

European NGO confederation
for relief and development

CONCORD

Confédération européenne des ONG
d'urgence et de développement

EuropeAid Grant
Standard Contract for external actions

READER ON THE 2007 VERSION

By the FDR sub-group on
the Financial Regulation

December 2008

CONTENT:

- ⊙ Reader
- ⊙ Annexes:
 1. Applicable rules of nationality and origin for the 2000-2006 instruments for procurement purposes within grant agreements after 2005.
 2. Applicable rules of nationality and origin for the 2007-2013 instruments for procurement purposes within grant agreements
 3. Memo on financial reporting template
 4. Outstanding questions on the 2007 reader
 5. Explanatory note on claiming default interests within EuropeAid grant contracts



Introduction

CONCORD, the confederation of European NGOs for relief and development, is proud to present this reader on the 2007 version of the EuropeAid Grant Standard Contract for external actions¹. The reader was compiled in 2008 by the CONCORD Funding for Development and Relief (FDR) subgroup on Financial Regulation (FR), through regular meetings with Mr Denis Salord's unit G7 within Europe Aid - Financial and contractual matters. This reader has not been yet formally endorsed by unit EuropeAid G7, but CONCORD is confident that this should be done soon in the first quarter of 2009.

The reader gives a clear explanation on all articles in the Standard Contract and also indicates differences with the 2003, February 2006 and August 2006 versions. The reader will help CONCORD members and other NGOs to better address different contractual issues concerning the implementation of grant contracts, even though the final interpretation falls within the mandate of the European Commission.

The previous reader (2003 version) has proved to be a useful tool for various stakeholders: it was highly appreciated by the wider NGO community, and also by the European Commission staff, both in the delegations and in Brussels.

CONCORD would like to thank the FDR Financial Regulation subgroup for its excellent work. The Confederation would also like to thank unit G7 of EuropeAid and in particular Mrs. Annica Floren and Mr Lukas Melka for the constructive meetings and exchanges that led to this second reader. With this reader, CONCORD shows again how intense specialist work by a group of its members serves all CONCORD members and other NGOs in their day-to-day work.



Olivier Consolo
Director of CONCORD

December 2008.

The reader is now available on CONCORD website www.concordeurope.org, all members and NGOs are invited to publish it on their own website and spread it widely.

¹ The standard contract was drawn up by Europe Aid Co-operation Office. It specifically applies to grants awarded by the Commission within the framework of external actions. As of 1 January 2000 it replaces all former standard contracts in this field. An updated version of the May 2003 standard contract is now applicable. All beneficiaries of grants for external actions are subject to the same rules whatever the Community programme financing the action. The Standard Grant Contract itself can also be found on EuropeAid's website http://ec.europa.eu/europeaid/tender/gestion/cont_typ/st/index_en.htm

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
GENERAL AND ADMINISTRATIVE PROVISIONS				
ARTICLE 1 - GENERAL OBLIGATIONS				
<p>1.1. The Beneficiary shall implement the Action under his own responsibility and in accordance with the Description of the Action in Annex I with a view to achieving the objectives laid down therein.</p>	<p>The project proposal sent to the EC is an integral part of your contract and therefore you should implement the project, as described in your proposal. Your project may require modifications: two scenarios should be considered:</p> <ul style="list-style-type: none"> • for modifications that are known before the signature of the contract, you should discuss them with the EC (before the contract is signed). • for modifications needed once the contract is already signed, you should send a request for a contract modification. <p>In both cases, you are also advised to change/adjust the logframe of the project and send the new version in order to keep the Commission informed about the evolution of the project.</p> <p>However, pay attention to article 6.2 of the special conditions, which implies that in case of conflict between what is written in your project and the provisions of the general conditions, the general conditions take precedence unless it is differently specified in article 7.2 of the special conditions.</p>	No difference	No difference	No difference
<p>1.2. The Beneficiary shall implement the Action with the requisite care, efficiency, transparency and diligence, in line with best practice in the field concerned and in compliance with this Contract.</p> <p>For this purpose the Beneficiary shall mobilise all the financial, human and material resources required for full implementation of the Action as specified in the Description of the Action.</p>		No difference	No difference	No difference
<p>1.3. The Beneficiary shall act alone or in partnership with one or more NGOs or other bodies identified in the Description of the Action. He may subcontract a limited portion of the Action. The bulk of the Action must, however, be undertaken by the Beneficiary and, where applicable, his partners.</p> <p>Partners take part in the implementation of the Action, and the costs they incur are eligible in the same way as those incurred by the Beneficiary.</p> <p>If implementation of the Action involves the conclusion of contracts by the Beneficiary, the contract-award procedures and rules of nationality and origin set out in Annex IV shall apply.</p> <p>The Contracting Authority does not acknowledge any contractual link between itself and the Beneficiary's partner(s)</p>	<p>Contract award procedures: market consultation has to be organized for every purchase (works; supplies; services). The extent of the consultation (from single bid to an open international tender) depends on the value of the contract (not the cost of individual items). In the 2007 version of the SC, thresholds for consultation and call for tender were raised:</p> <ul style="list-style-type: none"> - single quote for transactions up to 10.000 euros (instead of 5.000 euros) for service, work and supply contracts; - 3 quotations for transactions up to 60.000 euros (instead of 30.000 euros) for supply contracts. <p>These new thresholds do not however apply to EDF grants that are ruled out as the previous 2006 and 2003 ceilings.</p> <p>=> See EC's annex IV of grant contract (2007 version) on</p>	<p>In August 2006, February 2006 and 2003 versions of the SC, the following thresholds were applicable (both for EDF and budget contracts):</p> <ul style="list-style-type: none"> - single quote for transactions up to 5.000 euros)for service, work and supply contracts; - 3 quotations for transactions up to 30.000 euros for 	<p>In August 2006, February 2006 and 2003 versions of the SC, the following thresholds were applicable (both for EDF and budget contracts):</p> <ul style="list-style-type: none"> - single quote for transactions up to 5.000 euros)for service, work and supply contracts; - 3 quotations for transactions up to 30.000 euros for 	<p>The 2003 contract mentioned (works and services) with subcontracting a limited portion of the Action.</p> <p>The 2003 contract did not mention that partners take part in the implementation of the Action and the costs they incur are eligible in the same way as those incurred by the</p>

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
<p>or subcontractors. The Beneficiary alone shall be accountable to the Contracting Authority for the implementation of the Action. He shall undertake that the conditions applicable to him under Articles 1, 3, 4, 5, 6, 7, 8, 10, 14, 16 and 17 shall also apply to his partners, and those applicable under Articles 1, 3, 4, 5, 6, 8 and 16 to all his subcontractors. He shall include provisions to that effect as appropriate in his contracts with them.</p>	<p><u>procurement for all detailed applicable procedures.</u></p> <p>Grant contract beneficiaries may use the standard templates of the Practical Guide, but they are not obliged to do so.</p> <p>Rule of nationality: refers to the nationality of the service providers, suppliers and consultants.</p> <p>Rule of origin: refers to the origin of goods and equipment. Goods originating in a country shall be those wholly obtained or produced in that country. Goods whose production involved more than one country shall be deemed to originate in the country where they underwent their last, substantial, economically justified processing or working. For vehicles and equipments with a unit cost exceeding 5.000 euros, the origin must be certified by a "certificate of origin" that you should ask the supplier to provide when making the purchase. The certificate of origin must be made out by the competent authorities of the country of origin of the supplies or supplier (for example Chambers of commerce).</p> <p>The nationality and origin rules apply right from the very first euro, even though the certificates of origin only need to be attached with the final report for purchased equipment and vehicles whose unit price is over 5000 euro.</p> <p>The <u>nationality</u> rules apply to all service and works contracts, with one exception: persons providing consultancy (whether freelance or employees of a service firm) may be of any nationality (unlike a service company).</p> <p>Supplies contracts, on the other hand, are subject to the rules of nationality (nationality of the supplier) and <u>origin</u> (origin of the equipment / product). By definition, the rules of origin do not apply to services and works contracts.</p> <p>Both nationality and origin rules must be complied with when making any purchases of goods or equipment as part of a project co-financed by EuropeAid, even for the goods that are not covered by the EC co-financing in the project's accounts (EC rules apply to the entire project budget presented, no matter the co-financing level).</p> <p><u>=> See annexes 1 and 2 of this reader for detailed applicable rules of nationality and origin.</u></p> <p>Derogations: If it is impossible to apply such rules, the grant Beneficiary can ask for a derogation as long as it is well justified and requested in advance. However, general derogations will not be granted.</p> <p>Since April 2005, European Commission Delegations have the</p>	<p>supply contracts.</p> <p><u>=> See EC's annex IV of grant contract (August 2006 version) on procurement for all detailed applicable procedures.</u></p>	<p>supply contracts.</p> <p><u>=> See EC's annex IV of grant contract (February 2006 version) on procurement for all detailed applicable procedures.</u></p>	<p>Beneficiary.</p> <p>In August 2006, February 2006 and 2003 versions of the SC, the following thresholds were applicable (both for EDF and budget contracts):</p> <ul style="list-style-type: none"> - single quote for transactions up to 5.000 euros)for service, work and supply contracts; - 3 consultations for transactions up to 30.000 euros for supply contracts. <p><u>=> See EC's annex IV of grant contract (2003 version) on procurement for all detailed applicable procedures.</u></p>

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
	<p>authority to decide on requests for derogations to the rules on nationality and origin submitted to them, provided that the contracts do not exceed the threshold for international calls for tenders (150.000 euros for supply contracts, 200.000 euros for service contracts and 5.000.000 euros for work contracts).</p> <p>It is possible to group together your requests for derogations in a formal mail. For example, after the signature of the contract for certain purchases already scheduled and/or that will be made during the project implementation period.</p> <p>Partners and subcontractors must also respect the rules of nationality and origin and the contract award procedures.</p>			
<p>1.4. The Beneficiary and the Contracting Authority are the only parties (the "Parties") to this Contract. Where the European Commission is not the Contracting Authority, it is not Party to this Contract, which confers on it only the rights and obligations explicitly mentioned therein. Nevertheless it shall endorse the Contract to ensure the financing of the Contracting Authority's grant from the European Communities' budget¹, and the provisions in this Contract on visibility shall apply accordingly.</p>	<p>This provision refers particularly to the EDF contracts where the Contracting Authority is most often the National Authorising Officer (NAO) and not the EC (Headquarters or Delegation).</p>	<p>No difference</p>	<p>No difference</p>	<p>No difference</p>

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

<p>2.1. The Beneficiary must provide the Contracting Authority with all required information on the implementation of the Action. To that end, the Beneficiary must draw up interim reports and a final report. These reports shall consist of a narrative section and a financial section and shall conform to the model in Annex VI. They shall cover the Action as a whole, regardless of which part of it is financed by the Contracting Authority. Each report must provide a full account of all aspects of the Action's implementation for the period covered. In case where, in accordance with article 15.6, no expenditure verification report is required the Beneficiary has to provide a list detailing each item of expenditure incurred in the period covered by the report, and indicating for each its title, amount, relevant heading in the Budget of the Action and the reference of the justifying document, is annexed to it. The proofs of the transfers of ownership referred to in Art 7.3 are also annexed to the final report.</p>	<p>Both narrative and financial reports should cover the whole operation, as it was presented in the application form and accepted by the Commission. Financial reports and audits should include all the expenditures and not only those paid with the EC grant.</p> <p>Reporting formats (narrative & financial, interim & final, Annex VI to the Grant contract) have to be used.</p> <p>The narrative template requests rather sensitive information on our evaluation of the collaboration with local authorities. If you want that your reports be kept confidential, you must state so very clearly; otherwise the EC can publish them on the internet or disseminate them. You should indicate which part is confidential and agree on it with the contracting authority.</p> <p>The financial report should have the same level of detail as the budget annexed to the contract.</p> <p>A detailed list of expenditure (for example nominal ledger) has to be provided if an expenditure verification is not required (the expenditure verification report is needed for every interim report in grants of 750.000 € or more, request for payment of the balance in grants more than 100.000 € or request for payment of over 100.000 € for the financial year in operating grants).</p>	<p>A list detailing each item of expenditure incurred in the period covered by the report, and indicating for each its title, amount, relevant heading in the Budget of the Action and the reference of the justifying document, must always (even if the expenditure verification report is required) be annexed to every report.</p> <p>It is possible to request an amendment to the 2006 contracts, asking that the list of expenditures needs only to be provided when an expenditure</p>	<p>A list detailing each item of expenditure incurred in the period covered by the report, and indicating for each its title, amount, relevant heading in the Budget of the Action and the reference of the justifying document, must always (even if the expenditure verification report is required) be annexed to every report.</p> <p>It is possible to request an amendment to the 2006 contracts, asking that the list of expenditures needs only to be provided when an expenditure</p>	<p>The 2003 contract did not include reporting formats, now presented in Annex VI. In 2003 contract articles 2.2 and 2.3 gave directions how the reports should be laid out.</p> <p>A detailed list of expenditure was not requested to be annexed to the interim reports.</p>
---	---	--	--	--

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
	<p>There is no standard template for this list, but it must indicate for each expenditure the nature of the expenditure, the amount, the concerned budget heading and the reference of the supporting document. It should also have cross-references to the budget headings and items.</p> <p>Reference of the supporting document can be the accounting reference (the number of the supporting document in the accounting books), as far as the link can be clearly established.</p> <p>=> See annex 3 of this reader on financial reporting template for more information.</p> <p>Copies of the proofs of transfers of equipments and vehicles to local partners, the purchase cost of which was more than 5 000 euros per item, must be attached to the final report (see article 7.3).</p>	verification report is not required.	verification report is not required.	
<p>2.2. The Contracting Authority may request additional information at any time and that information must be supplied within 30 days of the request.</p>	<p>If the documents submitted are not detailed enough, the Contracting Authority has the right to ask for more information on the basis of a justified request. As underlined by Mr Richelle, EuropeAid General Director, in his "Note to the attention of Aidco staff and Delegation" (31.01.2006), "the Practical Guide contains all the requirements applicable to the contractual procedures. In order to ensure the success of the exercise of simplification and harmonisation undertaken, services will only be able to add additional requirements as a derogation, which in the case of EuropeAid and of the corresponding Delegations will have to be authorized on a case by case basis by the relevant geographical Director".</p> <p>When a request for additional information is made by the EC, the Beneficiary has then 30 days to reply.</p>	No difference	No difference	No difference (in 2003 contract included in article 2.1)
<p>2.3. The reports shall be drafted in the language of the Contract. They shall be submitted to the Contracting Authority at the following intervals:</p> <p>if payments are made in accordance with option 1 or option 3 of Article 15.1: a single final report shall be forwarded no later than three months after the implementation period as defined in Article 2 of the Special Conditions;</p> <p>if payments are made in accordance with option 2 of Article 15.1:</p> <ul style="list-style-type: none"> – an interim report must accompany every request for payment ; – the final report shall be forwarded no later than three months after the implementation period as defined in Article 2 of the Special Conditions. <p>The deadline for submission of the final report is extended to</p>	<p>The reports need to be presented in the language in which the contract was drawn up. You may, however, ask for a derogation to the Special Conditions if needed.</p> <p>There are no fixed dates for the submissions of the interim report, nor obligations on the period of time covered by the report. In practice, we usually consider a 3-month period between the final date covered by the interim report and the date of sending the interim report. See also explanations on Article 2.5 here below.</p> <p>In theory, as soon as one has spent 70% of latest advanced payment (and 100% of all earlier payments), one is entitled to send an interim report and a request for further payment. For example, the first interim report may be sent even after 5 months from the beginning of the project, as long as 70% of the latest advance has already been spent.</p>	No difference	No difference	No difference (in 2003 contract included in the article 2.4)

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
<p>six months where the Beneficiary does not have its headquarters in the country where the Action is implemented.</p>	<p>If one has not spent the required percentage of the pre-financing when the report is due (12 months after the beginning of the action and in 12 month intervals from that date), grant Beneficiaries are advised to delay the report and inform the EC accordingly instead of having to submit twice a narrative and financial report for very close periods (see explanation of article 2.5).</p> <p>Except if otherwise provided for in Article 7 of the Special conditions, at the end of the last interim period of a contract you should not send a last interim report. You will only need to detail more the last period in the final report, which will well cover the whole period of the project.</p> <p>The final report must be submitted 3 months after the end of the operation. The deadline is extended to 6 months after the end of the operation when the Beneficiary does not have its headquarters in the country where the action is implemented. In multi-country/ regional action managed by organisation that has its headquarters in one of the countries of operation, the Beneficiary can request the deadline of the final report to be extended to 6 months after the end of the operation, before signing the grant contract.</p>			
<p>2.4. Any additional reporting requirement will be set out in the Special Conditions.</p>	<p>The specific conditions state the number of report to send to the EC and to whom they should be addressed.</p>	<p>No difference</p>	<p>No difference</p>	<p>The 2003 contract referred specifically to the need to send extra copies of the reports to EC delegation in charge of the Action.</p>
<p>2.5. If the Beneficiary fails to supply the Contracting Authority with a final report by the final report deadline laid down in Article 2.3 and fails to furnish an acceptable and sufficient written explanation of the reasons why he is unable to comply with this obligation, the Contracting Authority may terminate the Contract in accordance with Article 12.2 a) and recover the amounts already paid and not substantiated.</p> <p>Furthermore, where payments are made in accordance with option 2 of Article 15.1 and the Beneficiary fails to present an interim report and a request for payment by the end of each twelve-month period following the date laid down in Article 2.2 of the Special Conditions, the Beneficiary must inform the Contracting Authority of the reasons why he is unable to do so, and provide a summary of progress in the Action. If the Beneficiary fails to comply with this obligation, the Contracting Authority may terminate the Contract in accordance with Article 12.2 a) and recover the amounts already paid and not substantiated.</p>	<p>You are advised to inform the Commission HQ in Brussels or the Delegation concerned (whichever is managing your grant contract) of any delay you may have in submitting the final report. If your report is submitted late and you don't inform and explain the reason for the delay, the Commission has the right to terminate the contract and ask for the reimbursement of grant funding already paid.</p> <p>There are no fixed dates for the submission of interim reports (see explanations at article 2.3 here above). However, if 1 year after the beginning of the action (and at 12 months intervals from that date) you have not yet sent an interim report you have to send a letter explaining the reasons of the delay and outlining the progress of the project. This can be done through a summary of progress in the action, and not a full detailed report. It can consist of a mere listing of the main activities implemented so far. A full detailed report is not due every twelve months, as it is linked to the next payment request.</p>	<p>No difference</p>	<p>No difference</p>	<p>No difference</p>

