance-based financing is an option in addition to the “traditional”
reimbursement based on costs actually incurred and simplified cost options.
Performance-based financing may also be used only for a part of the Action.

The use of performance-based financing has to be considered in the light of the
specific Action. It should only be used in agreement with the Organisation and not
be imposed.

For the avoidance of doubt, pre-financing is also possible in the context of
performance-based financing.

21.2 The amount to be paid per achieved Result shall be set out in Annex III. The method
to determine the amount to be paid per achieved Result shall be clearly described in
Annex I and take into account the principle of Sound Financial Management.

21.3 The Organisation shall not be obliged to report on costs linked to the achievement of
Results. However, the Organisation shall submit any necessary supporting documents,
including where relevant accounting documents, to prove that the Results triggering
the payment as defined in Annex I and III have been achieved.

21.4 Articles 3.7 f), 3.8 b) and 3.8 f) do not apply to the part of the Action supported by
way of performance-based financing.

**Article 22 – Ex-post publication of information on Contractors and Grant Beneficiaries**

22.1 The Organisation shall publish, on an annual basis, on its internet site, the following
information on Procurement Contracts exceeding EUR 15,000 and all Grants financed
by the EU Contribution: title of the contract/agreement/project, nature and purpose of

It is understood that the obligation to publish information on Contractors and Grant
Beneficiaries is not applicable to the contracts and grant agreements awarded by
the Grant Beneficiary.
the contract/agreement/project, name and locality of the Contractor or Grant Beneficiary and amount of the contract/agreement/project. The term “locality” shall mean the address for legal persons and the Region on NUTS3 2 level, or equivalent, for natural persons. This information shall not be published in relation to education support paid to natural persons and other direct support paid to natural persons in most need. This information shall be published with due observance to the requirements of confidentiality security and in particular the protection of personal data. The publication shall be waived, if such disclosure risks threatening rights and freedoms as protected by the Charter of Fundamental Rights of the European Union or harm the commercial interests of the Contractors or Grant Beneficiaries.

It is also understood that the term locality shall mean the address of the Grant Beneficiary indicated in the Grant Agreement or of any Contractor under Procurement Contract signed by the Organisation.

The waiver to publication may be decided by the Organisation on the basis of a case-by-case assessment and only in the situations prescribed by Article 22.1 of the General Conditions.

22.2 The Organisation shall provide to the European Commission the address of the internet site where this information can be found and shall authorise the publication of such address on the European Commission’s internet site.

22.3 Where the Action is a Multi-Donor Action and the EU Contribution is not earmarked, the publication of information on Contractors and Grant Beneficiaries shall follow the rules of the Organisation.

This Article refers to the cases of joint co-financing. Details on the different types of co-financing are included in the explanations of Article 1.2 of the Special Conditions.

Article 23 – Contracting and Early Detection and Exclusion System

23.1 Unless otherwise provided for in the Special Conditions, the origin of the goods and the nationality of the organisations, companies and experts selected for carrying out activities in the Action shall be determined in accordance with the Organisation’s relevant rules. However, and in any event, goods, organisations, companies and experts eligible under the applicable regulatory provisions of the European Union shall be eligible. Without prejudice to the foregoing or to the Organisation’s assessed Regulations and Rules, the Organisation shall promote the use of local contractors when implementing the Action.

With respect to this Article, it is understood that the Organisation may apply its own rules of origin and nationality, provided that such rules are not more restrictive than the applicable Commission rules of origin (as referred to in the corresponding Basic Act).

This provision allows the Organisation to apply its rules of participation and origin provided that the entities eligible under the Regulation financing the Action (i.e. NDICI, EINS, EDF, DCI, ENI, IPA II, INSC, IcSP, PI, EIDHR and predecessors/successors) can also participate.

Therefore, this provision does not allow the application of narrower rules of participation and origin than those of the applicable Regulation nor it allows any type of domestic preference or national content that is not foreseen by the corresponding Basic Act.

23.2 The Organisation shall adopt reasonable measures, in accordance with its own Regulations and Rules, to ensure that potential candidates or tenderers and applicants shall be excluded from the participation in a procurement or grant award procedure and from the award of a Procurement Contract or Grant financed by the EU Contribution, if the Organisation becomes aware that these entities:

a) or persons having powers of representation, decision making or control over them, have been the subject of a final judgement or of a Final Administrative Decision for fraud, corruption, involvement in a criminal organisation, money laundering, terrorist-related offences, child labour or trafficking in human beings;
b) or persons having powers of representation, decision making or control over them have been the subject of a final judgement or of a Final Administrative Decision for an irregularity affecting the EU's financial interest;
c) are guilty of misrepresentation in supplying the information required as a condition of participation in the procedure or if they fail to supply this information;
d) have been the subject of a final judgment or of a Final Administrative Decision establishing that the entities have created an entity under a different jurisdiction with the intention to circumvent fiscal, social or any other legal obligations of mandatory application in the jurisdiction of its registered office, central administration or principal place of business;
e) have been created with the intention described in point d) above as established by a final judgment or a Final Administrative Decision.

It is clarified that the Organisation shall ensure that the potential candidates or tenderers and applicants (the identity of which they are aware of at the latest at the time of the award decision) do not fall under any of the exclusion criteria listed under Article 23.2 a) to 23.2 e) of the General Conditions.

The reliance on a sworn declaration on honour can be seen as one of the ways in which the requirements of Article 23.2 of the General Conditions (“adopt[ing] reasonable measures to ensure that the potential candidates or tenderers or applicants are excluded”) can be satisfied.

Article 23.2 d) refers to entities that have created an empty-shell company whereas Article 23.2 e) refers to the empty-shell company itself. “Shell companies” mean entities that have been created in a different jurisdiction with the intent to circumvent fiscal, social or any other legal obligations in the jurisdiction of its registered office, central administration or principal place of business.

23.3 The Organisation shall inform the European Commission if, in relation to the implementation of the Action, it has detected a situation of exclusion pursuant to Article 23.2 or its own positively assessed Regulations and Rules, as applicable, or if it has detected a fraud and/or an irregularity pursuant to Article 2.3. This information may be used by the European Commission for the purpose of the Early Detection and Exclusion System. The Organisation shall inform the European Commission when it becomes aware that transmitted information needs to be rectified updated or removed. The Organisation shall ensure that the entity concerned is informed that its data was transmitted to the European Commission and may be included in the Early Detection and Exclusion System and be published on the website of the European Commission. These requirements cease at the end of the Implementation Period.

The Organisation shall report to the Commission if it has detected a situation of exclusion:

a) pursuant to Article 23.2;
b) pursuant to its own positively assessed Regulations and Rules;
c) if it has detected a fraud and irregularity pursuant to Article 2.3 of the General Conditions. See the comments to Article 2.3 of the General Conditions for a definition of fraud and irregularity.

23.4 Without prejudice to the power of the European Commission to exclude a person or an entity from future procurement contracts and grants financed by the EU and/or to impose financial penalties according to the EU Financial Regulation, the Organisation may impose sanctions on third parties according to its own Regulations and Rules. “Third parties” at the end of the provision refers to the person or entity which are not signatory parties of the Contribution Agreement.
ensuring, where applicable, the right of defence of the third party.

23.5

The Organisation may take into account, as appropriate and on its own responsibility, the information contained in the Early Detection and Exclusion System, when implementing the EU Contribution. Access to the information can be provided through the authorised persons or via consultation with the European Commission as referred in Article 5.6 of the Special Conditions.\(^4\)

\(^4\) The Organisation shall be allowed to have direct access to the Early Detection and Exclusion System through an authorised person when the Organisation certifies to the Contracting Authority service responsible that it applies adequate data protection measures as provided in Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 or its successor, as applicable.
Annex II a. Provisions applicable only to Multi-Partner Contribution Agreements

This annex is only applicable where part of the Action is implemented by Partners (pillar assessed or not) and/or affiliated entities.

Article 1 – Parties to Multi-Partner Contribution Agreements

Where the Organisation implements the Action in association with Partners, the Partners become Parties to the Agreement together with the Organisation. The provisions contained in Annex II apply to Partners mutatis mutandis, subject to the provisions of this Annex.

Both the Organisation and each Partner have a contractual relationship with the Contracting Authority, holding the corresponding rights and bearing the corresponding obligations described in the General and Special Conditions. The specific regime for Multi-Partner Agreements only entails adjustments to the provisions applicable to the Contribution Agreement, by setting out specific obligations for Partners (see Article 3), for the Organisation (see Article 2, notably regarding reporting and payments) and for both (Articles 4-7).

Annex II.a is also relevant (together with the relevant provisions of Annex II.b) where part of the Action is implemented by non-assessed Partners or affiliated entities.