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
ARTICLE 3 - LIABILITY				
<p>3.1. The Contracting Authority cannot under any circumstances or for any reason whatsoever be held liable for damage or injury sustained by the staff or property of the Beneficiary while the Action is being carried out or as a consequence of the Action. The Contracting Authority cannot therefore accept any claim for compensation or increases in payment in connection with such damage or injury.</p>	<p>The Grant Beneficiary is solely responsible for all materials, equipment and other properties used and staff employed for the project. The fact that the European Commission is supporting the project financially does not transfer at all or in part, any of the responsibility over the European Commission.</p>	<p>No difference</p>	<p>No difference</p>	<p>2003 contract does not mention that the Contracting Authority cannot be held liable for damage or injury as a consequence of the Action.</p>
<p>3.2. The Beneficiary shall assume sole liability towards third parties, including liability for damage or injury of any kind sustained by them while the Action is being carried out or as a consequence of the Action. The Beneficiary shall discharge the Contracting Authority of all liability arising from any claim or action brought as a result of an infringement by the Beneficiary or the Beneficiary's employees or individuals for whom those employees are responsible of rules or regulations, or as a result of violation of a third party's rights.</p>		<p>No difference</p>	<p>No difference</p>	<p>2003 contract does not mention that the Contracting Authority cannot be held liable for damage or injury as a consequence of the Action.</p>
ARTICLE 4 - CONFLICT OF INTERESTS				
<p>The Beneficiary undertakes to take all necessary precautions to avoid conflicts of interests and shall inform the Contracting Authority without delay of any situation constituting or likely to lead to any such conflict.</p> <p>There is a conflict of interests where the impartial and objective exercise of the functions of any person under this Contract is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with another person.</p>	<p>A conflict of interest relates to any event influencing the capacity of a candidate, tenderer, contractor or grant beneficiary to give an objective and impartial professional opinion, or preventing at any moment, from giving priority to the interests of the European Commission. Any consideration relating to possible contracts in the future or conflict with other commitments, past or present, of a candidate tenderer, contractor or grant beneficiary. These restrictions also apply to any sub-contractors and employees of the candidate, tenderer, contractor or grant beneficiary.</p> <p>There is also a conflict of interests within the meaning of Article 52 of the Financial Regulation where the impartial and objective exercise of the functions of a player in the implementation of the budget or an internal auditor is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with the applicant.</p> <p>Here is an example: you are advised to inform the Commission, for instance, if a member of your staff involved in procurement is linked to someone who owns one of the companies from which you buy your supplies or equipment. You should also inform the Commission if one of your staff members -in a position of responsibility- is linked to a person working at the</p>	<p>No difference</p>	<p>No difference</p>	<p>No difference</p>

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
	Delegation, in charge of the follow up of your contract.			
ARTICLE 5 - CONFIDENTIALITY				
Subject to Article 16, the Contracting Authority and the Beneficiary undertake to preserve the confidentiality of any document, information or other material communicated to them in confidence until at least seven years after the final payment. Where the European Commission is not the Contracting Authority it shall still have access to all documents communicated to the Contracting Authority and will maintain the same confidentiality.		No difference	No difference	No difference
ARTICLE 6 – VISIBILITY				
6.1 Unless the European Commission agrees or requests otherwise, the Beneficiary must take all necessary steps to publicise the fact that the European Union has financed or cofinanced the Action. Such measures must comply with the relevant rules on the visibility of external actions laid down and published by the Commission.	The visibility of the donor is a contractual requirement. You will need to make sure that you publicise that the EC has funded or partly funded your project, unless you have prior permission not to do so (for example where your staff might be at risk). You can find detailed instructions on visibility on the website: http://ec.europa.eu/europeaid/work/visibility/index_en.htm	No difference	No difference	No difference
6.2. In particular, the Beneficiary shall mention the Action and the European Union's financial contribution in information given to the final recipients of the Action, in its internal and annual reports, and in any dealings with the media. It shall display the EU logo wherever appropriate.	The EC's contribution should also be mentioned in internal, annual reports and to the media, where appropriate. You will have to include visibility material to the final report (see art. 2.3). The logo information can be found in the link above.	No difference	No difference	No difference
6.3. Any notice or publication by the Beneficiary concerning the Action, including those given at a conference or seminar, must specify that the Action has received EU funding. Any publication by the Beneficiary, in whatever form and by whatever medium, including the internet, must include the following statement: "This document has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of < Beneficiary's name > and can under no circumstances be regarded as reflecting the position of the European Union."	The EC encourages the use of EC's logo as often as possible. In particular, the logo and the sentence mentioned in article 6.3 should be included in all the publications produced in the framework of the project supported by the EC: that is to say both if those are paid with the EC grant or if they are produced using the Beneficiary's own funds or co-financing funds. You must publicise the EC's contribution.	No difference	No difference	No difference
6.4. The Beneficiary authorises the Contracting Authority and the European Commission (where it is not the Contracting Authority) to publish his name and address, the purpose of the grant, the maximum amount of the grant and rate of funding of the Action's eligible costs, as laid down in the Article 3.2 of the Special Conditions. A derogation from publication of this information may be granted if it could endanger the Beneficiary or harm his commercial interests.		No difference	No difference	Version 2003 did not include "(where it is not the Contracting Authority)"

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
ARTICLE 7 - OWNERSHIP/USE OF RESULTS AND EQUIPMENT				
7.1. Ownership of, and title and intellectual and industrial property rights to, the Action's results, reports and other documents relating to it shall be vested in the Beneficiary.	The Beneficiary is the owner of any intellectual or industrial right developed within the project such as brevets and patents, royalties etc. However, the EC can use, free of charge, all the documents produced in the project.	No difference	No difference	No difference
7.2. Notwithstanding the provisions of Article 7.1 and subject to Article 5, the Beneficiary grants the Contracting Authority (and the European Commission where it is not the Contracting Authority) the right to use freely and as it sees fit all documents deriving from the Action, whatever their form, provided it does not thereby breach existing industrial and intellectual property rights.		No difference	No difference	No difference
7.3. Where the Beneficiary does not have its headquarters in the country where the Action is implemented and unless otherwise specified in the Special Conditions, the equipment, vehicles and supplies paid for by the Budget for the Action must be transferred to any local partners of the Beneficiary and/or the final recipients of the Action, at the latest by the end of the implementation of the Action. Copies of the proofs of transfers of equipments and vehicles, the purchase cost of which was more than 5 000 euros per item, must be attached to the final report. Such proofs must be kept for control in all other cases.	<p>Some additions and rephrasing clarifications in 7.3.</p> <p>Before the end of the action everything that is bought for the project (including goods and equipment bought with co-financing funds) must be transferred to the local partners or to the final beneficiaries of the action. This also includes all the vehicles and equipment (computers, furniture, etc) bought for the local office of the European or the partner organisation. This handing-over requirement concerns all goods and equipments, but the proof of this transfer must only be included in the final report for items above EUR 5.000 . The transfer of equipment with a value of up to €5,000 can however be checked later by external auditors.</p> <p>If your project continues beyond the end date of the operational duration of the contract, you can ask the EC for a written derogation to this article so that you can keep the material until the end of the project. However, this request must be very well justified and you should already announce when and to whom the material and equipment will be finally handed over.</p>	No difference	No difference	<p>The formulation of this article was a bit different, and there was no threshold for the proof of handing-over documents to be included in final reports.:</p> <p>“By the end of the implementation of the Action, the equipment, vehicles and supplies paid for by the Budget for the Action must be transferred to any local partners of the Beneficiary or the final recipients of the Action. Copies of the title transfers must be</p>
				attached to the final report. “
ARTICLE 8 – EVALUATION/MONITORING OF THE ACTION				
8.1. If the Commission carries out an interim or ex post evaluation or a monitoring mission, the Beneficiary shall undertake to provide it and/or the persons authorised by it with any document or information which will assist with the evaluation or monitoring mission, and grant them the access rights described in Article 16.2.		No difference	No difference	Version 2003 did not include “or a monitoring mission”
8.2. If either Party (or the European Commission) carries out or commissions an evaluation in the course of the Action, it must provide the other Party and the European Commission (or the Parties) with a copy of the evaluation report.		No difference	No difference	Version 2003 did not include “(or the European Commission)”

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
ARTICLE 9 - AMENDMENT OF THE CONTRACT				
<p>9.1. Any amendment to the Contract, including the annexes thereto, must be set out in writing in an addendum.</p> <p>If an amendment is requested by the Beneficiary, he must submit that request to the Contracting Authority one month before the date on which the amendment should enter into force, unless there are special circumstances duly substantiated by the Beneficiary and accepted by the Contracting Authority.</p>	<p>Changes that need prior validation from EC only apply once the contracting authority (either Delegation or EuropeAid in Brussels) has validated the requested modifications. Pay attention to the fact that any modification must be requested at least one month before it should occur (see art. 9.1).</p>	<p>No difference</p>	<p>No difference</p>	<p>No difference</p>
<p>9.2. However, where the amendment to the Budget or Description of the Action does not affect the basic purpose of the Action and the financial impact is limited to a transfer between items within the same main budget heading including cancellation or introduction of an item, or a transfer between main budget headings involving a variation of 15% or less of the amount originally entered (or as modified by addendum) in relation to each concerned main heading for eligible costs, the Beneficiary may amend the budget and inform in writing without delay the Contracting Authority accordingly. This method may not be used to amend the headings for administrative costs or the contingency reserve.</p> <p>Changes of address, changes of bank account and changes of auditor may simply be notified, although this does not stop the Contracting Authority from opposing the Beneficiary's choice of bank account or auditor.</p>	<p>Some additional clarifications have been added since the 2006 versions (highlighted in Text of Article on the left). There are different <u>types of contract amendment</u> :</p> <p>a. Budget reallocations: The budget submitted with the project should be respected. However, you can benefit from the flexibility within the budget, as long as the essential aim of your project remains the same. The "basic purpose" could refer to the specific objective of the project, target groups and/or location of activities. It is always safer to check with the Contracting Authority that the proposed modifications are acceptable and do not impact the "basic purpose" of the project.</p> <ul style="list-style-type: none"> • you can modify unilaterally the expenditures of a single main budget heading as long as the total amount of the heading doesn't deviate by more than 15% from the original amount foreseen in the contract : for instance, if you budgeted one doctor you can replace him/her with 2 nurses... The following precision has been added in the 2007 version of article 9.2: "including cancellation or introduction of an item". • you can transfer a part of the budget from a main heading to others as far as this transfer does not imply a variation of more than 15% of the headings concerned by such transfer. Please note that all transfers are cumulative; as soon as you reach the 15% limit, a formal amendment of the contract is required from which point you can start anew with transfers up to a max. of 15%. • The term "main budget headings" has to be understood as the main budget headings of the direct costs, i.e. the headings number 1 (human resources), 2 (travel), 3 (equipment and Supplies), 4 (local offices), 5 (other costs, services) and 6 (other). and not as any of the sub-headings or sub-sub headings. • In the case of introduction of new budget items which modify in a substantial way the composition of the main budget line, it is always prudent to check with the contracting Authority that it agrees that the modification does not change the main aim of the action. 	<p>Same as February 2006</p>	<p>Some clarifying additions to version 2003:</p> <p>However, where the amendment to the Budget or Description of the Action does not affect the basic purpose of the Action and the financial impact is limited to a transfer between items within the same main budget heading, or a transfer between main budget headings involving a variation of 15% or less of the amount originally entered (or as modified by addendum)</p> <p>under each relevant main heading for eligible costs, the Beneficiary may apply the amendment and inform the Contracting Authority accordingly in writing. This method may not be used to amend the headings for administrative costs or the contingency reserve.</p>	<p>However, where the amendment</p> <p>does not affect the basic purpose of the Action and the financial impact is limited to a transfer</p> <p>within the same budget heading, or a transfer between budget headings involving a variation of 15% or less of the amount originally entered</p> <p>under each relevant heading for eligible costs, the Beneficiary may apply the amendment and inform the Contracting Authority accordingly in writing. This method may not be used to amend the heading for administrative costs.</p>

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
	<p>•With regards to a contractually approved budget (i.e. original or modified with an amendment/rider to the contract) if one main budget heading is overspent by more than 15%, these amounts will not be reimbursed. In case of under-spending, this will not really have practical implications as long as the underspending in one or more headings has not been used to cover excess expenses in other headings leading to an overspending of more than 15% in those headings.</p> <p>b. <u>Change in the co-financing percentage:</u> While the maximum amount of the grant cannot be increased, the % covered by the EC grant can (if the total budget is reduced) as long as this new percentage stays within the authorised co-financing rules set by the guidelines of the concerned call for proposals. This is applicable once the project is being implemented through a budget amendment. If your co-financing percentage decreases before the signing of the contract, then the EC can decrease its %.</p> <p>c. <u>Changes in the “breakdown of the sources of funding”:</u> Changes concerning the co-financing share are possible and do not need prior approval from EC. It is enough to update the funding plan provided with the interim report (optional) and in any case with the final report (compulsory). The EC contribution cannot however be increased in absolute value nor in percentage (see art. 17.1 and 17.2), except if modified through a formal amendment as explained in the previous §.</p> <p>d. <u>Changes in project:</u> Changes in project are allowed as long as it does not affect the essential aim of the project (specific objective of the logframe).</p> <p>e. <u>No-cost extensions:</u> This applies when the duration of the project is extended and the budget remains the same. Very often, a “no-cost extension” is accompanied by a budget reallocation.</p> <p>f. <u>Request for derogation to the general conditions:</u> (such as nationality and origin rules, obligation to open a specific account, financial guarantees etc.). Remember to send a request for amendment at least one month before the change has to be made. All requests for contract amendment must be well justified!!</p> <p>For minor changes that do not require prior agreement from EC, these apply immediately but make sure to inform the Delegation / EuropeAid in Brussels without delay (this notion of “information without delay” has been added in the 2007 version of article 9.2). This could be done through an informal email or letter, which does not request validation from the EC.</p> <p>This notion of “information without delay” should be carefully</p>			

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
	observed, and it is advised not to wait for the next report before informing the contracting authority about modifications brought to the project, even if they do not require prior approval and validation from the EC.			
The Contracting Authority reserves the right to require that the auditor referred to in Article 5.2 of the Special Conditions be replaced if considerations which were unknown when the Contract was signed cast doubt on the auditor's independence or professional standards.		No difference	In Version Feb 2006: "Article 7.1" instead of "Article 5.2"	In version 2003: "Article 7.1" instead of "Article 5.2"
9.3. An addendum may not have the purpose or the effect of making changes to the Contract that would call into question the grant award decision or be contrary to the equal treatment of applicants. The maximum grant referred to in Article 3.2 of the Special Conditions may not be increased.		No difference	No difference	No difference
ARTICLE 10 – ASSIGNMENT				
The Contract and the payments attached to it may not be assigned to a third party in any manner whatsoever without the prior written consent of the Contracting Authority.	Any transfer of responsibility of the contract to a third party requires prior validation from EC (for instance in case of partnership between different organisations and where the lead organisation wants to withdraw from the project).	No difference	No difference	Version 2003: ...may not be transferred or assigned to a third party ...
ARTICLE 11 - IMPLEMENTATION PERIOD OF THE ACTION, EXTENSION, SUSPENSION, FORCE MAJEURE AND END DATE				
11.1 The implementation period of the Action is laid down in Article 2 of the Special Conditions. The Beneficiary must inform the Contracting Authority without delay of any circumstances likely to hamper or delay the implementation of the Action. The Beneficiary may request an extension of the Action's implementation period no later than one month before it ends. The request must be accompanied by all the supporting evidence needed for its appraisal.	The end date of a project is defined in the Special conditions. A no-cost extension of the project can be granted in duly justified cases. This is a contract amendment, so the request must be introduced at the latest one month before the end of the project. In most of the cases, the request for extension has to be accompanied by a request for budget amendment.	No difference	No difference	No difference
11.2 The Beneficiary may suspend implementation of all or part of the Action if circumstances (chiefly force majeure) make it too difficult or dangerous to continue. The Beneficiary must inform the Contracting Authority without delay and provide all the necessary details. Each Party may terminate the Contract in accordance with Article 12.1. If the Contract is not terminated, the Beneficiary shall endeavour to minimise the time of its suspension and shall resume implementation once circumstances allow, and shall inform the Contracting Authority accordingly.	In case of force majeure you can suspend the project. You should give the EC all the information about the problem you are facing, the foreseeable effects of the problem and the measure taken to minimize the damage; you should indicate the period of suspension and the reasons of the suspension. You should also agree with the EC the fixed costs that will remain eligible during the suspension (e.g. office rent and certain staff costs).	No difference	No difference	No difference
11.3 The Contracting Authority may request the Beneficiary to suspend implementation of all or part of the Action if circumstances (chiefly force majeure) make it too difficult or dangerous to continue. Each Party may terminate the Contract in accordance with Article 12.1. If the Contract is not terminated, the Beneficiary shall endeavour to minimise the	The EC can also ask you to suspend the project. You can only resume the implementation of the Action after obtaining the written approval of the EC.	No difference	No difference	"with the prior approval" was replaced by "after obtaining the prior approval"

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
time of its suspension and shall resume implementation once circumstances allow, after obtaining the prior written approval of the Contracting Authority.				
11.4 The implementation period of the Action shall be extended by a period equivalent to the length of suspension, without prejudice to any amendment to the Contract that may be necessary to adapt the Action to the new implementing conditions.	In case of suspension, the months of suspension will be added to the original implementation period.	No difference	No difference	No difference
<p>11.5 Force majeure shall mean any unforeseeable exceptional situation or event beyond the parties' control which prevents either of them from fulfilling any of their contractual obligations, is not attributable to error or negligence on their part (or the part of their subcontractors, agents or employees), and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure.</p> <p>A Party shall not be held in breach of its contractual obligations if it is prevented from fulfilling them by force majeure. Without prejudice to Articles 12.2 and 12.4, the Party faced with force majeure shall inform the other Party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage.</p>	This article defines what constitutes "force majeure". Pay attention to the fact that "defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure".	"sub-contractors" instead of "contractors" reference to Article 12.3 instead of 12.4	"sub-contractors" instead of "contractors" reference to Article 12.3 instead of 12.4	"sub-contractors" instead of "contractors" reference to Article 12.3 instead of 12.4
<p>11.6 The payment obligations of the European Community under this Contract shall end 18 months after the implementation period laid down in Article 2 of the Special Conditions, unless the Contract is terminated under Article 12.</p> <p>The Contracting Authority shall notify the Beneficiary of any postponement of the end date.</p>	The Grant Beneficiary has 18 months maximum after the end of the implementation of the project to address any questions following the submission of the final report. The payment of the balance (10%) of your grant has to be made within this 18-month period. After this delay, the EC will no longer be in a position to pay the balance of its contribution.	No difference	No difference	No difference
ARTICLE 12 – TERMINATION OF THE CONTRACT				
12.1 If a Party believes that the Contract can no longer be executed effectively or appropriately, it shall consult the other Party. Failing agreement on a solution, either Party may terminate the Contract by serving two months' written notice, without being required to pay compensation.	Pay attention to the fact that the Commission can put an end to your contract if for example you don't deal with conflict of interest stipulated in article 4, if you transfer the contract (article 10) or if, after an audit, it is demonstrated that you don't comply	No difference	No difference	No difference

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
<p>12.2 The Contracting Authority may terminate the Contract, without giving notice and without paying compensation of any kind, where the Beneficiary:</p> <p>a) fails, without justification, to fulfil any of the obligations incumbent on him and, after being given notice by letter to comply with those obligations, still fails to do so or to furnish a satisfactory explanation within 30 days of sending of the letter;</p> <p>b) is bankrupt or being wound up, is having its affairs administered by the courts, has entered into an arrangement with creditors, has suspended business activities, is the subject of proceedings concerning those matters or is in any analogous situation arising from a similar procedure provided for in national legislation or regulations;</p> <p>c) has been convicted of an offence concerning professional conduct by a judgement which has the force of res judicata or is guilty of grave professional misconduct proven by any justified means;</p> <p>d) engages in any act of fraud or corruption or is involved in a criminal organisation or any other illegal activity detrimental to the Communities' financial interests: this also applies to the partners, subcontractors and agents of the Beneficiary;</p> <p>e) changes legal personality, unless an addendum recording that fact is drawn up;</p> <p>f) does not comply with Articles 4, 10 and 16;</p> <p>g) makes false or incomplete statements to obtain the grant provided for in the Contract or provides reports that do not reflect reality.</p>	<p>with the rules described in article 16.</p>	<p>No difference</p>	<p>No difference</p>	<p>No difference</p>
<p>12.3 The Beneficiary who has made false declarations, has made substantial errors or committed irregularities and fraud, or has been found in serious breach of its contractual obligations may be excluded from all contracts financed by the Contracting authority for a maximum of five years from the date on which the infringement is established, as confirmed following the adversarial procedure with the Beneficiary. This period can be extended to 10 years in the event of a repeated offence within 5 years of the date referred above.</p>	<p>New Article: Proven infringement can ultimately result in a ban for your organisation to apply for European Commission's funding for a period of up to 10 years (5 years following the establishment of an infringement + additional 5 years if repeated offence is proved).</p>	<p>New Article</p>	<p>New Article</p>	<p>New Article</p>
<p>12.4 In the event of termination the Beneficiary shall be entitled to payment of the grant only for the part of the Action carried out, excluding costs connected with current commitments that would be implemented after termination. For this purpose the Beneficiary shall introduce a payment request and a final report in accordance with Article 2.</p>		<p>No difference with former Article 12.3</p>	<p>No difference with former Article 12.3</p>	<p>No difference with former Article 12.3</p>
<p>12.5 However, in the event of wrongful termination of the Contract by the Beneficiary under Article 12.1 and in the cases specified in points d), e) and g) of Article 12.2, the Contracting Authority may request full or partial repayment of sums already paid from the grant, in proportion to the gravity of the failings in question and after allowing the Beneficiary to</p>		<p>No difference with former Article 12.4</p>	<p>No difference with former Article 12.4</p>	<p>No difference with former Article 12.4</p>

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
submit his observations.				
12.6 Prior to, or instead of, terminating the Contract as provided for in this Article, the Contracting Authority may suspend payments as a precautionary measure without prior notice.		No difference with former Article 12.5	No difference with former Article 12.5	No difference with former Article 12.5
12.7 This Contract shall be terminated automatically if it has not given rise to any payment by the Contracting Authority within three years of its signature.		No difference with former Article 12.6	No difference with former Article 12.6	No difference with former Article 12.6
ARTICLE 13 – APPLICABLE LAW AND DISPUTE SETTLEMENT				
13.1 This Contract shall be governed by the law of the Contracting Authority or, where the Contracting Authority is the European Commission, by the European Community law supplemented as appropriate by Belgian law.	In cases where disputes between your organisation and the contracting authority cannot be settled amicably they should be brought to court. Since the EC Delegations are part of the EC structure they fall under EC law supplemented as appropriate by Belgian law. Thus whether the contracting authority is the EC headquarters in Brussels or one of its Delegations, the dispute has to be settled in Belgium. On the other hand, when the contracting authority is the National Authorising Officer (for instance in case of EDF funds) then the case has to be brought to court in the country of the contracting authority and is thus governed by the laws of that country.	For grant contracts where the Contracting Authority is the European Commission, the 2006 August SC did not stipulate that the European Community law would be applicable and would only be supplemented as appropriate by Belgian law.	For grant contracts where the Contracting Authority is the European Commission, the 2006 February SC did not stipulate that the European Community law would be applicable and would only be supplemented as appropriate by Belgian law.	For grant contracts where the Contracting Authority is the European Commission, the 2003 SC did not stipulate that the European Community law would be applicable and would only be supplemented as appropriate by Belgian law
13.2 The Parties shall do everything possible to settle amicably any dispute arising between them during implementation of this Contract. To that end, they shall communicate their positions and any solution that they consider possible in writing, and meet each other at either's request. A Party must reply to a request for an amicable settlement within 30 days. Once this period has expired, or if the attempt to reach amicable settlement has not produced agreement within 120 days of the first request, each Party may notify the other that it considers the procedure to have failed.	However, before bringing the case to court both parties should try everything possible to settle the dispute amicably. In case of <u>disputes with Delegations</u> for example on the interpretation of contract rules, which cannot be resolved through dialogue, the Grant Beneficiary shall involve the respective Regional Directorates at EuropeAid ("finance, contract and audit unit " : units A5, B3, C5 and D3). Please also note that Direction F has set up a Civil Society helpdesk. The mission of this helpdesk are not however clear yet.	No difference	No difference	No difference
13.3 In the event of failure to reach an amicable agreement, the dispute may by common agreement of the Parties be submitted to the conciliation of the European Commission if it is not the Contracting Authority. If no settlement is reached within 120 days of the opening of the conciliation procedure, each Party may notify the other that it considers the procedure to have failed.		No difference	No difference	No difference
13.4 In the event of failure of the above procedures, each Party may submit the dispute to the courts of the country of the Contracting Authority, or to the Brussels courts where the Contracting Authority is the European Commission.		No difference	No difference	No difference

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
ARTICLE 14 - ELIGIBLE COSTS				
<p>14.1 Eligible costs are costs actually incurred by the beneficiary of this grant which meet all the following criteria: a) they are incurred during the implementation of the action as specified in Article 2 of the Special Condition with the exception of costs relating to final reports and expenditure verification. Eventual contracts for goods/services/works used/provided/delivered during the implementation period may have been awarded but not executed by the Beneficiary or his partners before the implementation period of the Action started, provided the provisions of Annex IV were respected. Such costs must be paid for before the final report is finalised.</p>	<p>Previous versions of article 14.1 stated "costs actually incurred by the beneficiary or his partners": the removal of the term "partners" does not however impact the applicable provisions as costs of partners are clearly eligible (see article 1.3).</p> <p>In the 2007 version of the SC, EuropeAid defines eligible incurred costs as follows:</p> <p>At the outset of the project:</p> <ul style="list-style-type: none"> ⇒ Orders can be placed before the start of the action (in compliance with annex IV), ⇒ Invoices and payments cannot be made before the start of the action, ⇒ And goods/services/works must be used/provided/delivered only during the implementation period of the action. <p>At the end of the project:</p> <ul style="list-style-type: none"> ⇒ Orders must be placed before the end of the implementation period ; ⇒ Goods ordered must be delivered before the end of the implementation period; ⇒ Payments may be made after the end of the implementation period to a certain extent but always before the final report is submitted. <p>This implies that stocks are not an eligible cost.</p> <p>An exception is given to the costs relating to final reports and expenditure verification. They are eligible even if not incurred during the implementation of the action. Even if the costs for ex-post evaluation are not mentioned anymore as an exception, EuropeAid G7 has confirmed that the costs for ex-post evaluations are eligible even if they are conducted outside the implementation period of the action.</p>	<p>Article fairly different: - different wording - Included a reference to the final evaluation being an exception</p> <p>In the 2006 versions, invoices can be issued and payments can be made before the start of the action.</p>	<p>Article fairly different: - different wording - Included a reference to the final evaluation being an exception</p> <p>In the 2006 versions, invoices can be issued and payments can be made before the start of the action.</p>	<p>Did not give any definition of "incurred"</p>
<p>b) have to be indicated in the estimated overall budget of the action,</p>	<p>In principle, only those cost items which have been approved as part of the project budget are eligible and can be accounted for. If changes are required during the project implementation the Grant Beneficiary must give an explanation about the reason of the changes. For the margins as to when such a change requires a formal contract amendment please refer to article 9.2 and the respective explanations above.</p>	<p>This provision was not mentioned in those terms</p>	<p>This provision was not mentioned in those terms</p>	<p>This provision was not mentioned in those terms</p>
<p>c) have to be necessary for the implementation of the action which is the subject of the grant,</p>		<p>Slightly different wording</p>	<p>Slightly different wording</p>	<p>Slightly different wording</p>
<p>d) must be identifiable and verifiable, in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is established and</p>	<p>All costs incurred – corresponding to the entire budget and not only to the EC grant/contribution – must be recorded in the accounts. The supporting documents (tenders, orders, vouchers, invoices, receipts etc.) must be in place and tally with</p>	<p>Previously, Art 14.1 indicated that direct costs of the action must "be recorded in</p>	<p>Previously, Art 14.1 indicated that direct costs of the action must "be recorded in</p>	<p>Previously, Art 14.1 indicated that direct costs of the action must "be recorded in</p>

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
according to the usual cost account practices of the beneficiary,	the recorded costs (see also below article 16).	the accounts or tax documents of the beneficiary or his partners and be identifiable, verifiable and backed by originals of supporting evidence"	the accounts or tax documents of the beneficiary or his partners and be identifiable, verifiable and backed by originals of supporting evidence"	the accounts or tax documents of the beneficiary or his partners and be identifiable, verifiable and backed by originals of supporting evidence"
e) have to be reasonable, justified and comply with the requirements of sound financial management, in particular regarding economy and efficiency		Slightly different wording	Slightly different wording	Slightly different wording
14.2 Subject to the above and where relevant to the provisions of Annex IV being respected, the following direct costs of the Beneficiary and his partners shall be eligible:	The eligibility of costs is also determined by the compliance with the procurement rules laid down in Annex IV. Where these rules have not been properly observed, the EC may not accept the respective costs and may demand reimbursement of part of their grant.			
the cost of staff assigned to the Action, corresponding to actual salaries plus social security charges and other remuneration-related costs; salaries and costs must not exceed those normally borne by the Beneficiary or his partners, as the case may be, unless it is justified by showing that it is essential to carry out the action;	<p>Cost of staff assigned to the Action can be eligible costs whenever these staff are explicitly mentioned in the project proposal and are essential to the implementation of the action. However, some call for proposals have restricted the opportunity to charge to the direct costs budget staff at HQ level, which should be covered only by the "administrative costs".</p> <p>Some Delegations have also questioned the eligibility of lead organisation's staff in the field and request these costs to be covered within the 7% of administrative costs. This is not necessarily correct, see further explanations given for article 14.4 on administrative costs.</p> <p>Some delegations also restrict the eligibility of staff if the cost of the person is charged by less than 50% to the EC presented budget. This is not correct.</p>	No change	No change	No mention of "unless it is justified by showing that it is essential to carry out the action"
travel and subsistence costs for staff and other persons taking part in the Action, provided they do not exceed those normally borne by the Beneficiary or his partners, as the case may be. Any flat-rate reimbursement of the subsistence costs must not exceed the rates set out in Annex III, which correspond to the scales published by the European Commission at the time of signing this contract;	<p>In the 2006 versions and 2007 version of the SC, it has been added that the travel and subsistence costs of any other person taking part in the action are also eligible. This precision is important because it confirms that those types of costs are eligible for associates as well.</p> <p>The daily allowance rates (per diems) approved by the European Commission include food, accommodation, local transportation and sundry expenses. They are available at: http://europa.eu.int/comm/europeaid/perdiem/index_en.htm and are regularly updated (every 6 months). They are a maximum: you can set a lower rate if you wish, but not higher.</p>	In the 2006 versions and 2007 version of the SC, it has been added that the travel and subsistence costs of any other person taking part in the action are also eligible. This precision is important because it confirms that those types of costs are eligible for associates	In the 2006 versions and 2007 version of the SC, it has been added that the travel and subsistence costs of any other person taking part in the action are also eligible. This precision is important because it confirms that those types of costs are eligible for associates	No mention of "other persons" taking part in the Action.

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
	<p>The rate that should be used is the one indicated in the budget submitted to the EC and approved by it. The approved budget is part of the contract.</p> <p>Be careful: daily allowances are the only costs that are considered to be a reimbursable "lump sum". All other costs must be considered real "incurred" costs.</p>	as well.	as well.	
<p>purchase or rental costs for equipment and supplies (new or used) specifically for the purposes of the Action, and costs of services, provided they correspond to market rates; costs of consumables; subcontracting expenditure;</p>	<p>Some Delegations have questioned the eligibility of lead organisation's local office costs and request these costs to be covered within the 7% of administrative costs. This is not necessarily correct; see further explanations given for article 14.4 on administrative costs.</p>	No difference	No difference	Rental costs were not specified
<p>costs deriving directly from the requirements of the Contract (dissemination of information, evaluation specific to the Action, audits, translation, reproduction, insurance, etc.) including financial service costs (in particular the cost of transfers and financial guarantees);</p>		No difference	No difference	No difference
<p>14.3 A contingency reserve not exceeding 5 % of the direct eligible costs may be included in the Budget of the Action. It can be used only with the prior written authorisation of the Contracting Authority</p>	<p>The budgeting of a contingency reserve is highly recommended when preparing a budget for a proposal. It can provide some flexibility in case of unforeseen circumstances. However, note that the use of the contingency is subject to the prior <u>written approval</u> of the contracting authority.</p>	<p>New paragraph defining rules for the Contingency reserve. Note that a contingency fund was not allowed under the rules of the 2003 SC.</p>	<p>New paragraph defining rules for the Contingency reserve. Note that a contingency fund was not allowed under the rules of the 2003 SC.</p>	<p>Contingency fund was not allowed under the rules of the 2003 SC.</p>
<p>14.4 A fixed percentage not exceeding 7% of the total amount of eligible costs of the Action may be claimed as indirect costs to cover the administrative overheads incurred by the Beneficiary for the Action, save where the Beneficiary is in receipt of an operating grant financed from the Communities' budget.. The flat-rate funding in respect of indirect costs does not need to be supported by accounting documents.</p> <p>Indirect costs are eligible provided that they do not include costs assigned to another heading of the budget of this Contract.</p> <p>This Article 14.4 does not apply in the case of an operating grant.</p>	<p>A maximum of 7% of the total direct eligible costs of the Action can be included in the budget. Example: Total direct eligible costs: 100.000 € + 7% = 7.000 € admin overheads = 107.000 € total costs.</p> <p>The final amount of the admin overheads, which can be claimed depends on the final amount of total direct costs accounted for in the final report and accepted by the EC. Costs already budgeted under the direct costs (e.g. costs of transfers) cannot be included under the indirect costs. However, as a lump sum, no supporting documents are required to justify the 7%.</p> <p>Beneficiaries already receiving a grant to cover their full operational budget cannot claim these 7% in the framework of a different contract.</p> <p>7% is a maximum and you can choose to charge a smaller percentage. Even though these administrative costs are a "lump sum" and don't have to be justified, they cannot allow you to have a profit from the EC grant.</p> <p>Note as well that some calls for proposals ask to justify the %</p>	<p>They used the term "lump sum" instead of "fixed percentage" No mention of "save where the Beneficiary is in receipt of an operating grant financed from the Communities' budget.. The flat-rate funding in respect of indirect costs does not need to be supported by accounting documents"</p>	<p>They used the term "lump sum" instead of "fixed percentage" No mention of "save where the Beneficiary is in receipt of an operating grant financed from the Communities' budget.. The flat-rate funding in respect of indirect costs does not need to be supported by accounting documents"</p>	<p>They used the term "lump sum" instead of "fixed percentage" No mention of "save where the Beneficiary is in receipt of an operating grant financed from the Communities' budget.. The flat-rate funding in respect of indirect costs does not need to be supported by accounting documents"</p>