The notion of ‘Partners’ (for a definition of this term, see Article 1 of the General Conditions) only refers to organisations that implement part of the Action on the same level as the Organisation, i.e. it does not refer to other implementing partners that are involved in the implementation of the Action but receive funds through a Grant or a Procurement Contract from the Organisation.

It is underlined that when a pillar-assessed organisation participates to the Action, it should always do so as a Partner and not, for example, as a Grant Beneficiary.

Article 2 – Additional Obligations of the Organisation

In addition to the obligations set out in Annex II the Organisation shall:

a) perform the activities as described and assigned to it in Annex I;
b) ensure coordination with all Partners in the implementation of the Action;
c) be the intermediary for all communications between the Partners and the Organisation.

The obligation described in Article 2 a) of Annex II.a corresponds to the activities of the Organisation related to the implementation of the Action carried out by the Organisation, according to the distribution of tasks established in the “Description of the Action” (Annex I).
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Contracting Authority;

d) be responsible for supplying without delay all documents and information to the Contracting Authority which may be required under this Agreement, in particular in relation to the narrative reports, the requests for payment and the relevant management declarations and audit opinions - where applicable - from all Partners. Where information from the Partners is required, the Organisation shall be responsible for obtaining and consolidating this information before passing it on to the Contracting Authority. Any information given, as well as any request made by the Organisation to the Contracting Authority, shall be deemed to have been given in agreement with all Partners;

e) inform the Contracting Authority of any event likely to affect or delay the implementation of the Action;

f) inform the Contracting Authority as soon as the information is available, of any change in the legal, financial, technical, organisational or ownership situation of any of the Partners, as well as of any change in the name, address or legal representative of any of the Partners;

g) be responsible in the event of monitoring and evaluations, as described in Article 10 of Annex II, for collecting and providing all the necessary documents;

h) establish the payment requests in accordance with the Agreement;

i) be the sole recipient, on behalf of all the Partners, of the payments of the Contracting Authority. The Organisation shall ensure that the appropriate payments are then made to the Partners without unjustified delay;

j) where relevant, repay funds to the Contracting Authority in line with Article 15 of Annex II without prejudice to Article 6;

k) not delegate any, or part of, the tasks listed above to the Partners or other entities.

The obligations described in Article 2 b) – 2k) of Annex II refer to the coordination tasks performed by the Organisation as the coordination entity.

The costs related to the Organisation’s coordination tasks, directly linked with the obligations set out in this Article, are to be considered as direct eligible costs, subject to the conditions of Article 18.1 of the General Conditions. As these costs are not considered relevant in the context of grants, this applies only where the Commission signs a Multi-Partner Contribution Agreement with Organisations in indirect management (same approach as the previous Co-Delegation Agreement).

Article 3 - Obligations of the Partners

The Partners shall:

a) perform the activities as assigned to each Partner in Annex I, taking all necessary and reasonable measures to ensure that the Action is performed in accordance with the description of the Action in Annex I and the terms and conditions of this Agreement;

b) ensure that the Organisation has or obtains the data needed to draw up the reports, financial statements and other information or documents required by this Agreement and the annexes thereto, including any information needed in the event of

To comply with the obligations set out in this Article, it is expected that each Partner is entitled to a flat-rate remuneration which shall not exceed 7% of the eligible direct costs of the respective component managed by it, following the regime set out in Article 18.3 of the General Conditions. The total remuneration for the Contribution Agreement shall not exceed 7% of the total eligible direct costs to be reimbursed by the Contracting Authority.

In order to comply with its obligations on reporting as coordinator, as stated in
monitoring or evaluations, as described in Article 10 of Annex II, as well as the relevant management declarations and audit or control opinion referred to in Articles 3.10 to 3.12 of Annex II (this does not apply to those documents and Partners that fall within an arrangement with the European Commission to provide either of them annually);

c) ensure that all information to be provided and requests made to the Contracting Authority are sent via the Organisation;

d) agree with the Organisation upon appropriate internal arrangements for the internal coordination and representation of the Partners vis-a-vis the Contracting Authority for any matter concerning this Agreement, consistent with the provisions of this Agreement and in compliance with the applicable legislation(s);

e) be responsible in the event of audits, checks and investigations, as described in Article 17 of Annex II for full cooperation in the protection of the Union’s financial interests and, in particular, for providing all the necessary access, information and documents in accordance with Article 17.4 of Annex II, without prejudice to Article 5.

**Article 4 – Termination and suspension**

4.1 Article 13 of Annex II is amended as follows:

a) in the first paragraph of Article 13.1 of Annex II, “may terminate” shall be replaced by “may terminate or partially terminate” and “the Organisation” shall be replaced by “the Organisation or a Partner”. In addition to Article 13.1 and in respect thereof, the Contracting Authority shall discuss prior to termination the possible reallocation of the tasks and responsibilities of the Partner whose participation is terminated, in case of partial termination, among the remaining Partners and/or the Organisation, or on its possible replacement by a third party. If the Contracting Authority agrees, the Agreement shall be amended accordingly in accordance with Article 11. If the Contracting Authority does not agree, either Party may terminate the Agreement in accordance with Article 13.3.

b) In duly justified cases, the Organisation may propose to terminate the participation of a Partner to this Agreement. For this purpose, the Organisation shall communicate to the Contracting Authority the reasons for the proposed termination of its participation and the date on which it should take effect, as well as a proposal on the reallocation of the tasks and responsibilities of the Partner whose participation is terminated, or on its possible replacement. The proposal shall be sent in due course before the termination is due to take effect. If the Contracting Authority agrees, the Agreement shall be amended accordingly in accordance with Article 11. If the
Contracting Authority does not agree, either Party may terminate the Agreement in accordance with Article 13.3.

4.2 In the case of termination of the participation of a Partner pursuant to Article 4.1 a) or b), the final payment regarding the activities allocated to the Partner concerned shall be included in the next payment request following the amendment of the Agreement.

Article 5 – Financial framework partnership agreements and special agreements

Where the Organisation and one or more Partners have each concluded a financial framework partnership agreement with the European Commission, the financial framework partnership agreement of the Organisation and each Partner shall apply for the purpose of this Agreement, except in relation to obligations on reporting and payments, to which only the Organisation's financial framework partnership agreement shall apply.

Article 6 – Financial responsibility

The Organisation and each pillar-assessed Partner shall be financially responsible solely for the part of the Action to be implemented by it (including by its Contractors and Grant Beneficiaries), as set out in Annex I, or for the activities assigned to it during the implementation of the Action in case these are not defined in Annex I. The Contracting Authority shall recover any unduly paid or incorrectly used funds directly from the Organisation, unless the Organisation can demonstrate that amounts to be recovered under this Agreement only relate to activities that have or should have been implemented by a pillar-assessed Partner pursuant to Annex I. In such case, the Contracting Authority will recover directly from the concerned defaulting pillar-assessed Partner.

This Article implies that each pillar assessed Partner is financially responsible for the part of the Action allocated to the relevant Partner. However, if the Organisation is not able to demonstrate to the Contracting Authority that funds unduly paid or incorrectly used relate to the part of the Action allocated to the Partner, the Organisation remains financially responsible for the respective amount and the Contracting Authority will recover directly from the Organisation.

However, the Organisation shall remain financially responsible for any non-pillar assessed Partners and their affiliated entities (if any).

Article 7 – Dispute settlement

Where either the Organisation or at least one of the Partners is an International Organisation, Article 14.4.b of Annex II shall apply to the entire Agreement. In case a dispute does only concern one or some Partners or only the Organisation, the dispute...
settlement mechanism foreseen in Article 14.4.b will apply between the Contracting Authority and the relevant Partner or the Organisation only.
Annex II b. Provisions only applicable to a Contribution Agreement resulting from a call for proposals for EU External Action

This annex is only applicable to calls for proposals based on the PRAG (Procurement and Grants for European Union external Actions – A Practical Guide).

When the grant is awarded to a pillar-assessed organisation as lead applicant/coordinator, a Contribution Agreement will be signed. In these cases, Annex II.b shall be included as well and the management mode will remain direct management or indirect management with the Partner Country (where the Partner Country is the Contracting Authority). This Annex would also apply in the very exceptional situation that the Authorising Officer of the Commission awards a grant directly to a pillar assessed organisations.

The PRAG guidelines for applicants include the following paragraph:

“Where the coordinator is an organisation whose pillars have been positively assessed, it will sign a contribution agreement based on the contribution agreement template. In this case, references to provisions of the standard grant contract and its annexes shall not apply. References in these guidelines to the grant contract shall be understood as references to the relevant provisions of the contribution agreement.”

Accordingly, in the cases where a Contribution Agreement would be signed, the eligibility of costs is governed by the provisions of the Contribution Agreement and not the PRAG standard grant contract.

In line with the above, the provisions on expenditure verifications do not apply. In this context, it has to be noted that the coordinator takes the full financial responsibility for all non-assessed Partners. As for other Contribution Agreements, there may, of course, be audits (including on the parts implemented by Partners).