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
	<p>asked for but EuropeAid G7 has confirmed that, even if some services in charge of some call for proposals do request to justify the administrative costs (to check if there is not double funding), no supporting documents are requested for indirect costs.</p> <p>Some Delegations have questioned the eligibility of <u>lead organisation's local staff costs and / or local office costs</u> , and argued that these costs should be covered within the 7% of administrative costs (and hence that grant beneficiaries could not include them in the direct costs). On that particular issue, an internal interpretation note has been issued within EuropeAid in Brussels, which should also have been forwarded to the respective Delegations. This note states that lead organisation's local staff costs and / or local office costs may be eligible as direct as long as:</p> <ul style="list-style-type: none"> - they are necessary for the implementation of the project (and comply with the other requirements of article 14 of the General Conditions) - and that there is no double-funding of the same costs (between direct and indirect budget headings). <p>In particular, it is advised to explain to the Delegation your organisation's practice / approach regarding direct and indirect costs (the majority of European grant beneficiaries have for instance an indirect cost practice according to which they consider all their costs incurred by the organisation in Europe as indirect, except when they can show a direct link to the action with supporting documents (e.g. airplane tickets), and all their costs in the country of operation as direct).</p> <p>In addition, you may refer to the EuropeAid practical guide, section 6.4.10.2 of EuropeAid, available on http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm, which states: "The budget proposed for the action by the successful applicant at the call for proposals stage must be corrected to remove any arithmetical errors or ineligible costs prior to signing the contract. The Description of the action is corrected accordingly if need be. Other clarifications or minor corrections may be brought to the Description of the action or to the budget in so far as they would not call into question the grant award decision or be contrary to the equal treatment of applicants and:</p> <ul style="list-style-type: none"> - Relate to aspects clearly identified by the Evaluation Committee; or - Aim at taking into consideration the changes which have occurred since the date of receipt of the proposal <p>Those modifications may in any case not lead to an increase of the amount of the grant nor of the percentage of the co-financing fixed by the Evaluation Committee.</p> <p>Any other alteration to the successful applicant's proposal</p>			

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
	<p>or negotiation with him is prohibited(...)"</p> <p>This means that Delegations are not authorised to make selected organisations modify the original proposal if the requested changes were not identified by the evaluators when assessing the proposals. It is then possible to refer to this article of the EuropeAid practical guide and ask the Delegation to forward you the comments of the evaluation committee on the proposal, notably the comments concerning the costs efficiency and budget of the proposal. If the changes that are asked by the Delegation are not clearly identified by the evaluators, then any requested modifications must be approved by the head of Delegation.</p>			
<p>14.5 Unless otherwise specified in the Special Conditions, any contributions in kind, which must be listed separately at Annex III, do not represent actual expenditure and are not eligible costs. The contributions in kind may not be treated as co-financing by the Beneficiary. The cost of staff assigned to the Action is not a contribution in kind and may be considered as co-financing in the Budget of the Action when paid by the Beneficiary or his partners. Notwithstanding to the above, if the Description of the Action foresees the contributions in kind, such contributions have to be provided.</p>	<p>Leaves the door slightly open for in-kind contribution. In-kind contributions must however be declared eligible in the guidelines of the concerned call for proposals, otherwise they remain ineligible!</p> <p>This article refers to staff involved in the project implementation and management but already regularly paid by the grant beneficiary or his partners. It clearly states that paid staff of the beneficiary are not in-kind contribution. It thus also implies that the costs of headquarters staff directly involved in the administration of the respective project are eligible. However, formal proof of the costs involved is needed (e.g. work time documentation/timesheets). Note that voluntary work is considered as in-kind contribution.</p>	<p>Slightly different wording.</p>	<p>Slightly different wording.</p>	<p>Slightly different wording:</p> <p>No reference made to costs of staff assigned to the action</p>
<p>14.6 The following costs shall not be considered eligible:</p> <ul style="list-style-type: none"> - debts and provisions for losses or debts; - interest owed; - items already financed in another framework; - purchases of land or buildings, except where necessary for the direct implementation of the Action, in which case ownership must be transferred to the final beneficiaries and/or local partners, at the latest at the end of the action; - currency exchange losses; - taxes, including VAT, unless the Beneficiary (or, where applicable, his partners) cannot reclaim and the applicable regulations authorise coverage of taxes; - credits to third parties. 	<p>Taxes, including VAT, are in principle ineligible unless the Beneficiary cannot reclaim them. The applicable 'Regulation' authorises coverage of taxes as long as those have been foreseen in the contract's budget (costs of equipment are usually charged including VAT costs in the budget for instance).</p> <p>If it has been proven that the beneficiary cannot reclaim VAT and under the condition that the legal base (regulation) which governs your grant contract (check the Guidelines for Call for Proposals) accepts the payments of such costs, they should be included in the total cost of each item in the budget.</p> <p>Therefore you should undertake the necessary steps in order to avoid paying the VAT on goods and equipment, bought in Europe that you are going to export for your project. In the country of your operation you should make sure that you completed the appropriate administrative procedure to be exempted from paying tax on those goods, or to be able to reclaim the tax back. It is important to be able to prove that you have tried to get exempted and that this request has been refused, otherwise the costs of VAT will remain ineligible.</p> <p>Note that the DCI Regulation – which governs all thematic</p>	<p>The list of ineligible costs now also includes Credits to third parties.</p>	<p>The list of ineligible costs now also includes Credits to third parties.</p>	<p>Former article 14.3 of the 2003 sc</p>

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
	<p>programmes such as Non State Actors and Local Authorities in Development, Investing in People, Food Security, Environment, Asylum and Migrations – refuses the eligibility of VAT. The issue of VAT under the DCI Regulation is really worrying and should be indicated in the proposal and discussed with the contracting authority before signing the grant contract.</p>			

ARTICLE 15 - PAYMENT AND INTEREST ON LATE PAYMENT

<p>15.1. Payment procedures are set out in Article 4 of the Special Conditions and correspond to one of the three options below:</p> <p>Option 1: Actions with an implementation period not exceeding 12 months or where the financing provided by the Contracting Authority does not exceed EUR 100 000</p> <p>The Contracting Authority will pay the grant to the Beneficiary in the following manner:</p> <ul style="list-style-type: none"> ▪ pre-financing of 80% of the sum referred to in Article 3.2 of the Special Conditions following the provisions in Article 4.3 of the Special Conditions. ▪ the balance within 45 days of the Contracting Authority approving the final report in accordance with Article 15.2, accompanied by a request for payment of the balance conforming to the model in Annex V. <p>Option 2: Actions with an implementation period of more than 12 months and where the financing provided by the Contracting Authority is more than EUR 100 000</p> <p>The Contracting Authority shall pay the grant to the Beneficiary in the following manner:</p> <ul style="list-style-type: none"> ▪ an initial pre-financing instalment of 80% of that part of the estimated budget for the first 12 months financed by the Contracting Authority, as specified in Article 4 of the Special Conditions, following the provisions in Article 4.3 of the Special Conditions. ▪ further pre-financing instalments of the amount specified in Article 4 of the Special Conditions and designed to normally cover the Beneficiary's financing needs for each twelve month period of implementation of the Action, within 45 days of the Contracting Authority approving an interim report in accordance with Article 15.2, accompanied by: <ul style="list-style-type: none"> – a request for payment conforming to the model in Annex V, – an expenditure verification report under Article 15.6, – a financial guarantee if required under Article 15.7; ▪ the balance within 45 days of the Contracting Authority approving the final report in accordance with Article 15.2, accompanied by: <ul style="list-style-type: none"> – a request for payment of the balance conforming to the 	<p>The frequency with which the EC payments are being made depends on the duration of the project and on the total amount of the EC contribution. The respective option applicable for the project in question will therefore be stated in the Special Conditions of the contract governing the project in question.</p> <p>Art. 4.3 of the Special Conditions stipulates that the first instalment of pre-financing will be paid within 45 days after the EC has received a signed contract accompanied by the financial guarantee if required in accordance with article 15.7 of the General Conditions. Please note that it is not necessary anymore to submit a payment request along with the signed contract when requesting the first payment from the EC.</p> <p>Option 1: For projects, which last no longer than 12 months OR where the EC contribution does not exceed 100.000 €, the EC will make 2 payments. 80% of the approved EC contribution will be paid after the contract has been signed by both parties (and a financial guarantee has been submitted if required). The remaining part of the EC contribution (up to 20% of the approved amount) will be paid after the end of the project, i.e. when the final report has been submitted to and approved by the EC and a respective payment request was submitted along with that final report.</p> <p>Option 2: For projects which last more than 12 months AND where the EC contribution is more than 100 000 €, the EC will split their contribution on the basis of a 12 months interval in the following manner:</p> <p>The 1st payment will be made after the contract has been signed by both parties (and a financial guarantee has been submitted if required). This payment will, however, cover only 80% of the EC contribution foreseen for the 1st year of the project's duration according to the approved budget. Example: Total costs foreseen for a 3-years-project: 600 000 €, total EC contribution foreseen 50% = 300 000 €. Total budget foreseen for the 1st year: 240 000 € with an EC contribution of 50% = 120 000 €. 1st EC payment will be 80% of the foreseen contribution, i.e. 80% of 120 000 € = 96 000 € only.</p> <p>Interim payments will be calculated on a 12 months interval, i.e. for a project lasting 36 months 2 interim payments will be foreseen and listed accordingly in Article 4(2) of the contract's special conditions. Be careful: If a project is planned to last for</p>	<p>Version 08/06 stipulates under article 15.1 also the conditions under which the first payment is made: within 45 days of receipt of signed contract, payment request, financial guarantee (if required). With version 2007 this information has been introduced as article 4.3 in the Special Conditions.</p>	<p>Version 02/06 stipulates under article 15.1 also the conditions under which the first payment is made: within 45 days of receipt of signed contract, payment request, financial guarantee (if required). With version 2007 this information has been introduced as article 4.3 in the Special Conditions)</p> <p>Version 02/06 does not yet stipulate the option of having payments reduced by unused amounts of the previous payments.</p>	<p>Version 2003 stipulates under article 15.1 also the conditions under which the first payment is made: Within 45 days of receipt of signed contract, payment request, financial guarantee (if required). With version 2007 this information has been introduced as article 4.3 in</p> <p>For Option 2 Version 2003 does not yet have the reference to the "Beneficiary's financing needs for each twelve month period of implementation of the Action" (introduced with Version 02/06).</p> <p>Version 2003 does not yet stipulate the option of having payments reduced by unused amounts of the previous payments.</p> <p>Version 2003 still refers to the audit report – the concept of expenditure verification report (new Annex VII) was introduced with version 02/06.</p>
--	---	--	--	---

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
<p>model in Annex V, – an expenditure verification report if required under Article 15.6.</p> <p>Further pre-financing may only be given if the part of the expenditure actually incurred which is financed by the Contracting Authority (by applying the percentage set out in Article 3.2 of the Special Conditions) stands at 70% at least of the previous payment (and at 100% of any previous payments) as supported by the corresponding interim report and, where applicable, by an expenditure verification report as specified in Article 15.6.</p> <p>Where the consumption of the previous pre-financing is less than 70%, the amount of the new pre-financing payment shall be reduced by the unused amounts of the previous prefinancing payment.</p> <p>The sum total of pre-financing under the Contract may not exceed 90% of the amount referred to in Article 3.2 of the Special Conditions.</p> <p>Option 3: All Actions The grant shall be paid to the Beneficiary by the Contracting Authority in one payment within 45 days of the Contracting Authority approving the final report in accordance with Article 15.2, accompanied by:</p> <ul style="list-style-type: none"> - a request for payment of the balance conforming to the model in Annex V, - an expenditure verification report if required under Article 15.6. 	<p>42 months this will be treated by the EC as a 4-years-project leading to 3 interim payments.</p> <p>The interim payments will only be made if the requests are accompanied by an interim report (see Article 2.3 above). If needed, these reports have to include an expenditure verification report as well as a financial guarantee (see Articles 15.6 and 15.7 below).</p> <p>It is probably an editing mistake that for the further pre-financing instalments the words "if required" are missing in the bullet point of the expenditure verification.</p> <p>Balance payment: 10% of the approved EC contribution will only be paid after the end of the project's implementation, i.e. after the final report along with a request for payment has been submitted to and approved by the EC. If required, the final report has to be accompanied by an expenditure verification report (see article 15.6 below). In case the final amount of eligible costs is less than originally foreseen, the balance payment may even be less than 10% of the approved contribution (since the EC will only contribute to the final costs according to their approved percentage share, see Article 17.2). It is not possible for the Beneficiary to charge interest to the EC on the pre-financed amounts withheld until submission of the final report, i.e. it is at the beneficiary's own cost to secure the pre-financiation on the EC balance payment.</p> <p>For example, in the project mentioned above the provisional payment schedule could therefore look like as follows: Total EC contribution foreseen 300 000 €. 1st payment 96 000 € (see above), 1st interim payment 87.000 €, 2nd interim payment 87 000 €, balance payment 30.000 €. The interim payments will normally be calculated as: (Total EC contribution – 1st payment – balance payment). / Number of interim payments.</p> <p>The interim financial report must not limit the EC contribution to the expenses accounted for to the approved share. In other words, if the EC contribution to the total project costs is limited to 75%, the EC contribution to the actual expenses may be 60% in year 1 and 80% in year 2, as long as the EC cofinancing share (75%) is respected over the whole duration of the project.</p> <p>Based on this share at least 70% of the last EC payment (and 100% of all other previous payments) must have been spent in order to be able to request another payment.</p> <p>In cases where the EC does not accept all expenditures reported by the Beneficiary, it may also release a new payment when less than 70% of the previous payments has been spent. However, then the amount of the new payment will be reduced by the unused amount.</p> <p>For example, in the project mentioned above you submit a first interim report stating expenses of 70 000 € = 72,92 % of the previous payment received (96 000 €). The EC, however, disallows 6,000 € as not being eligible so that you have now</p>			

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
	<p>spent only 64 000 € = 66,66% of the 96 000 € received. At the same time you have now an unspent amount out of the previous payment of 32 000 € (96 000 received – 64 000 accepted as eligible expenditure). The next tranche that you are expecting is 87 000 € (as stipulated in the Special Conditions), however, you will only receive 55 000 € (87 000 – 32 000).</p> <p>The contract does not set fixed dates for the submission of the intermediate reports and corresponding payment requests (see article 2.3 above). The Beneficiary will therefore submit them more or less quickly according to the rate of progress of the Action and therefore of the expenditures.</p> <p>Option 3: This will only apply in cases where the grant beneficiary is able and willing to pre-finance the entire EC contribution.</p>			
<p>15.2. Any report shall be considered approved if there is no written reply from the Contracting Authority within 45 days of its receipt accompanied by the required documents.</p> <p>The Contracting Authority may suspend the time-limit for approval of a report by notifying the Beneficiary that the report cannot be approved and that it finds it necessary to carry out additional checks. In such cases, the Contracting Authority may request clarification, alteration or additional information, which must be produced within 30 days of the request. The time-limit starts running again on the date the required information is received.</p> <p>Reports shall be presented in accordance with Article 2.</p>	<p>If your organization has not received any feedback from the EC (headquarters or a Delegation) 45 days (plus mailing time!) after you submitted your report you can consider your report as being approved. If, however, the EC has questions on the report (narrative or financial part) and seeks clarifications (see article 2.2), the time limit of 45 days starts anew from the day the EC receives the requested alteration or additional information.</p> <p>However, even if your reports are approved (explicitly or because there is no reaction from the EC within 45 days) this doesn't mean that all the reported expenditures are considered to be accepted. In fact, the EC can audit your project and your accounts up to 7 years after the final payment was made and can ask your organisation to reimburse a part of the grant, if some costs are considered to be not eligible .</p>	No difference	No difference	No difference
<p>15.3. The time-limit of 45 days for payment referred to in Article 15.1 above shall expire on the date on which the Contracting Authority's account is debited.</p> <p>Without prejudice to Article 12.6, the Contracting Authority may suspend this time-limit by notifying the Beneficiary that the request for payment is inadmissible, either because the amount in question is not due or because proper supporting documents have not been supplied or it thinks it necessary to conduct further checks, including on-the-spot checks, to make sure that the expenditure is eligible. The time-limit for payment shall start running again on the date on which a correctly formulated request for payment is recorded.</p>	<p>After having approved a report, the EC has another 45 days to pay the requested instalment. This limit can once again be extended if the EC has questions or doubts regarding the request for payment.</p> <p>The time-limit of 45 days starts anew from the day the EC receives the corrected payment request. Altogether this gives the EC up to 90 days from the day they receive the report to the day the payment is made.</p>	Version 08/06 refers to Article 12.5 instead of 12.6	Version 02/06 refers to Article 12.5 instead of 12.6	Version 2003 refers to Article 12.5 instead of 12.6
<p>15.4. Once the time-limit referred to above has expired, the Beneficiary - unless the Beneficiary is a government department or public body in a Community Member State - may, within two months of receipt of the late payment, claim default interest:</p> <p>- at the rediscount rate applied by the central bank of the</p>	<p>If the EC payment is credited to your account later than 90 days after</p> <p>a) Having submitted an interim or final report along with a payment request without any previous feedback from the EC</p> <p>b) Having provided additional information/ clarification/ alteration</p>	No difference	No difference	No difference