Please note the following important points:

a) If the pillar-assessed organisation is not the lead applicant but only a co-applicant, a standard grant contract will be signed (including, when the organisation is an International Organisation, relevant
b) For calls for proposals published using a pre-2018 version of the PRAG: If the lead applicant is pillar assessed, a pillar assessed grant ("PAGoDA grant") will be signed in accordance with the provisions of the guidelines for applicants.

If Partners and/or affiliated entitled participate in the implementation of the Action, Annex II.a has to be included as well.

Please note that, in accordance with the PRAG, pillar-assessed organisations do not have to provide a declaration on honour.

Footnote 1 - or, where applicable, a direct award by a Contracting Authority from a partner country, even if non-assessed Partners or affiliated entities participate in the implementation of the Action. EU External Action refers to actions financed under the NDICI, EINS, EDF, DCI, ENI, IPA II, INSC, IcSP, PI, EIDHR, their predecessors and successor(s). All other actions - except CFSP and humanitarian aid - are Internal Policies.

As a rule, partner countries implementing EU funds through indirect management use PRAG rules and documents for the award of grants. This includes the option to directly award contracts in the limited cases set out in the PRAG. In order to ensure a coherent approach, the contract type to be signed in these cases is also a Contribution Agreement.

To be added to the Special Conditions

1.3 In Article 1.3 SC, in case of Multi-Partner Contribution Agreements with non-pillar-assessed Partners, include:

<names of non-pillar-assessed entity> [is a/are] non-pillar assessed Partner[s] for the purposes of Annexes II.a and II.b.

This option (i.e. to limit the EU Contribution also to a percentage of the total eligible costs) only applies in the context of calls for proposals.

If the guidelines for applicants provide for the double-ceiling (i.e. the maximum EU Contribution is expressed both as a maximum amount and as a maximum percentage of eligible costs) this double-ceiling has to be included also in Contribution Agreements resulting from the respective call.

3.1 In Article 3.1 SC after the second sentence, indicate the percentage of total eligible costs financed by the EU Contribution if the guidelines provide for the application of a percentage:

[The EU Contribution is further limited to <enter applicable percentage> of the total eligible costs of the Action.]

In Article 3.1, at the end, insert the following sentence:
[The final amount shall not exceed the amount obtained by applying the percentage laid down in the first subparagraph to the total eligible costs of the Action approved by the Contracting Authority.]

Art. 7.1.x Where relevant, insert the following under Article 7 SC: Details on affiliated entities are included in section 6.1.2 of the PRAG.

If the Organisation implements the Action together with Affiliated Entities add: Details on accepted costs are included in section 6.3.9 of the PRAG and the grants implementation manual.

[7.1.x For the purpose of this Agreement, the following entities are considered Affiliated Entities:

<name of the legal entity>, affiliated to <name of the Organisation or Partner>;

Repeat as many times as Affiliated Entities

For accepted costs system, insert:

7.1.x The following non eligible costs may be considered part of the total accepted costs of the Action for the purpose of co-financing, as follows:

<clarify the conditions and specificities of the relevant costs in accordance with the relevant guidelines for applicants>.

[The total accepted costs of the Action are estimated at <currency of the Agreement> <enter total of estimated eligible costs plus non-eligible costs ....> as set out in Annex III. The Contracting Authority's contribution set out in Article 3.1 is further limited to <enter applicable percentage> of the total accepted costs.]

In Article 7 insert if the guidelines provide for the application of a percentage:

[7.1.x By way of derogation from Article 3.8 f), if the EU Contribution is expressed both as nominal amount and as a percentage of total eligible costs of the Action, the full amount of the costs related to the Action needs to satisfy the eligibility conditions of Article 18 of Annex II.]

The following provisions shall supplement Annex II

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9.3 Article 9.3 of Annex II shall be supplemented as follows: As an alternative, the relevant equipment, vehicles and remaining major supplies may also be transferred to local non-pillar-assessed Partners.

11.4 Article 11.4 of Annex II shall be supplemented as follows: Amendments shall not have the purpose or the effect of making such changes to the Agreement as would call into question the award decision or, where applicable, be contrary to the equal treatment of applicants.

18.1 Where the Contribution Agreement results from a call for proposals, Article 18.1 of Annex II shall be supplemented as follows: Costs related to Grants are only eligible if the Grants are provided in accordance with the requirements for financial support to third parties as set out in Annex I and the relevant guidelines for applicants.

In line with the 2018 Financial Regulation, guidelines for applicants include a number of requirements that need to be addressed by grant beneficiaries when they intend to provide financial support to third parties (see also Article 10.5 and following of the PRAG standard grant contract).

These requirements also have to be respected by the Organisation if it signs a Contribution Agreement as a result of a call for proposals and intends to provide a Grant (in the sense of the Contribution Agreement) to a third party.

These requirements for financial support do not apply if the Contribution Agreement is the result of a direct award by a Contracting Authority from a Partner Country.

20.2 Where the EU Contribution is also expressed as a maximum percentage in the Special Conditions, Article 20.2 of Annex II shall be supplemented as follows: c) the amount obtained by applying the percentage set out in Article 3.1 of the Special Conditions to the total eligible costs of the Action approved by the Contracting Authority.

23 Article 23 of Annex II shall be supplemented as follows: Non-pillar-assessed Partners shall award Procurement Contracts to the tender offering best value for money or, as appropriate, to the tender offering the lowest price. In doing so, the Partners shall avoid any conflict of interest.

This is related to the fact that the procurement rules and procedures of the relevant Partner have not been assessed.

The following provision shall amend Annex II
23.1 If the Action is not a Multi-Donor Action and non-pillar-assessed Partners participate, the following sentence shall complement Article 23.1 of Annex II:

Notwithstanding the foregoing, for Procurement Contracts to be signed by non-pillar-assessed Partners, the origin of the goods and the nationality of the organisations, companies and experts selected for carrying out activities in the Action shall be determined in accordance with the applicable regulatory provisions of the European Union.

The following provisions shall supplement Annex II.A

1. Article 1 of Annex II.a shall be supplemented as follows: Where part of the Action is implemented by affiliated entities the rules for Partners apply mutatis mutandis. Affiliated entities are not Party to the Agreement but shall be mentioned in Article 7 of the Special Conditions.

2. Article 2 of Annex II.a shall be supplemented as follows: The management declaration and, where applicable, audit opinion of the Organisation shall encompass the activities implemented by non-pillar-assessed Partners and any affiliated entities.

6. Article 6 of Annex II.a shall be supplemented as follows: The Organisation is financially responsible for the parts of the Action to be implemented by non-pillar-assessed Partners and any affiliated entities. This is the same concept as in previous PA Grant Agreements.
Special Conditions

Article 1 - Purpose

1.1 The purpose of this Agreement is to provide a financial contribution to finance the implementation of the action [fill in the title of the programme or project] as described in Annex I (the “Action”). This Agreement establishes the rules for the implementation and for the payment of the EU Contribution, and defines the relations between the Organisation and the Contracting Authority.

1.2 Select one option:

- [The Action is fully financed by the EU Contribution.]
- [The Action is a Multi-Donor Action and the EU Contribution [is] / [is not] earmarked]

An Action is a Multi-Donor Action if it is not only financed by the EU Contribution but also by other donors or the Organisation itself.

The EU Contribution is earmarked if it is indicated in the Budget (Annex III) that the EU Contribution may only be used for specific activities or budget items. Please note that the fact that certain budget items are excluded from the EU contribution (for example, in case such items are not eligible for EU financing) does not necessarily lead to earmarking as the budget items covered by the EU contribution may still be jointly co-financed by other donors (see also below).

This includes cases of parallel co-financing. In the case of parallel co-financing, an Action is split into a number of clearly identifiable components which are each financed by the different donors providing co-financing in such a way that the end-use of the financing can always be identified.

The EU Contribution is not earmarked in the case of joint co-financing, i.e. when funds are pooled.

There may be Actions where the EU Contribution is earmarked but at the same time part of the Action is jointly co-financed. Example: the Action comprises three components. The EU Contribution is earmarked for the first component, i.e. it does...
not finance component 2 and 3. However, the first component is jointly co-
financed by other donors. Therefore, the entire first component will be subject to
the detailed financial reporting for joint co-financing.

If it is clear from the beginning that some costs are not eligible, this should be
indicated in the budget of the Action.

If – after signature of the Agreement – it turns out the Action is actually a Multi-
Donor Action, a respective amendment can be processed without the need for an
addendum of the underlying financing decision or financing agreement. However,
in some cases, an amendment to the latter might be desirable for consistency
purposes or in order to formalise, where applicable, the extension of a contracting
deadline.

1.3 In the performance of the activities, the Organisation shall:

   a) apply its own accounting, internal control and audit systems¹ [which have
been positively assessed in the ex-ante pillar assessment. In the event that
the ex-ante pillar assessment has raised some reservations, the
Organisation shall comply with the ad hoc measures stated in Article 7.]²

   b) [apply specify or delete [its own procurement procedures [, as assessed in
the ex-ante pillar assessment]] / [agreed rules for procurement procedures
specify or delete [its own rules for the award of Grants, as assessed in the
ex-ante pillar assessment]] / [agreed rules for the award of Grants].

   c) [apply its own rules and procedures for exclusion from access to funding, as
assessed in the ex-ante pillar assessment In the event that the ex-ante
pillar assessment has raised some reservations, insert: [, complemented
with the ad-hoc measures stated in Article 7]. Consequently, Article 23.2 of
Annex II shall not apply.]

   d) [apply its own rules and procedures for publication of information on
recipients, as assessed in the ex-ante pillar assessment In the event that
the ex-ante pillar assessment has raised some reservations, insert: [,

The references to the pillar assessment have to be kept for all organisations that
have passed a pillar assessment. As indicated in footnote 3, the references have to
be deleted for Contribution Agreements signed with EU-decentralised agencies, as
they do not have to undergo a pillar assessment.

Ad hoc measures are only to be inserted in Article 7 of the Special Conditions if the
pillar assessment report includes critical recommendations which are then
explicitly referred to in the respective management note.

If non-assessed Partners participate in the Action, remember to add the relevant
language as included in Annex II.b.

The optional language that the Organisation may use any of its Regulations and
Rules as long as they are not in conflict with the Contribution Agreement is a mere
clarification. The Organisation can choose
whether this language should be included. “Other” Regulations and Rules refers to areas outside the scope of the
pillar assessment.

The Organisation will use its own procurement procedures once positively
assessed. However, the Organisation still has to comply with Article 23 of the

¹ In case the Agreement is signed with an EU-decentralised agency, all references to the pillar-assessment in Article 1.3 have to be deleted if such agency has been exempted from passing such pillar-assessment.
² Conclusions of the ex-ante pillar assessment should be considered and required measures, if any, should be included in Article 7.

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complemented with the ad-hoc measures stated in Article 7]. Consequently, Articles 22.1 and 22.3 of Annex II shall not apply.

e) apply its own rules and procedures for the protection of personal data, as assessed in the ex-ante pillar assessment. In the event that the ex-ante pillar assessment has raised some reservations, insert: [complemented with the ad-hoc measures stated in Article 7]. Consequently, Article 7 of Annex II shall not apply.

In case of Multi-Partner Contribution Agreements with pillar-assessed Partners, include (repeat as many times as pillar assessed Partners):

[In the performance of the activities, < name of pillar-assessed Partner > shall:

a) apply its own accounting, internal control and audit systems [which have been positively assessed in the ex-ante pillar assessment. In case the ex-ante pillar assessment raised some reservations < name of pillar-assessed Partner > shall comply with the ad hoc measures stated in Article 7].

b) [apply specify or delete its own procurement procedures [, as assessed in the ex-ante pillar assessment] / [agreed rules for procurement procedures] specify or delete its own rules for the award of Grants [, as assessed in the ex-ante pillar assessment] / [agreed rules for the award of Grants].

c) [apply its own rules and procedures for exclusion from access to funding, as assessed in the ex-ante pillar assessment. In the event that the ex-ante pillar assessment has raised some reservations, insert: [complemented with the ad-hoc measures stated in Article 7]. Consequently, Article 23.2 of Annex II shall not apply.]

d) [apply its own rules and procedures for publication of information on recipients, as assessed in the ex-ante pillar assessment. In the event that the ex-ante pillar assessment has raised some reservations, insert: [complemented with the ad-hoc measures stated in Article 7]. Consequently, Articles 22.1 and 22.3 of Annex II shall not apply.]

General Conditions, which contains substantive requirements.

*Agreed rules* for Grants and procurement (where the relevant rules and procedures of the Organisation have not been or not been positively assessed) could, for example, be the relevant rules and procedures as included in the PRAG.

As regards the new pillar on protection of personal data, once positively assessed, *Article 7* of the General Conditions would cease to apply. In the case of exclusion from funding, *Article 23.2* of the General Conditions and in the case of publication, *Articles 22.1* and *22.3* of the General Conditions would cease to apply.

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3 Conclusions of the ex-ante pillar assessment should be considered and required measures, if any, should be included in Article 7.
e) [apply its own rules and procedures for the protection of personal data, as assessed in the ex-ante pillar assessment. In the event that the ex-ante pillar assessment has raised some reservations, insert: [complemented with the ad-hoc measures stated in Article 7]. Consequently, Article 7 of Annex II shall not apply.]

Insert if requested by the Organisation:
[The Organisation and the Partner(s) is/are free to use any Regulations and Rules which have not been subject to an ex-ante pillar assessment to the extent that these Regulations and Rules are not in conflict with the provisions of this Agreement.]

Insert the following, unless the Organisation is exempted from undergoing a pillar-assessment (possible in case of EU decentralised agencies):
[The Organisation in case of pillar-assessed Partners, insert: [and the pillar-assessed Partner(s) declare(s) that no substantial changes, which have not already been communicated to the Commission, affect the pillar-assessed rules and procedures referred to under the present Article. In case one or more Partner(s) is/are exempted from undergoing a pillar-assessment, insert: [and <insert name of the Partner(s) which are exempted from undergoing a pillar assessment > declare(s) that no substantial changes, which have not already been communicated to the Commission, affect the rules and procedures which have been assessed by the Commission for the purpose of granting an exemption to the obligation to undergo a pillar-assessment].]

Insert the following, when the Organisation is exempted from undergoing a pillar-assessment (possible in case of EU decentralised agencies):
The Organisation in case one or more Partner(s) is/are exempted from undergoing a pillar-assessment, insert: [and <insert name of the Partner(s) which are exempted from undergoing a pillar assessment >] declare(s) that no substantial changes, which have not already been communicated to the Commission, affect the rules and procedures which have been assessed by the Commission for the purpose of granting an exemption to the obligation to undergo a pillar-assessment. In case of pillar-
assessed Partners, insert: [The pillar-assessed Partner[s] declare[s] that no substantial changes, which have not already been communicated to the Commission, affect the pillar-assessed rules and procedures referred to under the present Article].

1.4 The Action is financed under <indicate the relevant Instrument>.

1.5 Select one:
For International Organisations / Member State Organisations which have established an arrangement to provide annually the management declaration:
[The Organisation shall provide annually a management declaration to the European Commission headquarters.]
For International Organisations / Member State Organisations in all other cases:
[The Organisation shall provide a management declaration in accordance with Articles 3.10 of Annex II with every progress and final report.]
For other organisations which have established an arrangement to provide annually a management declaration and an audit opinion:
[The Organisation shall send annually a management declaration and an audit or control opinion to the European Commission headquarters.]
For other organisations / in all other cases:
[The Organisation shall provide a management declaration in accordance with Article 3.10 with every progress and final report and an audit or control opinion in accordance with Articles 3.11 and 3.12 of Annex II one month following the management declaration.]
Specify if different arrangements regarding the submission of the management declaration / audit opinion apply to pillar-assessed Partners.

1.6 This Agreement is subject to the provisions of <reference to any relevant financial framework partnership agreement between the European Commission and the Organisation and, if relevant, the Partner(s)>.
Article 2 – Entry into force and implementation period

2.1 The Agreement shall enter into force on the date when the last Party signs.

2.2 The implementation period of the Agreement (the “Implementation Period”) shall commence on: select one in agreement with the Organisation

- [the day after the last Party signs.]
- <a later date>
- [the first day of the month following the date on which the Contracting Authority pays the first pre-financing.]
- <a date preceding the signature of the Agreement, but not preceding the Organisation’s request for a contribution.④>

The Implementation Period starts on the date defined in the Article 2.2 of the Special Conditions and lasts the number of months specified in Article 2.3. The Implementation Period ends upon expiry of that number of months (e.g. Implementation Period starts 1 January and it is to last 11 months → it ends on 30 November) but it can be extended, in accordance with Article 11.1 of the General Conditions.

Please ensure that the date on which the implementation period of the Agreement commences is correctly reflected in CRIS. In case the implementation period commences on the day after the last Party signs, ensure that the correct option is selected in CRIS when encoding the “starting date of activities” (i.e. “later date” or “fixed starting date”).

For the costs to be considered eligible for EU funding (i.e. charged to the EU Contribution), they must be legally incurred within the Implementation Period (see Article 18.1 of the General Conditions, with the exceptions mentioned therein).

Between the end of the Implementation Period and before the End Date, it is still possible to amend the Agreement (in line with Article 11 of the General Conditions). Also, the Implementation Period may be extended through an addendum even after the (initial) Implementation Period has elapsed, provided that the addendum enters into force before the End Date.