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
<p>country of the Contracting Authority if payments are in the currency of that country;</p> <p>- at the rate applied by the European Central Bank to its main refinancing transactions in EUR, as published in the Official Journal of the European Union, C series, if payments are in EUR,</p> <p>on the first day of the month in which the time-limit expired, plus three and a half percentage points. The interest shall be payable for the time elapsed between the expiry of the payment deadline (exclusive) and the date on which the Contracting Authority's account is debited (inclusive). This interest is not considered income for the purposes of Article 17.3. Any partial payments shall first cover the default interest thus established.</p>	<p>you have two months time to claim default interest.</p> <p>In doing so you should refer to this article and state the date when the payment should have arrived and the date when it finally arrived. The NGO has to make the calculation and to present the request for payment, and the Commission afterwards has to verify the calculation and pay the appropriate amount.</p> <p>See <u>ANNEX 5 of this reader on how to claim default interest.</u></p>			
<p>15.5. Where the award procedure or performance of the contract is vitiated by substantial errors or irregularities or by fraud attributable to the Beneficiary, the Contracting Authority may refuse to make payments or may recover amounts already paid, in proportion to the seriousness of the errors, irregularities or fraud. The Contracting Authority may also suspend payments in cases where there are suspected or established errors, irregularities or fraud committed by the Beneficiary in the performance of another contract funded by the general budget of the European Community or by budgets managed by it which are likely to affect the performance of the present contract.</p>	<p>This article was introduced with version 2007,</p> <p>If at any time during the project implementation it turns out that either the contract award procedure did not follow the rules or that the rules of the signed contract have been seriously violated by your organization, the EC can suspend payments or recover payments already made. This does not only refer to the project in question. If your organization is found to have committed fraud or other serious contract violations in project A, the EC can also suspend payments for project B if this project is also funded by the EC and connected to project A.</p> <p>Please be reminded that the EC can audit your project and your accounts up to 7 years after the final payment was made, and in this case can ask your organisation to reimburse a part of the grant if costs are considered to be not eligible or other serious irregularities are discovered.</p>	<p>Article 15.5 of version 08/06 has become article 15.13 in 2007 contract version</p>	<p>Article 15.5 of version 02/06 has become article 15.13 in 2007 contract version</p>	<p>Article 15.5 of version 2003 has become article 15.13 in 2007 contract version</p>
<p>15.6. A report on the verification of the Action's expenditure, produced by an approved auditor who is a member of an internationally recognised supervisory body for statutory auditing, shall be attached to:</p> <p>– any request for interim payments per financial year in case of grants of EUR 750 000 or more;</p> <p>– any request for payment of the balance in the case of a grant of more than EUR 100 000;</p> <p>– any request for payment of over EUR 100 000 for the financial year, in the case of an operating grant</p> <p>The auditor examines whether the costs declared by the Beneficiary are real, accurately recorded and eligible in accordance with the Contract and issues an expenditure verification report conforming to the model in Annex VII.</p> <p>The Beneficiary grants the auditor all access rights mentioned</p>	<p>=> See 2007 EuropeAid template for expenditure verification report. (Annex VII of the Standard Grant Contract)</p> <p>Since the contract version August 2006 an expenditure verification report of the entire project's account, produced by an external approved auditor, must be submitted along with each interim report in cases where the EC grant is 750 000 € or more.</p> <p>For a project with a grant of 100 000 € or more but less than 750 000 €, this expenditure verification report of the entire project's account, produced by an external approved auditor has to be submitted only once, along with the final report.</p> <p>The period that must be covered by an expenditure verification report must cover the expenses incurred since the previous expenditure verification report.</p> <p>The audit issue has been repeatedly a subject of FDR's dialogue with AIDCO G7. For the EC, audits or expenditure verifications are considered important tools for verifying a project's accounts and expenses according to EC rules and</p>	<p>Different wording: The auditor examines whether the costs declared by the Beneficiary are real, exact and eligible</p> <p>=> See August 2006 EuropeAid template for expenditure verification report. (Annex VII of the Standard Grant Contract)</p>	<p>Version 02/06 requires an expenditure verification report for further pre-financing payment only if the sum total of the earlier and the new pre-financing payments exceeds EUR 750 000.</p> <p>Different wording: The auditor examines whether the costs declared by the Beneficiary are real, exact and eligible</p> <p>=> See February 2006 EuropeAid template for expenditure verification</p>	<p>Version 2003 still refers to the audit report – the concept of expenditure verification report (new Annex VII) was introduced with version 02/06.</p> <p>=> See 2003 EuropeAid template for audit report. (Annex VI of the Standard Grant Contract)</p> <p>Version 2003 requires an audit report for further pre-financing payment</p>

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
<p>in Article 16.2.</p> <p>The expenditure verification report accompanying a request for payment of the balance covers all expenditures not covered by any previous expenditure verification report.</p> <p>Based on the expenditure verification report the Contracting Authority determines the total amount of eligible expenditure which may be deducted from the sum total of pre-financing under the Contract (clearance).</p> <p>Where the Beneficiary is a government department or a public body of a Member State of the European Community, the Contracting Authority may exempt it from the expenditure verification requirement.</p>	<p>regulations. The requirements are stricter than foreseen in the Financial Regulation because the audits are necessary to clear pre-financing and to avoid bank guarantees (see below).</p> <p>In the case where the contracting partner is the European NGO whereas all project-relevant accounting is done in the field, where also all supporting documents are kept, it is possible to use only one auditor. It should be up to this auditor to decide how to verify the entire project account. This may include auditor accepting European or field audits done by other auditors. It is highly recommended to inform the Delegation in charge of the project on the foreseen structure right from the beginning and to seek their consent.</p> <p>It is up to the Beneficiary to choose the auditor. The name of the auditor has to be indicated in the contract, in order to enable the EC to make sure that the auditor does not raise problems (They must be member of an internationally recognised supervisory body of statutory auditors)</p> <p>The Terms of Reference for the expenditure verification report attached to the standard contract as Annex VII are obligatory for all projects governed by this contract version.</p> <p>The Beneficiary (and its partners) have to make sure that the external auditor has access to all information and documentation needed to fulfil his/her tasks (see also Article 16.2.)</p> <p>Change of auditor should be done through a written notification (not a formal amendment request) to the Contracting Authority (see article 9.2).</p>		<p>report. (Annex VII of the Standard Grant Contract)</p>	<p>only if the sum total of the earlier and the new pre-financing payments exceeds EUR 750 000.</p> <p>Version 2003 requires an audit report for operating grants in case of payment requests of over EUR 75 000 for the financial year.</p> <p>Different wording: In an audit certificate conforming to the model in Annex VI the auditor certifies that the submitted accounts (income and expenditure) are accurate, reliable and justified by adequate supporting documents, and identifies the eligible expenditure incurred in accordance with the Contract.</p> <p>The amounts that the audit report certifies as incurred in conformity with the Contract shall be deducted from the sum total of pre-financing under the Contract (clearance).</p>
<p>15.7. If the sum total of pre-financing paid and not cleared at any point in time under the Contract is more than 80% of the Contract amount and exceeds EUR 60 000, its payment must be fully covered by a financial guarantee.</p> <p>Where the Beneficiary is a non governmental organisation, such guarantee is requested if the sum total of pre-financing paid and not cleared at any point in time under the Contract is more than EUR 1 million or 90% of the Contract amount. The financial guarantee must be denominated in EUR, conforming to the model in Annex VIII and, unless the Contracting Authority otherwise agrees, provided by an approved bank or financial institution established in one of the Member States of the European Community. This guarantee shall remain in</p>	<p>In EC terms all payments except for the balance payment are pre-financing payments. For NGOs, a bank guarantee is only needed when the sum of pre-financing payments which have not been cleared by annual expenditure verification exceeds 1 million € or 90% of the approved grant amount. Thus, expenditure verification requirements exist to actually avoid bank guarantees except for very large projects.</p> <p>In order to calculate whether or not your organisation has to provide a bank guarantee the EC has to take into account only one contract at the time and should not add up several pre-financing coming from different contracts.</p>	<p>No difference</p>	<p>Article 15.7 of the Version 02/06 does not set a limit in absolute terms (only reference to the 80%)</p>	<p>Article 15.7 of the Version 2003 lacks the clarification "of pre-financing paid and not cleared at any point in time under the Contract" and does not set a limit in absolute terms (only reference to the 80%)</p> <p>It also lacks the option of "unless the</p>

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
<p>force until its release by the Contracting Authority when the total amount of pre-financing under the Contract is once again less than EUR 1 million or after payment of the balance.</p>				Contracting Authority otherwise agrees"
<p>15.8. This provision shall not apply if the Beneficiary is a government department or public body or an international organisation, unless otherwise stipulated in the Special Conditions.</p>	<p>Probably editing mistake as this sentence belongs to provisions of article 15.7</p>	<p>Part of article 15.7; Article 15.8 starts with "The payments owed..."</p> <p>Formulation lacks reference to international organisations.</p>	<p>Part of article 15.7; Article 15.8 starts with "The payments owed..."</p> <p>Formulation lacks reference to international organisations but limits public bodies to a European Community Member State.</p>	<p>Part of article 15.7; Article 15.8 starts with "The payments owed..."</p> <p>Formulation lacks reference to international organisations but limits public bodies to a European Community Member State.</p>
<p>The payments owed by the Contracting Authority shall be made to the bank account or sub-account referred to in the financial identification form in Annex V, which identifies the funds paid by the Contracting Authority and allows to calculate the interests produced by such funds.</p>	<p>For the purpose of receiving the EC grant funds, a bank account or sub account needs to be indicated, however, contrary to the grant version 2003 the NGO does not have to open a specific bank account for each individual project anymore. This means that for an individual project, it is allowed again to use booking accounts as long as it is ensured that EC funds can be traced and interest produced by such funds can be calculated.</p>	<p>No difference</p>	<p>No difference</p>	<p>Version 2003 asks for an action-specific bank account or sub-account and makes no reference to the calculation of the interests earned on EC funds.</p>
<p>15.9. The Contracting Authority shall make payments in the currency of the country to which it belongs or in EUR, in accordance with the Special Conditions. In the latter case, any conversion into EUR of the real costs borne in other currencies shall be done at the rate made up by the average of the rates published in InforEuro for the months covered by the relevant report, unless otherwise provided in the Special Conditions.</p> <p>In the event of an exceptional exchange-rate fluctuation, the Parties shall consult each other with a view to restructuring the Action in order to lessen the impact of such a fluctuation. Where necessary, the Contracting Authority may take additional measures.</p>	<p>The system to convert real expenditures incurred in other currencies into EUR is based on the monthly InforEuro rate published on the following website: http://ec.europa.eu/budget/inforeuro/index.cfm</p> <p>To get the average, you have to sum up the inforEuro rates for the months of the reporting period and divide the sum by the number of months covered by the report. This average exchange rate will then have to be used to convert all expenses in the reporting period into EUR.</p> <p>This conversion has to be done individually for each foreign currency and the conversion has to take place directly without intermediate conversion. Example: If in a project in Cambodia, some expenses are incurred in Cambodian RIEL and others in USD, the ones in RIEL have to be converted into EUR using the inforEuro RIEL/EUR and the ones in USD have to be converted using the inforEUR USD/EUR. You must not convert the RIEL first into USD and then the USD into EUR.</p> <p>Though still artificial, the inforEuro system is likely to result in smaller deviations from the real exchange rate (of transfers executed) than the conversion system of the 2000 contract version.</p> <p>There is no specific definition on what is an exceptional exchange-rate fluctuation; however this article should be invoked only exceptionally. The first measure to be taken in the</p>	<p>No difference</p>	<p>No difference</p>	<p>Version 2003 asks for the monthly conversion of expenditures based on the monthly inforEuro, i.e. based on a monthly-based accounting, the expenses for each month are converted into EUR using the monthly InforEuro rate published on the EC website</p>

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
	event this is invoked is to restructure the project, for example to remove an aspect. Under no circumstances will the amount of the grant be increased.			
<p>Any interest or equivalent benefits accruing from pre-financing paid by the Contracting Authority to the Beneficiary shall be mentioned in the interim and final reports.</p> <p>Subject to the conditions laid down in the basic act, any interest accruing from pre-financing equal or below EUR 250 000 paid by the Contracting authority shall not be due to the Contracting authority and may be used by the Beneficiary for the Action. Any interest accruing from pre financing of more than EUR 250 000 paid by the Contracting authority shall be assigned to the Action and deducted from the payment of the balance of the amounts due to the Beneficiary, unless the Contracting Authority requests the Beneficiary to reimburse the interest generated by pre-financing payments before the payment of the balance.</p>	<p>Interest earned on the EC contribution has to been shown as income in the interim and final reports.</p> <p>Some NGO's are advising their staff to open non-interest bearing account to avoid the administrative burden of calculating the interest and returning to the EC. This is acceptable for the EC.</p> <p>Three cases are to be considered (amounts mentioned hereafter refer to EC total prefinancing and not to amounts of interest):</p> <ol style="list-style-type: none"> 1. Interests earned on an EC pre-financing that amounts to up to 250 000 EUR (prefinancing= total EC contribution – balance payment of 10%, if option 2 of payment is chosen) may be used for the activities of the project in addition to the approved EC contribution. 2. Interests earned on an EC prefinancing which amounts between 250 000 EUR and 750.000 euros have to be paid back to the EC only at the end of the action. 3. Interests earned on an EC prefinancing which exceeds 750.000 euros have to be paid back to the EC after each fiscal year (article 15.12). <p>If applicable, this refers also to interest received by implementing partners.</p>	<p>Version 08/06 (Article 15.10) does not allow the use of any interest earned on the EC contribution as additional income for the action, i.e. all interest earned on EC contribution will be set off against i.e. deducted from the EC payments (either with each payment or altogether with the balance payment)</p>	<p>Version 02/06 (Article 15.10) does not allow the use of any interest earned on the EC contribution as additional income for the action, i.e. all interest earned on EC contribution will be set off against i.e. deducted from the EC payments (either with each payment or altogether with the balance payment)</p>	<p>Version 2003 (Article 15.10) does not allow the use of any interest earned on the EC contribution as additional income for the action, i.e. all interest earned on EC contribution will be set off against i.e. deducted from the EC payments (either with each payment or altogether with the balance payment)</p>
<p>15.10. Subject to the conditions laid down in the basic act, in case of crisis management actions recognized as such by the Contracting authority, the interests accruing form prefinancing equal or below EUR 750 000 shall not be due to the Contracting authority and may be used by the Beneficiary for the Action. Any interest accruing from pre-financing of more than EUR 750 000 is due to the Contracting Authority.</p>	<p>This article was newly introduced with version 2007.</p> <p>The EC can qualify certain projects as being implemented in a crisis situation. The grant beneficiary will be informed when signing the contract. In that case, the beneficiary organisation can use the interests earned on pre-financing that amounts up to EUR 750 000 (and not only up to 250.000 euros as in the normal situation explained in previous article).</p> <p>This does not refer to projects implemented within the ENPI (European Neighbourhood Policy Instrument).</p>	<p>Not existent in Version 08/06.</p>	<p>Not existent in Version 02/06.</p>	<p>Not existent in Version 2003.</p>
<p>15.11. The interests are not taken into account when calculating the sum total of pre-financing under the Contract.</p>	<p>The interest which is earned on the EC contribution will not be counted when calculating the total of pre-financing payments made to your organization.</p> <p>The interest which cannot be kept in addition to the grant will as a rule be deducted from the balance payment.</p>	<p>Part of article 15.10</p>	<p>Part of article 15.10</p>	<p>Part of article 15.10</p>
<p>15.12. Subject to the conditions laid down in basic act, the Contracting Authority shall recover the interests accruing from pre-financing of more than EUR 750 000 by the end of each financial year.</p>	<p>See previous explanations given for article 15.9.</p>	<p>Not existent in Version 08/06.</p>	<p>Not existent in Version 02/06.</p>	<p>Not existent in Version 08/06.</p>
<p>15.13. All references to days in this article 15 are to calendar days.</p>		<p>Article 15.5</p>	<p>Article 15.5</p>	<p>Article 15.5</p>

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
ARTICLE 16 - ACCOUNTS AND TECHNICAL AND FINANCIAL CHECKS				
<p>16.1. The Beneficiary shall keep accurate and regular accounts of the implementation of the action using an appropriate accounting and double-entry book-keeping system. These systems may either be an integrated part of the Beneficiary's regular system or an adjunct to that system. This system shall be run in accordance with the accounting and bookkeeping policies and rules that apply in the country concerned. Accounts and expenditure relating to the Action must be easily identifiable and verifiable. This can be done by using separate accounts for the Action concerned or by ensuring that expenditure for the action concerned can be easily identified and traced to and within the Beneficiary's accounting and bookkeeping systems. Accounts must provide details of interest accruing on funds paid by the Contracting Authority.</p> <p>The Beneficiary shall ensure that the Financial Report (both interim and final) as required under Article 2 can be properly and easily reconciled to the Beneficiary's accounting and bookkeeping system and to the underlying accounting and other relevant records. For this purpose the Beneficiary shall prepare and keep appropriate reconciliations, supporting schedules, analyses and breakdowns for inspection and verification.</p>	<p>Your organisation as well as your partners should follow professional and recognized standards for book-keeping and accounting system and should use double entry book-keeping systems to manage EC funds</p> <p>As long as your organisation's accounting procedures allow EC funds to be easily traced within your accounting systems and interests produced can be calculated and possibly returned to the EC, you do not need a project-specific bank account (see above Article 15.8)</p>	No difference	No difference	<p>Version 2003 is more strict, speaking of "a dedicated double-entry book-keeping system as part of or as an adjunct to the Beneficiary's own accounts. This dedicated system shall be run in accordance with the procedures dictated by professional practice."</p> <p>It also lacks the option introduced in 2007 of "ensuring that expenditure for the action concerned can be easily identified and traced to and within the Beneficiary's accounting and bookkeeping systems"</p>
<p>16.2. The Beneficiary will allow the European Commission, the European Anti-Fraud Office, the European Court of Auditors and any external auditor carrying out verifications as required per Article 15.6 to verify, by examining the documents or by means of on-the spot checks, the implementation of the Action and conduct a full audit, if necessary, on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the Action. These inspections may take place up to 7 years after the payment of the balance.</p> <p>Furthermore, the Beneficiary will allow the European Anti-Fraud Office and any external auditor carrying out verifications as required per Article 15.6 to carry out checks and verification on the spot in accordance with the procedures set out in the European Community legislation for the protection of the financial interests of the European Communities against fraud and other irregularities</p> <p>To this end, the Beneficiary undertakes to give appropriate access to staff or agents of the European Commission, of the European Anti-Fraud Office and of the European Court of Auditors as well as to any external auditor carrying out verifications as required per Article 15.6 to the sites and</p>	<p>All grant beneficiaries, receiving funds from the European Commission, will need to allow personnel from the European Commission, European Anti-Fraud Office, the European Court of Auditors and any external auditor carrying out verifications/audits of the project, to have easy access to all documents and systems (financial and tools) used to manage this project. They will require access to documents in country, where the project is operational, and at your Head Office. As part of reviewing all the documents they may conduct a full audit of the project.</p> <p>The types of documents that need to be kept are outlined in article 16.3 (minimum requirement).</p> <p>These documents need to be available to the European Commission for them to be sure that you have not misspent their funds in any way and being compliant with EC financial regulations, (article 49 of the Implementing Rules). The information provided to the Commission will be confidential and not shared openly with other organisations, without prejudice to the obligations of public law to which the agents are subject to.</p> <p>Please note that you and your partners will need to hold all the relevant information outlined up to 7 years after the final payment has been made to your organisation, even if it's not a</p>	No difference	No difference	Version 2003 does not make any reference to any external auditor carrying out verifications as required per Article 15.6. This was introduced in the version 02/06.

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
<p>locations at which the Action is implemented, including its information systems, as well as all documents and databases concerning the technical and financial management of the Action and to take all steps to facilitate their work. Access given to agents of the European Commission, European Anti-Fraud Office and the European Court of Auditors and to any external auditor carrying out verifications as required per Article 15.6 shall be on the basis of confidentiality with respect to third parties, without prejudice to the obligations of public law to which they are subject. Documents must be easily accessible and filed so as to facilitate their examination and the Beneficiary must inform the Contracting Authority of their precise location.</p>	<p>requirement or contradicts national rules of the country where the project is being implemented.</p>			
<p>The Contractor guarantees that the rights of the European Commission, of the European Anti-Fraud Office and of the European Court of Auditors as well as of any external auditor carrying out verifications as required per Article 15.6 to carry out audits, checks and verification will be equally applicable, under the same conditions and according to the same rules as those set out in this Article 16, to the Beneficiary's partners and subcontractors. Where a partner or subcontractor is an international organisation, any verification agreement concluded between such organisation and the European Commission applies.</p>	<p>The same rules outlined above in articles 16.1, 16.2 and 16.3 apply to your partners and subcontractors that are taking part in the EC funded project. You will need to make sure that your partners and subcontractors are made aware of this by including in your contracts with them (or MOU) a provision that authorizes officials from the EC to check their documents and accounts.</p>	<p>In Version 08/06 less clear (speaking of contractors instead of sub-contractors)</p>	<p>In Version 02/06 less clear (speaking of contractors instead of sub-contractors)</p>	<p>In Version 2003 stated as article 16.4, however, less clear (speaking of contractors instead of sub-contractors) and lacking the last sentence of the Version 2007 (referring to international organisations)</p>
<p>16.3. In addition to the reports mentioned in article 2, the documents referred to in Article 16.2 include:</p> <ul style="list-style-type: none"> – Accounting records (computerised or manual) from the Beneficiary's accounting system such as general ledger, sub ledgers and payroll accounts, fixed assets registers and other relevant accounting information; – Proof of procurement procedures such as tendering documents, bids from tenderers and evaluation reports; – Proof of commitments such as contracts and order forms; – Proof of delivery of services such as approved reports, time sheets, transport tickets (including boarding passes), proof of attending seminars, conferences and training courses (including relevant documentation and material obtained, certificates), etc; – Proof of receipt of goods such as delivery slips from suppliers; – Proof of completion of works, such as acceptance certificates; – Proof of purchase such as invoices and receipts. – Proof of payment such as bank statements, debit notices, proof of settlement by the subcontractor; 	<p>The documents listed under article 16.3 represent the minimum requirement for supporting a book-keeping and accounting systems according to recognized standards. The list, however, is not exhaustive. In the case of a full EC audit documents referring to the proper functioning of the organisation (by laws, project contracts, authorization of signatures, minutes of board meetings, accounting and staff policies etc) may also be asked for inspection.</p> <p>The persons authorized to inspect the project (see Article 16.2) will also need all the paperwork related to the procurement undertaken for all the works, supplies and service contracts that have been funded within the EC-funded project. In case of an audit, the EC will verify that all the purchases have been done following the procurement rules. It is therefore advisable that you file together all the documents that can prove that you correctly consulted the market (text of the calls for tender, bids from the candidates, result of the selection procedure etc...)</p> <p>Staff costs: Make sure that clear records of all local staff and expatriate staff costs that relate to the project are kept. The type of information that should be kept is gross salary, social security charges, insurance and net salary. All these costs should already be kept by your organisation (or your partner as the case may be).</p> <p>There has to be some record that the person in charge has signed off all local staff costs.</p>	<p>Version 08/06 contains a reference to the beneficiary's stock:</p> <p>Proof of purchase such as invoices and receipts. If supplies come from the Beneficiary's stocks, invoices shall reflect the price paid at the time of purchase;</p> <p>The use of stocks for EuropeAid is limited to those cases where EuropeAid explicitly qualifies the country of operation to be in a humanitarian / crisis situation, based on the applicable legal provisions and procedures. The assessment whether or not the country is in a humanitarian/crisis</p>	<p>Version 02/06 contains a reference to the beneficiary's stock:</p> <p>Proof of purchase such as invoices and receipts. If supplies come from the Beneficiary's stocks, invoices shall reflect the price paid at the time of purchase;</p> <p>The use of stocks for EuropeAid is limited to those cases where EuropeAid explicitly qualifies the country of operation to be in a humanitarian / crisis situation, based on the applicable legal provisions and procedures. The assessment whether or not the country is in a humanitarian/crisis</p>	<p>Version 2003 does not make reference to reports mentioned in article 2</p> <p>It also uses a different formulation in the description of documents needed (less detailed):</p> <p>A. Works, supplies and services</p> <ul style="list-style-type: none"> –bids from suppliers; –contracts and order forms; –invoices and proofs of payment or settled invoices; if supplies come from the Beneficiary's stocks, invoices shall reflect the price paid at the time of purchase. A copy of the purchase invoice must be attached;

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
<p>– For fuel and oil expenses, a summary list of the distance covered, the average consumption of the vehicles used, fuel costs and maintenance costs;</p> <p>– Staff and payroll records such as contracts, salary statements, time sheets. For local staff recruited on fixed-term contracts, details of remuneration paid, duly substantiated by the person in charge locally, broken down into gross salary, social security charges, insurance and net salary. For expatriate and/or European-based staff (if the action is implemented in Europe) analyses and breakdowns of expenditure per month of actual work; assessed on the basis of unit prices per verifiable block of time worked and broken down into gross salary, social security charges, insurance and net salary.</p>	<p>Please note that for expatriate (based in country) or European-based staff, there will have to be a more detailed record of how much time that person has spent working on the project per month. The same level of information should be kept on record as above. (Gross salary, social security charges, insurance and net salary). This does not mean to set up time-sheets as long as all the necessary information is already available.</p> <p>If you have an expatriate member of staff who is dedicating 40% of his/her time to the project you should be able to demonstrate that he/she have indeed spent 40% of his/her time on this project.</p> <p>If you have hired a consultant for a specific period of time for the EC project, the contract should give you all the relevant information of their participation to the project. Please note that the hiring of consultants are a type of “service” and therefore, in order to recruit them, you have to apply the rules described in annex IV (market consultation and nationality rule).</p> <p>Article 16.3 only indicates which type of supporting documents might be accepted with a purpose of harmonization. If such document cannot be supplied by your organisation, an explanation should be provided and decisions will be taken on a case-by-case basis. Time sheets for instance are not necessary as long as the presence of staff can be proven by another document, e.g. employment contract or salary statement.</p>	<p>situation has to be discussed when preparing and before signing the grant agreement with the EC. This possibility only existed in the February and August 2006 versions of the SC and was suppressed in 2007.</p> <p>Under “Proof of payment” it speaks of contractor;</p>	<p>situation has to be discussed at the time when preparing and before signing of the grant agreement with the EC. This possibility only existed in the February and August 2006 versions of the SC and was suppressed in 2007.</p> <p>Under “Proof of payment” it speaks of contractor;</p>	<p>–for fuel and oil the Beneficiary shall keep a summary list of the distance covered, the average consumption of the vehicles used, fuel costs and maintenance costs.</p> <p>B. Staff costs: –a statement of expenditure on local staff recruited on fixed-term contracts, with details of remuneration paid, duly substantiated by the person in charge locally, broken down into gross salary, social security charges, insurance and net salary;</p> <p>–a statement of expenditure on expatriate and/or European-based staff (if the Action is implemented in Europe) per month of actual work; expenditure will be assessed on the basis of unit prices per verifiable block of time worked and broken down into gross salary, social security charges, insurance and net salary.</p>

ARTICLE 17 - FINAL AMOUNT OF FINANCING BY THE CONTRACTING AUTHORITY

<p>17.1. The total amount to be paid by the Contracting Authority to the Beneficiary may not exceed the maximum grant laid down in Article 3.2 of the Special Conditions, even if the total of actual eligible expenditure exceeds the estimated total budget set out in Annex III.</p>	<p>If your project is overspent, the EC will not contribute to the excess that you have overspent on the project. The EC will only pay you the total EC contribution stipulated in the contract signed by you and the Commission. The amount approved is stated under article 3.2 of your contract (Special Conditions).</p>	<p>No difference</p>	<p>No difference</p>	<p>No difference</p>
<p>17.2. If the eligible costs at the end of the Action are less than the estimated total cost referred to in Article 3.1 of the Special Conditions, the Contracting Authority's contribution shall be</p>	<p>If on the other hand, you spend less on your project, as outlined in your approved budget, the EC will limit their contribution to the percentage share as stipulated in Article 3.2 of the Special</p>	<p>No difference</p>	<p>No difference</p>	<p>No difference</p>

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
<p>limited to the amount obtained by applying the percentage laid down in Article 3.2 of the Special Conditions to the actual eligible costs approved by the Contracting Authority.</p>	<p>Conditions of the signed contract.</p> <p>So, suppose you had a budget of 100 000 and the Commission is giving you 50 000 (equal to 50%). If at the end of the project you show that you only spent 90 000, the Commission will pay you only 45 000 (50% of 90 000).</p> <p>In case you face a decrease in another donor's contribution to your project you can ask for a budget amendment in order to increase the percentage covered by the EC.</p> <p>However, this percentage covered by the EC will never be higher than the one allowed in the guidelines of the call for proposals under which your project was submitted, and the absolute maximum amount of the grant will never be increased.</p>			
<p>17.3. The Beneficiary accepts that the grant can under no circumstances result in a profit for himself and that it must be limited to the amount required to balance income and expenditure for the Action. Profit shall be defined as:</p> <p>– In the case of a grant for an Action, a surplus of receipts over the costs of the Action in question when the request is made for payment of the balance. However, in the case of Actions designed specifically to strengthen the financial capacity of the Beneficiary, it is distribution to the members making up the beneficiary body of the surplus revenue resulting from its activity leading to their personal enrichment.</p> <p>– In the case of an operating grant, a surplus balance on the operating budget of the Beneficiary.</p> <p>These provisions shall not apply to study, research or training scholarships paid to natural persons, nor in the case of prizes awarded following contests.</p>	<p>You cannot, in any way, benefit from funds given by the EC. All the funds received should be spent on what was approved in your proposal.</p> <p>You cannot:</p> <ul style="list-style-type: none"> ▪ Request a final payment from the Commission that is more than the actual costs spent on the project. ▪ Give EC funds to individuals to benefit from activities that were intended to build the financial capacity of your or a partner organisation ▪ Keep EC funds left over from a completed project <p>Please note that article 17.3 does not apply to any individuals obtaining grants intended for their studies, research, training scholarships or prizes awarded.</p>	No difference	No difference	No difference
<p>17.4. In addition and without prejudice to the right to terminate the Contract in accordance with Article 12.2, the Contracting Authority may, by a duly reasoned decision, if the Action is not implemented or is implemented poorly, partially or late, reduce the grant initially provided for in line with the actual implementation of the Action on the terms laid down in this Contract.</p>	<p>This article states the principle of obligation of results.</p> <p>Without prejudice to article 12.12, the Commission can terminate your contract if you do not:</p> <ul style="list-style-type: none"> ▪ Implement the project as a whole, making sure all the activities indicated in your original proposal, overall objective and results have been achieved, as approved by the EC and stated in your contract. ▪ Make sure that the implementation of your project is of good quality; all the activities are carried out in the timeframe stipulated in your contract and proposal. <p>If the Commission considers that you only implemented a part of your project they can reduce your grant proportionally (e.g. you reached only 50% of the planned results; you will get only 50% of the grant, even if you spent the entire budget).</p> <p>Please note that you must let the contracting authority (Delegations/EuropeAid in Brussels) know if you are having any problems with the implementation of your project. Any delays in informing them may jeopardise your relationship with the EC and forfeit your contract. Make sure you get approval from the EC before you make changes to the contract and that these are</p>	No difference	No difference	No difference

EC Standard Contract Annex II : General Conditions version of 18 Dec 2007

Text of the Article	Explanation from the FDR	Differences with the August 2006 version of the SC	Differences with the February 2006 version of the SC	Differences with the 2003 Version of the SC
	reflected in your modified contract (see article 9).			
ARTICLE 18 – RECOVERY				
<p>18.1. The Beneficiary undertakes to repay any amounts paid in excess of the final amount due to the Contracting Authority within 45 days of receiving a request to do so.</p>	<p>If any EC funds remain after the implementation of the project, due to the EC having paid more funds than was needed for the project, you will need to repay the excess amount back to the EC. To do this, you have to wait for the EC to issue a recovery order, after which you have 45 days to pay the money back.</p>	No difference	No difference	No difference
<p>18.2. Should the Beneficiary fail to make repayment within the deadline set by the Contracting Authority, the Contracting Authority may (unless the Beneficiary is a government department or public body of a Member State of the Community) increase the amounts due by adding interest:</p> <ul style="list-style-type: none"> – at the rediscount rate applied by the central bank of the country of the Contracting Authority if payments are in the currency of that country; – at the rate applied by the European Central Bank to its main refinancing transactions in EUR where payments are in EUR, <p>on the first day of the month in which the time-limit expired, plus three and a half percentage points. The default interest shall be incurred over the time which elapses between the date of the payment deadline set by the Contracting Authority (exclusive), and the date on which payment is actually made (inclusive). Any partial payments shall first cover the interest thus established.</p>	<p>If you fail to pay back these excess funds in the time stipulated by the EC, they will start to charge default interest on the funds. The EC will do the necessary calculation as described in this article and issue the payment order to your organisation.</p>	No difference	No difference	No difference
<p>18.3 Amounts to be repaid to the Contracting Authority may be offset against amounts of any kind due to the Beneficiary. This shall not affect the Parties' right to agree on payment in instalments. Where necessary the European Community may as a donor subrogate itself to the Contracting Authority</p>	<p>The EC can recover re-payments for one project against another. i.e. if you owe money on one contract, they'll subtract it from the next payment for another/different contract (even under a different budget line)</p> <p>Please note that the FDR agreed with the EC that they do not automatically do this, but <u>they will inform the Grant Beneficiaries when such re-payments are foreseen</u>. AIDCO services have been reminded to contact and inform the relevant Beneficiary before issuing recovery orders (note from 2004).</p> <p>In case the EC is not the Contracting Authority, it can nevertheless directly claim for repayments when needed since it "owns" the funds on behalf of the Contracting Authority.</p>	No difference	No difference	Version 2003 lacks the last sentence: "Where necessary the European Community may as a donor subrogate itself to the Contracting Authority."
<p>18.4. Bank charges incurred by the repayment of amounts due to the Contracting Authority shall be borne entirely by the Beneficiary</p>	<p>If you have to return funds to the EC and are charged by your bank for doing so, you will have to take on the burden of these costs, as you cannot reclaim them from the EC.</p>	No difference	No difference	No difference

ANNEXES

CONTENT:

ANNEX 1: Applicable rules of nationality and origin for the 2000-2006 instruments for procurement purposes within grant agreements after 2005.