In exceptional cases, the Financing Decision could even provide for an Implementation Period that starts before the Organisation requested a contribution.

2.3 The Implementation Period of the Agreement is <indicate the number of>

④ This option can be used if so stated in the Financing Decision or in other justified cases.
**Article 3 – Financing the Action**

**3.1** In case the entire Action is financed by way of performance-based financing in accordance with Article 21 of Annex II insert the following Article 3.1:

The Contracting Authority undertakes to provide a contribution up to a maximum of EUR <insert amount>, if the Currency of the Agreement is not EUR insert which is estimated at <insert Currency of the Agreement> <insert the amount corresponding to the amount of the EU Contribution in the Currency of the Agreement at the InforEuro rate of the month of signature of this Agreement> (the “EU Contribution”).

The final amount will be established in accordance with the relevant arrangements set out in Annex I.

In all other cases insert the following Articles 3.1 to 3.3/3.4:

The total cost of the Action is estimated at [EUR] or <insert accounting currency of the Organisation> <insert amount>, as set out in Annex III. The Contracting Authority undertakes to provide a contribution up to a maximum of EUR <insert amount>, if the Currency of the Agreement is not EUR insert which is estimated at <insert Currency of the Agreement> <insert the amount corresponding to the amount of the EU Contribution in the Currency of the Agreement at the InforEuro rate of the month of signature of this Agreement> (the “EU Contribution”).

The final amount will be established in accordance with Articles 18 to 20 of Annex II insert in case of partially performance-based financing [and the relevant arrangements for performance-based financing set out in Annex I].

**3.2** For Contribution Agreements outside blending facilities/platforms:

The remuneration of the Organisation by the Contracting Authority for the activities to be implemented under this Agreement shall be <enter percentage not exceeding 7%> of the final amount of eligible direct costs of the Action to be reimbursed by the Contracting Authority.

It is understood that the rate of remuneration of the Organisation/partner(s) for the implementation of the activities under the Agreement will not exceed 7%.

In case of Multi-Donor Actions, particular attention will have to be given to the rules of the Organisation/partner(s) which could provide for a lower rate for the

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This amount is introduced only for indicative purposes. It is an estimate and its evolution does not condition the EU Contribution.

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For Contribution Agreements outside blending facilities/platforms and in case the Organisation and its partners apply differentiated remuneration rates:

[The remuneration of the Organisation by the Contracting Authority for the activities to be implemented by the Organisation under this Agreement shall be <enter percentage not exceeding 7%> of the final amount of eligible direct costs of the Action incurred by the Organisation.]

Repeat as many times as necessary:

[The remuneration of <enter name of the partner> by the Contracting Authority for the activities to be implemented by <enter name of the partner> under this Agreement shall be <enter percentage not exceeding 7%> of the final amount of eligible direct costs of the Action incurred by <enter name of the partner>.]

For Contribution Agreements within blending facilities/platforms (this remuneration may also apply to blending operations outside blending facilities/platforms and other actions covered by the blending fee methodology):

[By way of derogation from Article 18.3 of Annex II, the Organisation, in its capacity as lead finance institution, shall be entitled to a remuneration of an aggregate of other comparable donors. In such a case, the Commission cannot be charged a higher fee than the other comparable Donors.

In case other donors allow a percentage higher than 7%, the EU will still apply the 7% threshold but that needs to be clearly explained (as a footnote) in Annex III.

In the cases of Multi-Partner Agreements, it is expected that each Partner is entitled to an autonomous remuneration percentage, in proportion with the implementation activities such Partner carries out.

Remuneration shall be commensurate with the conditions for implementing the Action and be, where appropriate, performance based.

For further details on the remuneration, see the explanations on Article 18 of the General Conditions.

“Lead finance institution” refers to the entity entrusted with the implementation of a blending operation. Lead finance institutions include multilateral European financial institutions (such as EBRD), European national development institutions (such as KfW, AFD etc.) and regional or multilateral banks (such as AfDB).

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Excluding the cases of early termination described in the last sentence of Article 3.2 of the Special Conditions, the final amount of remuneration shall be calculated as follows:

A) For investment grants or interest rate subsidies, depending on the amount of total eligible direct costs to be reimbursed by the Contracting Authority for the investment grant or interest rate subsidies:

<table>
<thead>
<tr>
<th>Amount of total eligible direct costs to be reimbursed by the Contracting Authority</th>
<th>Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ EUR 5,714,285.71</td>
<td>7%</td>
</tr>
<tr>
<td>&gt; EUR 5,714,285.71 and ≤ EUR 20,000,000</td>
<td>EUR 400,000</td>
</tr>
<tr>
<td>&gt; EUR 20,000,000 and ≤ EUR 50,000,000</td>
<td>2%</td>
</tr>
<tr>
<td>&gt; EUR 50,000,000</td>
<td>the aggregate of i) EUR 1,000,000 (which covers the estimated amount up to EUR 50,000,000) and ii) 1% on the portion of the estimated amount &gt; EUR 50,000,000.</td>
</tr>
</tbody>
</table>

B) For technical assistance, depending on the total eligible direct costs to be reimbursed by the Contracting Authority for the technical assistance:
amount of EUR <xxx> if the Currency of the Agreement is not EUR insert which is estimated at <insert Currency of the Agreement> <insert the amount corresponding to the amount of the remuneration in the Currency of the Agreement at the InforEuro rate of the month of signature of this Agreement> the amount(s) indicated here are indicative and must be calculated by using the methodology detailed under footnote 9 and on the basis of the estimated amount of total eligible direct costs to be reimbursed by the Contracting Authority for the management and administration of the EU Contribution. This remuneration does not need to be supported by accounting documents.

The final amount of the remuneration will be established by the Contracting Authority in accordance with these Special Conditions and with Articles 18 to 20 of Annex II. However, in case of termination pursuant to Article 13.3 of Annex II, if the total eligible direct costs to be reimbursed by the Contracting Authority do not exceed 30% of the total estimated eligible direct costs to be reimbursed by the Contracting Authority, the Organisation shall be entitled to a minimum remuneration. The amount of this minimum remuneration shall be determined based on the activities carried out by the Organisation until the termination takes effect, up to the limit of 30% of the remuneration laid out in this Article and upon submission of a justified request by the Organisation.

In case of early termination, the aim of the minimum remuneration is to provide a cushion for the Organisation in case the Action is terminated when no disbursement took place or at its very early stage.

When the termination occurs at later stages (i.e. when the total eligible direct costs to be reimbursed by the Contracting Authority exceed 30% of the total estimated ones), the remuneration shall be calculated according to the applicable grid and based on the total eligible direct costs to be reimbursed by the Contracting Authority.

For additional guidance on blending remuneration, see the instruction note Ares(2021)508429.

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3.3 Select one out of the two options:

When the rules of the Organisation do not provide for the reimbursement of interest on pre-financing:

[Interest generated on pre-financing shall not be due.]

When the rules of the Organisation provide for the reimbursement of interest:

<table>
<thead>
<tr>
<th>Amount of total eligible direct costs to be reimbursed by the Contracting Authority</th>
<th>Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ EUR 4 285 714.29</td>
<td>7%</td>
</tr>
<tr>
<td>&gt; EUR 4 285 714.29 ≤ EUR 7 500 000</td>
<td>EUR 300 000</td>
</tr>
<tr>
<td>&gt; EUR 7 500 000 and ≤ EUR 20 000 000</td>
<td>4%</td>
</tr>
<tr>
<td>&gt; EUR 20 000 000</td>
<td>the aggregate of i) EUR 800 000 (which covers the estimated amount up to EUR 20 000 000) and ii) 3% on the portion of the estimated amount &gt; EUR 20 000 000.</td>
</tr>
</tbody>
</table>

In the case of hybrid projects, remuneration for the investment grant/interest rate subsidies and technical assistance shall be calculated separately on the basis of the above and aggregated. The Organisation shall be entitled to a remuneration equal to 80% of the resulting aggregated amount. However, in cases where the remuneration calculated on this basis would be lower than either of the remuneration amounts calculated separately under points A) or B) above, the highest one of these remuneration amounts is applied.

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3.4 If a contingency reserve is foreseen, insert:

A reserve for contingencies and/or possible fluctuations in exchange rates – not exceeding 5% of the direct eligible costs – may be included in Annex III to allow for adjustments necessary in the event of unforeseeable changes of circumstances on the ground. The reserve can be used only with the prior written authorisation of the Contracting Authority, upon a duly justified request from the Organisation.

In Multi-Donor Actions, this means that the Organisation will only have to ask the Commission for written authorisation once it wishes to spend the part of the contingency reserve corresponding to the proportion of the EU Contribution.

It is assumed that when the contingency is used, the Organisation consumes first other sources of funds and only if the last part of the contingency (corresponding to the EU’s share of it) is needed, the Organisation should request a prior written authorisation from the Contracting Authority. Such written authorisation may also be provided by email.

### Article 4 – Payment arrangements and Reporting

4.1 The pre-financing rate is \(<\ldots>\% \)\ ?. Always check the applicable FFPA to see if it includes an arrangement on the pre-financing rate (e.g. the FFPA with Member State Organisations).

4.2 Payments shall be made in accordance with Article 19 of Annex II. The following amounts are applicable, all subject to the provisions of Annex II:

**First option**

First pre-financing instalment: \(<\text{Currency of the Agreement}> \ <\text{amount}>\)

Further pre-financing instalment(s): \(<\text{Currency of the Agreement}> \ <\text{amount}>\) following the end of the \(<1^\text{st}, 2^\text{nd}, \text{etc. reporting period, from date to date} >\) corresponding to the Contracting Authority’s part of the forecast budget for the subsequent \(<\text{xx} >\) months.

\[\text{Forecast balance of the final amount of the EU Contribution, if any (subject}\]

The choice between option 1 and 2 is to be made in agreement with the Organisation.

It is understood that the Organisation and the Contracting Authority will agree on the pre-financing rate referred to in Article 4.1 of the Special Conditions duly taking into account the financing needs of the Organisation in accordance with the project implementation schedule and the EU budget availability.

The Special Conditions may include terms allowing the reporting period to be

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7 The Parties have to agree on a pre-financing rate (X%). The determination of the amount of the pre-financing instalments corresponds to X% of the part of the forecast budget for the following reporting period of the Action which is being financed by the EU (excluding not authorised contingencies). Subject to the provisions of Article 19 of Annex II, each further instalment of pre-financing will thus consist of the remaining part of the budget financed by the EU for the previous period (where pre-financing rate is less than 100%) and the new pre-financing for the forecast budget for the subsequent 12 months, the latter at the pre-financing rate stated in Article 4.1. In the case of blending facilities/platforms, it is always 100%.

8 For Contribution Agreements within blending facilities/platforms [The first pre-financing instalment includes 100% of the remuneration mentioned under Article 3.2]

9 By default, the reporting period is every 12 months as from the commencement of the Implementation Period.
to the provisions of Annex II).<Currency of the Agreement> <amount>.

**Second option**

- First pre-financing instalment: <Currency of the Agreement> <amount>
- Second pre-financing instalment: <Currency of the Agreement> <amount>
- Third pre-financing instalment: <Currency of the Agreement> <amount>

<add as many instalments as years>

Forecast balance: <Currency of the Agreement> <amount>

These amounts are indicative and subject to modification in accordance with the provisions of Article 19 of Annex II.

**Where the Currency of the Agreement is not EUR insert:**

[The sum of the payments in the accounting currency of the Organisation shall not exceed the total EU Contribution in EUR]

adjusted, as and when required, to allow for payments to be requested by the Organisation.

The amount of the first pre-financing corresponds to up to 100% of the EU's (in Multi-Donor Actions: proportional) share of the forecast budget for the first 12-month period of the Action (excluding contingencies, if any).

The rest of the EU Contribution can be registered in this Article as one global amount, classified as "Further Pre-financing Instalments". In order to simplify implementation when there is a reasonable understanding for the amounts required for the following years, the breakdown per years can be used.

In each further instalment of pre-financing, the amount can be released by the EU as soon as the staff costs incurred and the legal commitments represent at least 70% of the immediately preceding instalment (and 100% of the earlier ones). The Organisation may submit a request for further pre-financing payment before the end of the reporting period, when the part of the costs paid by the Organisation to its staff or otherwise subject to a legal commitment is more than 70% of the previous payments. In this case, the following reporting period starts anew from the end date of the period covered by this payment request.

No adjustments of figures are required (unless there is an amendment to the Budget), only the final payment may require re-calculation.

By default, interest on pre-financing is not due. Should the Organisation have the obligation to pay interest, in accordance with its Regulations and Rules (namely, to ensure equal treatment between donors), the conditions for the payment of such interest should be introduced in the Special Conditions.

The FFPA can provide for specific provisions regarding reporting and payment for each Organisation. Please check them. A number of FFPA's include arrangements to pay 100% pre-financing as a rule (e.g. the UN FAFA).

If no special provisions are applicable, the threshold of pre-financing is from 0% to 100%.

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10 This option can be used if there is a high level of certainty as regards the amounts of the further pre-financing instalments.

11 For Contribution Agreements within blending facilities/platforms [The first pre-financing instalment includes 100% of the remuneration mentioned under Article 3.2.]

12 The forecast balance (final payment), if any, is the difference between the total amount of the EU Contribution and the sum of the previous instalments.
The payment requests (including for the balance) and payments will be made in the “Currency of the Agreement” stated in Articles 3.1 and 4.2 of the Special Conditions (it may be either EUR or the accounting currency of the Organisation). Nonetheless, the maximum EU Contribution is always expressed in the Special Conditions in EUR as an insurmountable threshold.

4.3 Where the European Commission is the Contracting Authority, insert:

The Commission intends to progressively introduce an electronic exchange system for the e-management of contracts and agreements (the “System”). The Organisation will be required to register in and use the System to allow for the e-management of Contribution Agreements. The Commission will inform the Organisation in writing at least three months prior to the date of application of the individual components of the System.

As a first step, the information to be provided in accordance with Article 3.7 b) of Annex II has to be processed via the System for all reports. This part is now operational, i.e. the information to be provided in accordance with Article 3.7 b) of Annex II has to be processed via the System for all reports under this Agreement.

As a second step, all documents related to this Agreement (including reports, payment requests and formal amendments as per Article 11.1 of Annex II) will have to be processed via the System.

4.x Insert, if needed in accordance with Article 3.4 of Annex II:

4.x <Specify the applicable reporting requirements and length of reporting period, etc.>

In case of performance-based financing, insert

4.x <additional or differing reporting and payment arrangements for performance-based financing>

Delete Article 4.1 and 4.2 above if the entire Action is financed by way of performance-based financing in accordance with Article 21 of Annex II.

In case of a Multi-Donor Action where the EU Contribution is earmarked, insert:

4.x The information required as per Articles 3.7 f), 3.8 b) and c) of Annex II has to be included only for the part of the Action financed by the EU Contribution.>
Article 5 – Communication language and contacts

5.1 All communications to the Contracting Authority in connection with the Agreement, including reports referred to in Article 3 of Annex II, shall be in [specify the language\(^\text{13}\)]. If requested by the Contracting Authority, and in cases where the language of the Agreement is not English or French, communications shall be accompanied by a translation or a summary in English or French.

For the avoidance of doubt, Article 5.1 of the Special Conditions does not imply the obligation to provide English or French translations where the other language has been defined as the language of the Agreement.

5.2 Where the European Commission is the Contracting Authority, insert [Subject to Article 4.3.] Any communication relating to the Agreement shall be in writing, shall state the Contracting Authority’s contract number and the title of the Action, and shall be dispatched to the addresses below.

The reference to Article 4.3 of the Special Conditions is related to the introduction of OPSYS.

5.3 Where the European Commission is the Contracting Authority, insert [Subject to Article 4.3.] Any communication relating to the Agreement, including payment requests and attached reports, and requests for changes to bank account arrangements shall be sent to:

For the Contracting Authority

Option 1: where the Contracting Authority is the European Commission:

[European Commission]

[Directorate-General for insert responsible DG]

For the attention of <address of the finance unit/section>

Copies of the documents referred to above, and correspondence of any other nature, shall be sent to:

European Commission

[Directorate-General for insert responsible DG]

For the attention of <address of the management unit/section>

Option 2: where the Contracting Authority is not the European Commission:

<address of the Contracting Authority’s management department>

[A copy of the reports referred to in Article 3 of Annex II and the reports, publications, press releases and updates relevant to the Action referred to in Article 8.6 of Annex II shall be sent to <insert address>]

For the Organisation

<address of the Organisation for correspondence>

The reference to Article 4.3 of the Special Conditions is related to the introduction of OPSYS.

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\(^{13}\) EN, FR, ES or PT.
5.4 Ordinary mail shall be deemed to have been received on the date on which it is
officially registered at the address referred to above.

In case the Special Conditions provide for a functional email address for
communication, the delivery of each email shall be confirmed by an
acknowledgement of receipt.

5.5 The contact point within the Organisation, which shall have the appropriate powers to
cooperate directly with the European Anti-Fraud Office (OLAF) in order to facilitate
the latter’s operational activities shall be: <complete OLAF contact point within the
Organisation>.

5.6 All exchanges concerning the Early Detection and Exclusion System shall take place
between the Contracting Authority and the authorised person designated by the
Organisation, which is:
<Insert here the contact of the designated person or the contact of the liaison point if
there is one>.