ANNEX 2: Applicable rules of nationality and origin for the 2007-2013 instruments for procurement purposes within grant agreements

ANNEX 3: Memo on financial reporting template

ANNEX 4: Outstanding questions on the 2007 reader

ANNEX 5: Explanatory note on claiming default interests within EuropeAid grant contracts

APPLICABLE RULES OF NATIONALITY AND ORIGIN FOR THE 2000-2006 INSTRUMENTS FOR PROCUREMENT PURPOSES WITHIN GRANT AGREEMENTS AFTER 2005

Since 28 December 2005, two new Regulations on the untying of Community aid have been adopted. These changes affect existing and new contracts from 28/12/05. **This only applies to 2000-2006 funding instruments (e.g. funding line “Cofinancing with European NGOs” but not the new programme “Non State Actors and Local Authorities in Development”).**

1) For projects taking place in Least Developed Countries(LDCs)¹

All procurement and goods need to originate from the countries listed below:

- The 27 Member States of the European Union,
- The 3 Member States in the European Economic Area (Iceland, Norway and Lichtenstein)
- Developing Countries (according to the DAC list of ODA recipients)
- International organisations (Red Cross, United Nations, World Bank, for example)
- The following OECD countries: Australia, Canada, USA, Japan, Southern Korea, New Zealand and Switzerland.

2) For projects taking place in a Developing Country that is classified as Lower Income Countries (LICs), Lower Middle Income Countries (LMICs) or Upper Middle Income Countries (UMICs)²

All procurement and goods need to originate from the countries listed below:

- The 27 Member States of the European Union,
- The 3 Member States in the European Economic Area (Iceland, Norway and Lichtenstein)
- Developing Countries (according to the DAC list of ODA recipients)
- International organisations (Red Cross, United Nations, World Bank, for example)

HOWEVER, you **cannot** for the moment procure goods, services and works from the OECD countries not previously included under old rules, i.e. Australia, Canada, USA, Japan, Southern Korea, New Zealand and Switzerland. Indeed, the conditions for reciprocal access to external assistance have not yet been established for these countries.

3) Difference between thematic and geographic budget lines:

These new rules of nationality and origin are valid for all budget lines, be they thematic or geographic. The only exception is for contracts signed for the PHARE programme intended for candidate countries for EU membership, which is ruled out by different rules.

We shall, however, make a distinction between thematic and geographic budget lines:

- for thematic budget lines, rules of nationality and origin include:
 - (1) All developing countries,
 - (2) In addition, and when it is mentioned in the thematic budget line's regulation, other countries those from a developing country.

¹ LDC listed in the OECD's Development Assistance Committee (DAC) list of ODA Recipients.

² These are countries known as “other low income countries” [LICs], for example: India, Indonesia, Kenya, Nicaragua, Uzbekistan, Tajikistan, Vietnam, “Lower Middle-Income Countries” [LMICs] – e.g. Albania, Algeria, Bosnia, Egypt, Honduras, Morocco, Philippines, Serbia-Montenegro, Sri Lanka, Thailand, Tunisia etc., “Upper Middle-Income Countries” [UMICs] – e.g. Brazil, Lebanon.

- for geographic budget lines, rules of nationality and origin include:
(1) only those developing countries that are mentioned in the regulation of the geographic budget line³
(2) in addition countries other than developing countries, mentioned in the regulation of the geographic budget line ⁴

4) Derogation

Please note: that you are able to ask for a Derogation to this rule (to procure from other countries listed), only in exceptional cases, which can be clearly justified. These can be on the basis of the unavailability of products and services in the markets of the countries concerned; for reasons of extreme urgency of the project's implementation and if the rules would impede the realisation of the project. Based on substantiated reasons, the European Commission will need to review each derogation, on a case-by-case basis.

5) Consultants and Service Providers

Eligible tenders should respect the new rules (tendering process and the rules of nationality) as outlined above. However, the persons that perform the consultancy (free lance or belonging to a service provider) can be of any nationality.

EXCEPTIONS TO THE RULE

European Development Fund (EDF) grants follow the rules outlined in the Cotonou agreement, as amended on 25 June 2005.

For NGOs' projects: rules of nationality and origin usually include the 15 EU countries and the ACP countries⁵.

³ Note that the ALA regulation for Asia and Latin America does not provide a list of countries, but all countries in the region are eligible.

⁴ Such as Russia for TACIS or Israel for MEDA.

⁵ See annex IV to the ACP-EC Partnership Agreement signed in Cotonou (Articles 20 and 22) – as revised on 25 June 2005. Please refer to : http://www.europa.eu.int/comm/development/body/cotonou/revisedtext_en.htm

APPLICABLE RULES OF NATIONALITY AND ORIGIN FOR THE 2007-2013 INSTRUMENTS FOR PROCUREMENT PURPOSES WITHIN GRANT AGREEMENTS

I. KEY DEFINITIONS

Rule of nationality: refers to the nationality of the service providers, suppliers and consultants.

Rule of origin: refers to the origin of supplies and materials. Goods originating in a country shall be those wholly obtained or produced in that country. Goods whose production involved more than one country shall be deemed to originate in the country where they underwent their last, substantial, economically justified processing or working. The origin must be certified by a certificate of origin that you should ask the supplier to provide when making the purchase. The certificate of origin must be made out by the competent authorities of the country of origin of the supplies or supplier (such as Chambers of commerce).

II. APPLICABLE RULES OF NATIONALITY AND ORIGIN FOR THE MAIN INSTRUMENTS / PROGRAMMES OF INTEREST FOR NGOS

The applicable rules of nationality and origin for the 2007-2013 instruments are explained in detail in the EuropeAid document entitled "Annex A2 - Eligibility of programmes 2007-2013", see the following file:



C:\Documents and
Settings\amege\Bure:

This document is also available in French, Spanish and Portuguese from the following website:

http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/annexes_standards_documents/index_en.htm

Another relevant EuropeAid document is entitled "Annex A2 – EC programmes". It has 3 parts:

- (one listing the legal bases of EC external assistance programmes);
- A more useful section on the detailed list of developing countries according to OECD/DAC;
- And another useful section on the European Development Fund and ACP countries (Africa, Caribbean, Pacific).

See inserted file:



C:\Documents and
Settings\amege\Bure:

For development projects implemented through NGOs, we can summarize the applicable rules of nationality and origin for the main instruments as follows:

Instrument	Programme	Applicable rules of nationality and origin
European Development Fund	EDF funded programmes	<ul style="list-style-type: none"> - 9th EDF: For CfP published before 1st of July 2008: EU Member States which contributed to the funds (EU 15) + ACP countries + International Organisations For CfP published from the 1st of July 2008 onwards: the 27 EU Member States + ACP countries + International Organisations (to be confirmed) -10th EDF <ul style="list-style-type: none"> - The 27 EU countries - ACP countries⁶ - International organisations <p>Whenever a project is implemented through an international organisation, all natural and legal persons who are eligible according to the rules of the organization are also eligible. The same rules apply for supplies and materials;</p> <p>Whenever a project is implemented within a regional initiative, all the natural and legal persons from countries participating in the regional initiative are also eligible. The same rules apply for supplies and materials;</p> <p>If the project is co-funded by a third country, then all the natural and legal persons eligible according to the rules of this country are also eligible. The same rules apply for supplies and materials;</p>
Development Cooperation Instrument	Programme Non State Actors and Local Authorities in Development Programme Investing in People Programme Food Security Programme Environment Programme Asylum and Migration	<ul style="list-style-type: none"> - The 27 EU countries, - Official candidate countries (Croatia, FYROM and Turkey), - Member States of the European Economic Area (Iceland, Liechtenstein, Norway), - All developing countries as listed by OECD DAC⁷ - Any country for which reciprocal access has been granted (no reciprocal access granted yet) - *** When the action takes place in a least developed country according to the OECD DAC list, reciprocal access is automatically granted to OECD members. This includes the following additional countries: Australia, Canada, United States, Korea, Japan, New Zealand and Switzerland. - International Organisations.

⁶ For more details on the list of ACP countries, please see part 3 of the inserted file “Annex A2 – EC programmes”.

⁷ 2006 list concerning reports for 2005, 2006 and 2007. The detailed list of countries is available in inserted file “Annex A2 - Eligibility of programmes 2007-2013”.

European Instrument for Democracy and Human Rights	Enhancing respect for human rights and fundamental freedoms in countries and regions where they are most at risk	<ul style="list-style-type: none"> - The 27 EU countries, - Official candidate countries (Croatia, FYROM and Turkey), - Member States of the European Economic Area (Iceland, Liechtenstein, Norway), - All developing countries as listed by OECD DAC⁸ - Any country for which reciprocal access has been granted (no reciprocal access granted yet) - International Organisations.
	Strengthening the role of civil society in promoting human rights and democratic reform, in supporting the peaceful conciliation of group interests and in consolidating political participation and representation	
	Supporting actions on human rights and democracy issues in areas covered by EU Guidelines, including on human rights dialogues, on human rights defenders, on the death penalty, on torture, and on children and armed conflict	
	Supporting and strengthening the international and regional framework for the protection of human rights, justice, the rule of law and the promotion of democracy	
	Building confidence in and enhancing the reliability and transparency of democratic electoral processes, in particular through election observation	

III. OTHER REMARKS

- Rules of nationality and origin apply from the first Euro spent.
- These rules of nationality apply for all service, work and supply contracts within grant agreements. (Rules of origin apply only to supply contracts.)
- Experts (service contracts) can however be of any nationality except for the EDF (to be confirmed)
- For multi-country projects within the DCI instrument that cover both LDC and non-LDC countries, we should formally request to apply the rule applicable for LDC, namely the wider definition of eligible rules of nationality and origin (e.g. including OECD countries such as USA, Canada, Japan, Australia, Korea, New Zealand and Switzerland).

⁸ 2006 list concerning reports for 2005, 2006 and 2007. The detailed list of countries is available in inserted file "Annex A2 - Eligibility of programmes 2007-2013".

MEMO ON FINANCIAL REPORTING TEMPLATE

ANNEX VI TO THE STANDARD GRANT CONTRACT (VERSION DEC 2007) – FINANCIAL REPORTING TEMPLATES

FINANCIAL REPORTING TEMPLATES	EXPLANATION GIVEN BY CONCORD/FDR	OPEN ISSUES STILL TO BE CLARIFIED WITH EUROPEAID
SHEET 1: INFORMATION		
<p>The beneficiary alone is responsible for the correctness of the financial information provided in these tables.</p> <p>Figures have to be rounded to the nearest euro cent (The other information provided in sheet 1 has been included below for sheets 2-4 where relevant)</p>	<p>This sheet is for information purpose and should be deleted when presenting reports.</p> <p>The information provided in these templates have to be in line with the (audited) financial reports and project accounts, i.e. it must be possible to reconcile the information provided by the project's books and accounts.</p> <p>The budget lines proposed in the template are standard. You have to copy the budget from your contract. This personalization of the budget will have to be carried out in the various sheets. When you add additional lines, don't forget "to stretch" the formulas which draw simultaneously figures. You will also not be able to copy the template of your budget in the other sheets without prior insertion of new lines, to prevent that the following columns are shifted.</p> <p>Be careful with the formulas in the excel sheet and make sure that there are no formula mistakes.</p> <p>All the amounts and figures have to be rounded to the nearest euro cent (0.00). It has been agreed with EuropeAid that the printed version of the report shows rounded figures with two decimals. That's why we should include rounding up formulas in all cells to avoid calculation problems.</p>	
SHEET 2: FORECAST BUDGET & FOLLOW-UP		
<p>The Contracting Authority may request this forecast for information purposes only: it allows the follow-up by operational and financial services. It concerns forecasts and also allows to observe adaption capacity in revising forecasts and their implementation.</p>	<p>The budget and forecast has to be provided with each interim report for grants with payment option 2 (see Art. 15.1. of the grant contract's General Conditions (GC)). It is only meant for information purpose and will thus not be taken into account when for example calculating budget deviations (15% rule, Art. 9.2 of the GC).</p> <p>Forecast budgets are for information only. They do not have to be based on the exchange rate imposed by EuropeAid. They can be elaborated according to each organisation's internal exchange rate. However, be careful not to loose track of the total budget. This total budget in EUR (as per contract or latest amendment signed) is the binding one and not the sum of annual budgets updated with internal exchange rates!</p> <p>How to fill in the template:</p> <ul style="list-style-type: none"> • Personalize the budget by introducing all sub-headings as outlined in the approved project budget • The column "unit" must be filled in the same way as it has been completed in the template of the budget annexed to the contract. • Implementation period of the contract = total period of the EC funding (as stipulated in Art. 2.2 and 2.3 of the grant contract's Special Conditions) • previous period = period justified by the present report (that you are currently drafting) 	

ANNEX VI TO THE STANDARD GRANT CONTRACT (VERSION DEC 2007) – FINANCIAL REPORTING TEMPLATES

FINANCIAL REPORTING TEMPLATES	EXPLANATION GIVEN BY CONCORD/FDR	OPEN ISSUES STILL TO BE CLARIFIED WITH EUROPEAID
	<ul style="list-style-type: none"> • following period = period of your budget for the following year (generally corresponds to a full year); this part has thus not to be filled for the final report • For the 1st interim report the "Forecast" of the previous period refers to the budget of year 1 as outlined in the approved budget sheet and annexed to the funding contract. • For the second report (and the following), present under "Previous period" the same budget as the one given under "Following period" at the time of the previous report, i.e. do not cumulate the amounts of the preceding years, but only consider the provisional amount for the reporting period that you are working on. • Reports should be submitted by the end of a 12-months-period. However, considering that reports do not necessarily cover a 12-months period, it may happen that provisional budgets that have to be provided with interim reports are also not based on this 12-months period. Example: For a project starting on the 1/01/2007 and ending of the 31/12/2009 the budget forecast for year 1 = 1/01/2007 – 31/12/2007. The 1st interim report is sent on 30/06/2008 and covers the period from 1/01/2007 to 31/03/2008 (because, 70% of the first instalment was not spent to report only until 31/12/2007, see Art. 15.1 GC). The period covered by the budgetary forecast no.2 to be provided with the 1st interim report will then be 01/04/2008-31/03/2009 because the forecast budget should cover the end of the reporting period + 12 months. • The column "Real previous period" corresponds to the financial statement for the present report and should therefore include the same figures as column (h) "Total costs of the period (in EUR)" of sheet 3 "interim report" 	

SHEET 3: INTERIM REPORT & SHEET 5: FINAL REPORT

<p>Expenses: for each currency in which the budget has been implemented during the specific reporting period (including the € where the exchange Fx rate into € will be = 1) the report will:</p> <ul style="list-style-type: none"> • have a set of four columns (numbers of units, unit cost in FX, total cost in FX, total cost in €) so per each currency a set of four columns will be inserted • establish the exchange rates (local currency > €) to be used by having, for the period, the simple arithmetical average of the InforEuro exchange rate (i.e. sum the exchange rates of the months of the reporting period and divide the sum by the number of months) 	<p>How to fill in sheet 3 "interim report":</p> <ul style="list-style-type: none"> • Implementation period of the contract = total period of the EC funding (as stipulated in Art. 2.2 and 2.3 of the grant contract's Special Conditions) • Interim financial reporting period = period on which you report (whereas this period is not necessarily identical with the period given within the forecast budget under "previous period" - especially if the report is delayed, this period must be the same as the column "Real Previous Period" of the forecast budget). • Under the heading "Budget as per contract/rider" present the TOTAL budget of the contract or the last amendment signed including all details (sub-headings, units.# units, unit costs) • Column "use of contingencies" should be completed only in the event of request for use of the budgetary heading "Provision for contingency reserve" and must be the subject of prior written authorization of the EC. • It is necessary to create as much block-columns as there are currencies used in the report (Headquarter and Field expenditures), meaning per currency: <ul style="list-style-type: none"> • # units • unit cost in currency: specify the currency in which the expenditure has been made • total cost in currency: specify the currency = # units X unit cost • total cost in Euro = total cost in currency /. exchange rate: "Conversion into euro of the real costs borne in other currencies shall be done at the rate made up by the average of the rates published in InforEuro for the months covered by the relevant report" (Art. 15.9 GC). This average rate by currency must be 	<p>Columns "Reallocation and use of contingencies":</p> <ul style="list-style-type: none"> • FDR did not obtain any clear explanation from EuropeAid regarding the manner to fill the column "allowed reallocation" except that they need to see only the changes already done (ex-post information to be provided) and that it must only be filled in for the main budget headings. • FDR suggests to EuropeAid to suppress the 2 columns on reallocations and use of contingencies from the reporting template so as to well separate the two different issues of amendments and reports. Another sheet for financial amendment request and information on budget modifications could be created. <p>Unit costs:</p> <p>Unit costs are not contractually binding and should be applied in a flexible manner. For instance, in most of the cases, grant beneficiaries use average of different unit costs for a same item (ex: 3 cars with different unit cost will be the average of those costs). Prices of quotations may also vary during the project life-time. So it should be made</p>
--	--	--