The authorised person for the purpose of EDES exchanges must be mandatorily
indicated in this Article. If no liaison point is in place in the Organisation in this
respect, the authorised person has to be designated on purpose. This can also be
indicated as a function within the Organisation but in this case the Organisation
must ensure business continuity.

Article 6 – Annexes

6.1 The following documents are annexed to these Special Conditions and form an
integral part of the Agreement:
Annex I: Description of the Action (including the Logical Framework of
the Action) 14
Annex II: General Conditions for Contribution Agreements
[Annex II.a: Provisions applicable only to Multi-Partner Contribution
Agreements]
[Annex II.b: Provisions applicable only to a Contribution Agreement
resulting from a call for proposals for EU External Action 15]
Annex III: Budget for the Action 16
Annex IV: Financial Identification Form 17

Annex I – Description of the Action
This Annex is a vital document within the regime of the Contribution Agreement
template. It should be comprehensively filled in. It should comprise, inter alia, the
following elements:
 a) Background;
 b) Relevance of the Action;
 c) Objectives (overall objectives and Indicators Outputs);
 d) Activities including location and duration;
 e) Methodology;
 f) Indicative Action Plan and Work Plan for the first year;

14 Indicative Results Indicators measuring Outputs and Outcomes as determined by the nature of the Action, have to be included in Annex I attached to the Agreement. For blending facilities/platforms, the Logical Framework is optional.

15 Also applicable in case of a direct award by a Contracting Authority other than the European Commission.

16 As there is no standard template for the Budget (except where the Organisation responds to a call for proposals), there is room for discussion on what constitutes a budget heading. In order to avoid disputes at a later point, this should be clarified between the Contracting Authority and the Organisation when an agreement is being signed, as a footnote or explanatory note in Annex III.
Annex V: Standard Request for Payment

Annex VI: Communication and Visibility Plan

[Annex VII: Management Declaration template] This annex is not needed when there is an arrangement to provide annually the Management Declaration

18 There is no obligation to use a specific template for Annex I. The Organisation can use its own format or base it on an existing document (namely agreed with the Government and/or other donors), provided that it includes the referred elements and the reporting requirements.

There is no obligation to use any specific form of Logical Framework of the Action (only the elements constituting it are mandatory) but, as an example, an English version of the standard Logical Framework of the Action Document template is available at the end of this Manual.

There are no fixed templates for Annexes I and III and the Organisation can use its own project/program documents. The Annex III/Budget should reflect the structure normally used by the Organisation in its own accounting system (except where the Contribution Agreement is the result of a call for proposals). It is not advisable to impose models which do not reflect this structure (for instance, Annex III of the PRAG standard grant contract). The advantages of reflecting the budget structure of the Organisation include more robust financial reporting and audit trail showing the link between the financial report and the underlying accounting methods. Whatever template is used, there has to be a clear link between the information included in Annex III and the activities described in Annex I.

Annex III – Budget

Annex III should be expressed in the Currency of the Agreement.

When the budget is expressed in the accounting currency of the Organisation it is not necessary to have a column with the conversion in EUR (that would be in any

Where payment is to be made to a bank account which is already known to the Contracting Authority, the Organisation may provide a copy of the relevant financial identification form: http://ec.europa.eu/budget/contracts_grants/info_contracts/financial_id/financial_id_en.cfm

If required, the Organisation shall provide a copy of the Legal Entity File: http://ec.europa.eu/budget/contracts_grants/info_contracts/legal_entities/legal_entities_en.cfm

The Communication and Visibility Plan describes the measures to acknowledge that the Action receives EU funding in accordance with the latest applicable guidelines, if any, issued by the relevant service of the European Commission.

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As there is no standard template for the budget (except where the Organisation responds to a call for proposals), there is room for discussion on what constitutes a budget heading. In order to avoid disputes at a later point, this should be clarified between the Contracting Authority and the Organisation before the Agreement is signed.

However, regardless of the model used, clarifications on the budget (including details on costs charged and calculations) should be sought by the Contracting Authority’s services during the negotiation process in order to ensure a good understanding of the information contained in the document provided by the Organisation and to avoid any dispute at a later stage. This information should be used for the purpose of the reporting requirements. In particular, the structure of the budget for the Action will determine to a great extent the structure of the financial reports to be provided by the Organisation.

In case of Multi-Partner Agreements, the budget should also reflect the indicative allocation of funds to the different Partners.

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6.2 In the event of a conflict between these Special Conditions and any Annex thereto, the provisions of the Special Conditions shall take precedence. In the event of a conflict between the provisions of Annex II and where applicable [including Annex IIa] [and] [II.b]] and those of the other Annexes, the provisions of Annex II and where applicable [including Annex IIa] [and] [II.b]] shall take precedence.

Article 7 – Additional specific conditions applying to the Action

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Optional if a derogation or supplement to some of the articles of the Annexes is needed:

The introduction of additional supplementary provisions and derogations have to follow the applicable approval process as laid down e.g. in the INTPA Companion or the NEAR Map.

For internal policies, BUDG D2 is to be informed of any such additional supplementary provisions and derogations.

Some Organisations have agreed on standard contractual derogations and
supplementary provisions reflected in the respective FFPAs. Such provisions have to be copied respectively in Articles 7.1 and 7.2 of the Special Conditions without introducing a specific derogation/exception in CRIS (EU external Actions).

Interpretative provisions included in FFPAs provide relevant guidance. They should not be introduced in the individual contract.

7.1.x The following shall supplement Annex II: 

For costs of a project office\(^{19}\):

Where the implementation of the Action requires the setting up or the use of one or more project offices, the Organisation and/or the Partners may declare as eligible direct costs the capitalised and operating costs of the structure if all the following conditions are fulfilled:

a) They comply with the cost eligibility criteria referred to in Article 18.1 of Annex II;

b) They fall within one of the following categories:

i) costs of staff, including administration and management staff, directly assigned to the operations of the project office. The tasks listed in the Description of the Action (Annex I), undertaken by staff assigned to the project office will be directly attributable to the implementation of the Action;

ii) travel and subsistence costs for staff and other persons directly assigned to the operations of the project office;

iii) depreciation costs, rental costs or lease of equipment and assets composing the project office;

iv) costs of maintenance and repair contracts specifically awarded for the operations of the project office;

v) costs of consumables and supplies specifically purchased for the operations of the project office;

vi) costs of IT and telecommunication services specifically purchased for the operations of the project office;

vii) costs of energy and water specifically supplied for the operations of the project office;

viii) costs of facility management contracts including security fees and insurance costs specifically awarded for the operations of

Project office costs may be either declared as actually incurred costs or as simplified cost options. However, if declared as simplified cost, they must have been approved through an ex ante-assessment as per Article 18.8 of the General Conditions based on the standardised ToR issued by the Commission.

The costs incurred in running offices cover a wide range of items, such as staff (assigned to many different tasks), buildings, equipment, security fees, etc., which may be difficult to track individually or to assign to a specific project. Therefore, it is possible to reimburse office costs determined on the basis of cost accounting data, thus contributing to the simplification of procedures and reduction of administrative errors linked to the reporting of actual office costs.

If the Organisation signs on behalf of all Partners, the Contracting Authority does not require a concrete mandate. It is the Organisation’s responsibility to have such power of attorney.

In cases the Organisation is a UN Body acting as Administrative Agent, such Organisation is entitled to claim the costs of coordination up to a maximum of 1%. Such costs of coordination shall comply with the conditions of Article 18.1 of the General Conditions and, as a consequence, must be accounted for as direct eligible costs (not as a fee) and the UN Body acting as Administrative Agent must be in the position of providing supporting documents, when so requested. The total amount of direct eligible costs on the basis of which the amount of indirect costs is calculated shall include the costs of coordination. The optional provision related to EU restrictive measures only has to be included if no other arrangement (either bilateral or inserted in the applicable FFPA) is in place with the relevant Organisation.

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\(^{19}\) To be inserted where the specific action requires it. Depending on the usual costing practices of the Organisation, only part of the list of cost categories may be included.
Where costs of the project office are declared as actual costs, the Organisation and/or the Partners may declare as eligible only the portion of the capitalised and operating costs of project office that corresponds to the duration of the Action and the rate of actual use of the project office for the purposes of the Action.

d) Costs of the project office not declared as actual costs are only eligible if they have been ex ante-assessed by the European Commission.

For Contribution Agreements within blending facilities/platforms insert if needed the leverage effect:

7.1. This Agreement targets an indicative leverage effect of \(<\text{insert the figure amount1/amount2}>\). For this purpose, the Organisation shall report within the progress and final reports referred to in Article 3 of Annex II (i) on the target leverage effect, (ii) the achieved leverage effect and (iii) the added value of the EU Contribution.

If VAT, taxes, duties and charges are not eligible, i.e. the basic act/financing agreement excludes their eligibility

7.1. \(<\text{VAT/ taxes, duties and charges}>\) are not eligible [for the [following] activities as described in Annex I].

For cases of Multi-Partner Contribution Agreements where the Organisation is a UN Body acting as Administrative Agent, insert the following provision:

7.1. For the purpose of this Agreement, the Organisation acts as UN Administrative Agent, under the following conditions:

a) The Organisation shall serve as the administrative interface between the Contracting Authority, other donors and the Participating UN Organisations. The monitoring task established in Article 2.b of Annex II.a shall be implemented in accordance with the mandate of the UN Administrative Agent.

b) In addition to the tasks described in Article 2 of Annex II.a, the Organisation shall act as Administrative Agent for the UN Organisations and will therefore:

i) receive financial contributions from all donors that wish to
provide financial support to the Action;

ii) administer the funds received, in accordance with its applicable Regulations and Rules, including the provisions relating to winding up the Action and related matters;

iii) subject to availability of funds, disburse such funds to each of the Participating UN Organisations in accordance with instructions from the Steering Committee, taking into account the budget set out in the approved programmatic document/Joint Programme Document, as amended in writing by the Steering Committee;

iv) consolidate statements and reports, based on submissions provided to the Administrative Agent by each Participating UN Organisation, as set forth in the TOR/Joint Programme Document, and provide these to each donor that has contributed to the Fund/Programme Account and to the Steering Committee;

v) provide final reporting, including notification that the Action has been operationally completed;

vi) disburse funds to a Participating UN Organisation for any additional costs of the tasks that the Steering Committee may decide to allocate in accordance with the TOR/Joint Programme Document.

c) A coordination mechanism (referred to as the “Steering Committee”) to facilitate the effective and efficient collaboration between the Participating UN Organizations and the host Government for the implementation of the Fund or Programme shall be established. The detailed description of key roles, responsibilities and functions of the Steering Committee is provided in Annex I (“Description of the Action”).

d) Without prejudice to points 2.b) to 2.k) of Article 2 of Annex II.a), the Organisation shall be solely responsible for the performance of tasks assigned to it in Annex I and in the specific agreement between itself and the Partners.

e) By derogation from Article 3 of Annex II, the Organisation shall provide the Contracting Authority with the following reports, in the

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20 For the purposes of this Agreement, an approved programmatic document shall refer to an annual work plan or programme/project document, etc., which is approved by the Steering Committee for fund allocation purposes.

21 The Steering Committee (SC) is co-chaired by the Government and the UN Resident Coordinator (RC) or the Deputy Special Representative of the Secretary General (DSRSG). Members include the UN and government representatives and may also include donors. The decision on the inclusion of donors is taken at the country level. Steering Committee composition ensures the principles of national ownership, inclusiveness and balanced representation, as well as the need to have a manageable size for decision-making effectiveness.
same language as the Agreement, based on the reports provided by each UN Participating Organisation and prepared in accordance with the accounting and reporting procedures applicable to it:

i) annual consolidated narrative progress reports to be provided no later than five months (31 May) after the end of the calendar year;

ii) annual consolidated financial reports, as of 31 December with respect to the funds disbursed from the Fund/Programme Account, to be provided no later than five months (31 May) after the end of the calendar year;

iii) final consolidated narrative report to be provided no later than six months (30 June) after the end of the year following the financial closing of the Action and/or end of implementation period, whichever comes first;

iv) in case of Multi-Donor Actions which continue after the end of the implementation period of this Agreement, a final consolidated financial report, based on uncertified final financial statements and final financial reports, to be provided no later than six months (30 June) after the end of the year following the financial closing of the Action and/or end of implementation period, whichever comes first.

If needed, when the respect for EU restrictive measures is not subject to assessment or defined in the financial framework partnership agreement or by any other specific arrangement, insert:

7.1.x

7.1.x Article 23.3 of Annex II shall be supplemented as follows: “Economic resources provided by the Contracting Authority under this Action shall not be made available to, or for the benefit of, third parties - whether entities, individuals or groups of individuals - designated by the EU as subject to restrictive measures in the lists provided at www.sanctionsmap.eu ("EU Restrictive Measures").

The Organisation shall cooperate with the Contracting Authority in assessing if the third parties - whether entities, individuals or groups of individuals - identified by the Organisation as recipients of funds in connection with the implementation of the respective contribution agreement fall under the scope of EU restrictive measures. In the event that such recipients would fall under the scope of EU
restrictive measures, the Organisation shall promptly inform the Contracting Authority.

In such event, the Organisation and the Contracting Authority shall consult each other with a view to jointly determining remedial measures in accordance with their respective applicable legal framework. Such measures may include, but shall not be limited to, the reallocation of the remaining EU Contribution under this Agreement, net of any costs incurred by the Organisation for undertaking any procurement or award procedure. Where such remedial measures are not feasible, the corresponding amount shall not be charged to the Action or, in the case of Multi-donor Action, to the EU Contribution. This is without prejudice to the suspension or termination of the respective contribution agreement, together with the recovery of any unspent funds contributed by the Contracting Authority to the Organisation.

If needed insert additional supplementary conditions:

7.1

7.2 The following derogations from Annex II shall apply:

If needed in case the Implementation Period starts later than the entry into force of the Agreement:

7.2 By derogation from Article 19.1 of Annex II, the first pre-financing instalment shall be paid by [insert date].

If needed for Contribution Agreements within blending facilities insert:

7.2 By derogation from Article 113 of Annex II, any transfers between the Action components that take the form of inter alia investment grant, technical assistance or interest rate subsidies, must be done in accordance with Article 111.

If needed, insert additional derogation conditions:

7.2 By derogation from Article [insert derogation]

For blending, “a later date” could also be an event such as the signature of the loan agreement.

Whenever a later date is inserted and the pre-financing is not automatically as per Article 19.1 of the General Conditions, include in the Special Conditions also the following clause: “If no payment has been made within two years from the signature of the Agreement, the Agreement shall be terminated.”

As regards the derogation for the first pre-financing, please also see the comments under Article 19.1 of the General Conditions.

Final provisions and signature

In case the Organisation and/or one or more Partner(s) is/are International

If there are Partners, the Organisation can choose to sign on the Partners’ behalf or to have everybody sign.
Organisation(s) and wish to conclude this Agreement through QES\(^{22}\), but not the Contracting Authority (only applicable when the latter is the Commission), add the following:

The Contracting Authority accepts the validity of the qualified electronic signature of <insert name(s) of entity(-ies) for which the applicable law or the dispute settlement forum are not in an EU Member State> and recognizes the latter as equivalent to a hand-written signature.

In case the Organisation and/or one or more Partner(s) is/are International Organisation(s) and wish to conclude this Agreement through QES, as does the Contracting Authority (only applicable when the latter is the Commission), add the following:

The Contracting Authority and <insert name(s) of entity(-ies) that wish to use QES> mutually accept the validity of their qualified electronic signatures and recognize the latter as equivalent to hand-written signatures.

In case the Organisation and/or one or more Partner(s) is/are International Organisation(s) but only the Contracting Authority (only applicable when the latter is the Commission) concludes this Agreement through QES, add the following:

The Organisation and, where applicable, its Partner(s) accept the validity of the Contracting Authority’s qualified electronic signature and recognize the latter as equivalent to a hand-written signature.

Select one of the following when the Contracting Authority is a Partner Country or when at least one Party uses a hand-written signature:

* In case there are no Partners:

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\(^{22}\) Contribution agreements may be concluded through the use of a ‘qualified electronic signature’ (QES), in compliance with Regulation (EU) No 910/2014 and recognized by the latter having equivalent legal effect to a hand-written signature (see note Ares(2020)7573858 for more details), where both the applicable law and the dispute settlement forum are in an EU Member State (e.g. contribution agreements concluded with Member States Organisations).

In case the applicable law and the dispute settlement forum are not in an EU Member State (contribution agreements signed with International Organisations), contribution agreements may be concluded ‘electronically’ subject to the introduction, in these Special Conditions, of ad-hoc provisions through which the Parties recognize the validity of each other’s electronic signatures. In this context, please note that the Commission may only use and recognize the QES, which is equivalent to a hand-written signature, in accordance with the above-mentioned EU Regulation.
Done in <specify the place(s)> in three originals in the English language, two for the Contracting Authority and one for the Organisation.

In case the Organisation implements the Action together with Partners and does not sign on behalf of the Partners:

Done in <specify the place(s)> in <specify> originals in the English language, two for the Contracting Authority, one for the Organisation and one for each Partner.

In case the Organisation implements the Action together with Partners and signs on behalf of the Partners (no signature from Partners are added):

Done in <specify the place(s)> in three originals in the English language, two for the Contracting Authority and one for the Organisation. The Organisation also signs this Agreement on behalf of all Partners.

In case all Parties, including the Contracting Authority (only applicable when the latter is the Commission), conclude this Agreement through the use of QES:

Done in <specify the place(s)> in the English language.