ANNEX VI TO THE STANDARD GRANT CONTRACT (VERSION DEC 2007) – FINANCIAL REPORTING TEMPLATES

FINANCIAL REPORTING TEMPLATES	EXPLANATION GIVEN BY CONCORD/FDR	OPEN ISSUES STILL TO BE CLARIFIED WITH EUROPEAID
<p>To ease the preparation of the reports, indications are provided on the relevant columns, FX= foreign currency.</p> <p>InforEuro is freely available at: http://ec.europa.eu/budget/inforeuro/index.cfm?fuseaction=home&SearchField=&Period=2006-5&Delim=&Language=en</p>	<p>indicated in the title of column. When the expenditures are in Euro, the rate equals to 1 and it must also be recorded for the calculation of formulas. We advise you to add an additional sheet with the interim and final report, which will show the calculation of the exchange rate of the different currencies used.</p> <ul style="list-style-type: none"> • Column "Units total # for all currencies" is the sum of the units from the various currencies. It may be that this formula distorts the actual data. Example: purchase of 1 vehicle. You present the cost of purchase in Euro, the cost of transport in USD and the customs clearance charged in local currency. If for each cost/currency, you note 1 unit, you will obtain 3 units whereas you bought only one vehicle. In this specific case, the unit cannot be added. EuropeAid recommends: "you should only mention the unit once and create in the financial report as many sub-items as there are currencies". However, we advise you not to create new items (which would only increase the already high complexity of the document and would modify the contractual budget which some Delegation have already refused to accept). Mention the unit only once, with the most important expenditure and remove the unit from the other currencies (pay attention with the added amount which will have to be corrected). • Column (h) "Total cost of the period (in EUR)" corresponds to the sum in Euro of all converted expenditures. This sum of expenses during the period in EUR will match the amount to be reported in sheet 2 (forecast budget), column "Real previous period". • Column (i) "Cumulated costs (before current report) (in EUR)" will not be completed for the first interim report. For the following report, this column will present the cumulated expenditure justified in the preceding report(s) (for the 2nd report expenses of period 1, for the 3rd report expenses of period 1 + expenses of period 2). • Column "Cumulated costs (from start of implementation to present report included) (in EUR)" will cumulate the two preceding columns: "Total cost of the period (in EUR)" + "Cumulated costs (before current report) (in EUR)". For the 1st period it will thus be equal to column (h). • Line " Bank interests yielded during the period": It will be necessary to indicate the amount of the banking interests received on the EC contribution for the period under reporting as well as the cumulated interests with the amounts declared over the previous periods. EuropeAid expects us to declare both interests perceived by the lead organisation and those perceived by its partners. We should however only declare those interest earned on the EC grant (and not on other project funding). • For some NGOs, it may not be relevant to declare their partners' interest if they have a policy to do regular monthly or quarterly cash transfer to their partners according to their treasury needs. The money received by the partners will be spent quickly so that it may not be relevant to calculate interest on these transactions. • For the utilization and/or re-imburement of interest earned on the EC contribution please refer to Art. 15.9 to 15.12 GC as well as to the explanations given on this issue in the CONCORD Reader on the Standard Grant Contract 2007). • You must not change an interim report which has been approved by the EC from one year to another. <p>How to fill in sheet 5 "final report"</p> <ul style="list-style-type: none"> • This sheet is almost the same as the one for the interim report. • Only 3 new columns were added on the right, under the heading "Variations in comparison with initial budget/rider". These variations must only be calculated and filled for the main budget headings (e.g. subtotal human resources, subtotal travel, etc.) because we can transfer money from one of these main budget heading to another (if the resulting variation is less or equal to 15% of the initial amount entered under of the concerned budget headings, see Art. 9.2 GC). There are different ways how to calculate 	<p>clear that the need to report on modifications within the 15% limit (or the need to ask for an amendment for variations above 15%) does not apply to units and/or unit costs.</p> <ul style="list-style-type: none"> • EuropeAid has confirmed that only the variation of the main budget headings is to be considered when applying the 15% limit (except for administrative and contingencies) and that unit costs may vary over the lifetime of the project. However they also made clear that these variations must not lead to changes which may call into question the grant award decision. • It still needs to be clarified in how far the unit costs are for information (e.g. when calculating the average unit price of three vehicles purchased) or are part of the calculation of the headings. <p>Reporting in different currencies:</p> <p>Reporting by currency is a very burdensome process for both the grant beneficiary and the Delegation. Some projects work with up to 4 currencies + Euro. This would lead to unreadable and very complex documents to handle. However, the following suggestion of FDR to improve the financial reporting template still needs to be discussed in detail again with EuropeAid:</p> <ul style="list-style-type: none"> • To have 2 different documents with 2 different objectives: <ul style="list-style-type: none"> • Doc n°1: the financial report. It would be provided in EUR only. • Doc n°2: the annex to the financial report i.e. the list of expenditures. This list can be provided by currency, with a list of exchange rates used (Inforeuro).

ANNEX VI TO THE STANDARD GRANT CONTRACT (VERSION DEC 2007) – FINANCIAL REPORTING TEMPLATES

FINANCIAL REPORTING TEMPLATES	EXPLANATION GIVEN BY CONCORD/FDR	OPEN ISSUES STILL TO BE CLARIFIED WITH EUROPEAID
	<p>these variations, we only give you one possibility for illustration purpose:</p> <p>Column "In absolute value in EUR" = "cumulated costs" (from the start of implementation to present report) – "costs in EUR" (total budget of the contract or the last amendment signed) If you have exceeded the approved budget, the figure stated here will be positive. Example: 120.000 spent - 100.000 budgeted = 20.000 absolute variation If you have under-spent the approved budget, the figure will be negative: Example: 80.000 spent – 100.000 budgeted = -20.000 absolute variation</p> <p>Column "In %" = (cumulated costs / cost in EUR) X 100. The idea is to have the reference number of 100. If you overspend, your variation in % will be above 100. On the contrary if you under-spend, your variation will be below 100. Examples:</p> <p>Budgeted amount: 100.000 Spent amount : 120.000 Variation in %: (120.000 / 100.000) x 100 = 120 ⇒ it means you have spent 20% more of the budget line</p> <p>Budgeted amount: 100.000 Spent amount : 80.000 Variation in %: (80.000 / 100.000) x 100 = 80 ⇒it means you have spent 20% less of the budget line</p> <p>Column "Explanation for all variations". Do not hesitate to add a "financial comments" annex if the space of this place is insufficient to write all the necessary information. Please be aware that variations below 15%, though not needing prior approval, still need an explanation.</p> <ul style="list-style-type: none"> • The information on the bank interest earned also needs to be provided with the final report. 	

SHEET 4: SOURCES OF FUNDING

	<p>This sheet has to be annexed only to the final report (also for the 2006 grant contract versions though the respective sheet is here missing in Annex VI). However, we advise you to attach it with every report (intermediate or final) because it allows to follow the evolution of the financial contributions from donors (new financial donor, variation of % of cofinancing within the limit imposed by the EC...).</p> <p>The header "sources of funding" says "expected" and should be replaced by "actual ".</p> <p>In line with the table on sources of funding submitted and approved along with the project application the financial contributions from donors are to be distributed between:</p> <ul style="list-style-type: none"> • Applicant's financial contribution • Commission contribution in this application = EC grant • Contribution(s) from other European Institutions or EU Member States = European public funds • Contributions from other organisations = other public or private funds • TOTAL CONTRIBUTIONS = same amount than total of the column « Cumulated costs (from start of implementation to present report included) (in EUR)» of the sheet interim or final report. • Direct revenue of the action as well as interests earned on EC prefinancing should be considered as additional funding compared to the EC grant which can be used in the project activities. • OVERALL TOTAL: will be superior to the cumulated costs in case it includes eventual direct revenues of 	
--	--	--

ANNEX VI TO THE STANDARD GRANT CONTRACT (VERSION DEC 2007) – FINANCIAL REPORTING TEMPLATES

FINANCIAL REPORTING TEMPLATES	EXPLANATION GIVEN BY CONCORD/FDR	OPEN ISSUES STILL TO BE CLARIFIED WITH EUROPEAID
	<p>the action and banking interests).</p> <p>Example given by EuropeAid for direct revenue: "Direct revenue of the action are the revenues generated by this action and directly linked to it. For example an NGO implements an action aiming at helping the local community of a village to prepare and bake their own bread. If some of the bread is eventually sold, this is direct revenue. In case of external actions, where the objective of the Action is to generate the revenue or increase the financial viability of the grant beneficiary, the revenue generated by the Action is not subject to deduction."</p> <p>According to EuropeAid changes in the funding sources (e.g. replacing own fund with another donor's contribution) is allowed and does not request an official amendment.</p> <p>In kind contributions are indicated only for information purpose, without any figures, except if envisaged in guidelines of the call within which the contract was signed.</p>	

LIST DETAILING EACH ITEM OF EXPENDITURE (ART. 2.1 OF THE GRANT CONTRACT'S GENERAL CONDITIONS)

<p>The 2006 versions of the grant standard contract require this list to be provided with each interim and final report (Art. 2.1 of the GC)</p> <p>The 2007 version of the grant standard contract however limits this obligation to those cases where, in accordance with article 15.6, no expenditure verification report is required with the report.</p>	<p>There is no standard template, but the list must indicate for each expenditure : the wording of the expenditure, the amount, the concerned budget heading as well as the reference of the supporting document. The list should also have cross-references to the budget (headings and items). This list could thus be an additional excel sheet into which your accounting data are extracted, or it can be a print out of the project's general ledger.</p> <p>For expenditures which are partially presented (example: 25% of local office costs), we should present all the expenses lines and apply a percentage on the total amount, even if this means several pages of expenditures.</p> <p>As far as the link can be clearly established, the reference of the supporting document can be the reference of the accountancy (the number of the supporting document in the booking accounts of the month that the expense was made). Otherwise extra information must be added.</p> <p>According to EuropeAid this list can be presented in the language of the organisation's account (and thus does not necessarily have to be translated into the language of the report).</p>	
---	--	--

A. GENERAL CONDITIONS

I. ARTICLE 14.1 :

1. **Costs of lead organisation's local staff and local office costs**

Some Delegations have questioned the eligibility of lead organisation's local staff costs and / or local office costs, and argued that these costs should be covered within the 7% of administrative costs (and hence that grant beneficiaries could not include them in the direct costs).

Some delegations also restrict the eligibility of staff if the cost of the person is charged by less than 50% to the EC presented budget. This is not correct.

On that particular issue, an **internal interpretation note has been issued within EuropeAid in Brussels**, which should also have been forwarded to the respective Delegations. This note states that lead organisation's local staff costs and / or local office costs may be eligible as direct as long as:

- they are necessary for the implementation of the project (and comply with the other requirements of article 14 of the General Conditions)
- and that there is no double-funding of the same costs (between direct and indirect budget headings). In particular, it is advised to explain to the Delegation your organisation's practice / approach regarding direct and indirect costs (the majority of European grant beneficiaries have for instance an indirect cost practice according to which they consider all their costs incurred by the organisation in Europe as indirect, except when they can show a direct link to the action with supporting documents (e.g. airplane tickets), and all their costs in the country of operation as direct).

In addition, you may refer to the EuropeAid practical guide, section 6.4.10.2 of EuropeAid, available on http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm, which states:

"The budget proposed for the action by the successful applicant at the call for proposals stage must be corrected to remove any arithmetical errors or ineligible costs prior to signing the contract. The Description of the action is corrected accordingly if need be. Other clarifications or minor corrections may be brought to the Description of the action or to the budget in so far as they would not call into question the grant award decision or be contrary to the equal treatment of applicants and:

- Relate to aspects clearly identified by the Evaluation Committee; or
- Aim at taking into consideration the changes which have occurred since the date of receipt of the proposal

Those modifications may in any case not lead to an increase of the amount of the grant nor of the percentage of the co-financing fixed by the Evaluation Committee.

Any other alteration to the successful applicant's proposal or negotiation with him is prohibited.(...)"

That means that Delegations are not authorised to make selected organisations modify the original proposal if the requested changes were not identified by the evaluators when assessing the proposals. It is then possible to refer to this article of the EuropeAid practical guide and ask the Delegation to forward you the comments of the evaluation committee on the proposal, notably the comments concerning the costs efficiency and budget of the proposal. If the changes that are asked by the Delegation are not clearly identified by the evaluators, then any requested modifications must be approved by the head of Delegation.

II. ARTICLE 14.6

1. **Eligibility of VAT costs for programmes governed by the DCI instrument**

Note that the DCI Regulation – which governs all thematic programmes such as Non State Actors and Local Authorities in Development, Investing in People, Food Security, Environment, Asylum and Migrations –

refuses the eligibility of VAT. This issue of VAT under the DCI Regulation is really worrying. This issue should be indicated in the proposal and be discussed with the contracting authority before signing the grant contract.

B. ANNEX VI ON FINANCIAL REPORTING TEMPLATE

Reporting by currency is a very burdensome process for both the grant beneficiary and the Delegation. Some projects work with up to 4 currencies + Euro. This would lead to unreadable and very complex documents to handle.

However, the following suggestion of FDR to improve the financial reporting template still needs to be discussed in detail again with EuropeAid: to have 2 different documents with 2 different objectives:

- Doc n°1: the financial report. It would be provided in EUR only.
- Doc n°2: the annex to the financial report i.e. the list of expenditures. This list can be provided by currency, with a list of exchange rates used (Inforeuro).

EXPLANATORY NOTE ON CLAIMING DEFAULT INTERESTS WITHIN EUROPEAID GRANT CONTRACTS

1. TIMELINE FOR CLAIMING DEFAULT INTEREST

We shall make the distinction between:

- default interests within a first advance,
- default interests with further payments.

First instalment (2003, 2006 and 2007 versions of the grant standard contract) :

CALENDAR	OPERATIONS
Date A	Sending by the NGO of: <ul style="list-style-type: none"> - the Contract signed by both parties, - a request for payment conforming to the model attached at Annex V, and - a financial guarantee if required.
Date B	Reception of the documents by the EC
Date C (= date B+ 45 calendar days)	Payment should be made
Date D	Date on which the Commission's account is debited.
Date E	Reception of the late payment by the NGO
Date E + max 2 months	<p>The default interest must be calculated within two months of receipt of a late payment.</p> <p>Default interests are calculated according to:</p> <ul style="list-style-type: none"> - the rediscount rate applied by the central bank of the country of the Contracting Authority if payments are in the currency of that country; - the rate applied by the European Central Bank to its main refinancing transactions in euro, as published in the Official Journal of the European Union, C series, if payments are in euro, <p>on the first day of the month in which the time-limit expired, plus three and a half percentage points.</p> <p>The interest shall be payable for the time elapsed between the expiry of the payment deadline (exclusive) – date C- and the date on which the Contracting Authority's account is debited (inclusive) – date D.</p>

Further instalments (2003, 2006 and 2007 versions of the grant standard contract):

CALENDAR	OPERATIONS
Date A	Sending by the NGO of: - an interim or final report, - a request for payment conforming to the model in Annex V, - an expenditure verification report if required, - a financial guarantee if required.
Date B	Reception of the documents by the EC
Date B + 45 calendar days	<p>Approbation of the interim or final report by the EC</p> <p>The European Commission may suspend the time-limit for approval of a report by notifying the NGO that the report cannot be approved and further clarifications are needed.</p>
Date C1 (= Date B + 45 calendar days + 45 calendar days)	Payment shall be made and therefore reach the association within 90 days of sending the report, if there has been no written reaction from the EC.
Date B + maximum 45 calendar days + max 30 calendar days	The NGO must answer EC's questions within 30 days of the request.
Date B + maximum 45 calendar days + max 30 calendar days	The time-limit of 45 days for the approbation of the report starts running again on the date the required information is received.
<p>Date C2</p> <p>Usually : Date C2 (= Date B + maximum 45 calendar days + max 30 calendar days + 45 calendar days)</p> <p>But we could imagine several exchanges following successive questions from the European Commission, hence suspending the countdown of the 45-day period for approbation of the report and thus postponing the other 45-day delay for the payment.</p>	Following a satisfactory answer communicated to the European Commission reg. the report plus a 45-day delay, payment shall be made
Date D	Date on which the Commission's account is debited.
Date E	Reception of the late payment by the NGO
Date E + 2 max months	<p>The default interest must be calculated within two months of receipt of a late payment.</p> <p>Default interests are calculated according to:</p> <ul style="list-style-type: none"> - the rediscount rate applied by the central bank of the country of the Contracting Authority if payments are in the currency of that country; - the rate applied by the European Central Bank to its main refinancing transactions in euro, as published in the Official Journal of the European Union, C series, if payments are in euro, <p>on the first day of the month in which the time-limit expired, plus three and a half percentage points.</p>

	The interest shall be payable for the time elapsed between the expiry of the payment deadline (exclusive) – date C- and the date on which the Contracting Authority's account is debited (inclusive) – date D.
--	--

2. CALCULATION OF DEFAULT INTERESTS:

Default interest are calculated as follows:

$$\text{Default interest} = \frac{\text{Amount of the late payment} \times \text{number of days of delay}^* \times (\text{rate}^{**} + \text{pts}^{***})}{365 \times 100}$$

*

either Date C (exclusive) – Date D (inclusive)
or Date C1 (exclusive) – Date D (inclusive)
or Date C2 (exclusive) – Date D (inclusive)

**

For rate, see the following website:

<http://europa.eu.int/eur-lex/lex/JOIndex.do?ihmlang=en>

The rate to be used is interest rate applied by the European Central Bank to its main refinancing operations, as published in the Official Journal of the EU, C-series in the first days of the month in which the time-limit expires.

For contracts within the 2003, 2006 and 2007 general conditions: + 3,5 points

3. HOW CLAIMING DEFAULT INTERESTS

Send a written request to the EC service in charge of the management of the contract (either Delegation in the field or EuropeAid services in Brussels).

Your mail should at least contain the following information:

- reference to the articles of the general conditions base on which you request the payment of default interest;
- a chronogram of the exchanges with the EC (see for instance the suggested table) to justify your request;

Dates	Description of the operation (ex: sending of the doct, reception of the late payment, etc)	Amount of the payment	Rate	Default interest

- a detailed calculation of the amount of default interest.