

Practical Guide 2013

CONCORD Guidance note on the main changes

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INTRODUCTION

As of the 1st of January 2013 (no retroactive effect), new calls for proposals launched by DEVCO included the 2013 version of the PRAG and standard annexes (Concept Note, full proposal, budget, financial and narrative reports, Special and General Conditions, etc.). This version was followed by the publication of the PRAG 2013.1 rev which introduced some corrections and precisions.

The 2013 PRAG as well as the 2013.1 rev version are available [here](#). This version has been significantly revised and comes in addition to the previous running versions: 2007, 2008, 2010, and 2010 (March 2011 update) and 2012.

This Guidance Note is an attempt by the CONCORD Funding for Development and Relief (FDR) working group to list and provide an interpretation of the main changes introduced. It has been prepared by its Financial Regulation subgroup, in particular by Alexandra Angulo from Mercy Corps, Charlotte Wichmann Sørensen from Save the Children Denmark, Jean-Yves Penoy from NRC Europe, Jenny O'Brien from Oxfam GB, Katarina Macejakova from ActionAid, Pedro Rosa Plaza from Care International, Pilar Campos Guíu from Plan EU Office and Belinda Eguis del Toro from Handicap International Federation.

MAIN CHANGES TO THE RULES

1. Multi-beneficiary grants

Useful reference:

- PRAG: Section 6.5.10 Awarding grants
- Guidelines for grant applicants: Section 2.1.1 Eligibility of applicants (i.e. applicant and co-applicant(s))

Standard templates:

- Grant Application Form: Section 2.2 Co-applicant(s)'s experience of similar actions; 2.4 The Co-applicant(s); and 2.5 Mandate (for co-applicant(s))

Guidance:

Implementing partners will now be part of the grant agreement as grant co-beneficiaries.

A new status of Grant Coordinator who bears the financial responsibility has been introduced for the

European NGO confederation
for relief and development



Confédération européenne des ONG
d'urgence et de développement

main applicant, also referred to as Beneficiary once the grant is signed, while grant co-beneficiaries will only bear the operational responsibility. As stated in the DEVCO Implementation Manual for Grant Contracts, *“the Coordinator is the interlocutor of the Contracting Authority, it coordinates the design and implementation of the Action, it represents and acts on behalf of any other Beneficiary(ies) binding them vis-a-vis the Contracting Authority and it bears the financial responsibility for implementing the Action in accordance with the Description of the Action in Annex I and the terms and conditions of the Grant Contract”*.

The Contracting Authority will transfer the funds to the Grant Coordinator who will in turn be responsible for distributing the relevant amounts to the grant co-beneficiaries.

The wording has been changed, from implementing partners to co-applicants to stress their importance and their equal status with the main applicant and as such, they are all considered grant beneficiaries once the grant is awarded. Nevertheless, responsibility lies with the Grant Coordinator, i.e. the main applicant, as was the case before.

The roles of both Grant Coordinator and co-beneficiaries are described in Article 1 of the General Conditions.

Co-applicants, which are referred to as co-beneficiaries once the grant is signed, will be part of the grant agreement and will officially mandate the Grant Coordinator to:

- submit the application in their name
- sign the grant agreement on their behalf
- represent them in the framework of the grant

This mandate (section 5 of the application form) replaces the former partnership statement of the application form.

An additional provision (Article 12.4 GC) has also been added to allow the Grant Coordinator to request termination of a co-beneficiary to the Contracting Authority (CA) in case of non-compliance e.g. if the co-beneficiary fails to deliver the activities foreseen.

2. Affiliated entities

Useful reference:

- PRAG: Section 6.5.11. Characteristics of the standard grant contract
- Guidelines for grant applicants: Section 2.1.2 Affiliated entities
- Special Conditions: Article 7 Other specific conditions applying to the Action

Guidance:

A new entity has been introduced in addition to the

main applicant (Grant Coordinator or beneficiary) and co-applicants (co-beneficiaries). Affiliated entities (AE) can be introduced by and be affiliated to the applicant and/or one of the co-applicants.

They seem to have been introduced to simplify the management of grants for clusters, networks and decentralised administrative structures benefitting from internal policy grants. However, the use of affiliated entities is not mandatory in the call for proposals and it is up to the organisations to use it or not. The Contracting Authority should not interfere in this decision.

Affiliated entities are:

“(i) legal entities satisfying the criteria for being awarded a grant eligibility and non- exclusion and together forming one legal entity, including where it is specifically established for the purpose of implementing the action.

In this case, the latter (i.e. the resulting legal entity formed by all other entity) may be considered as a single applicant.

(ii) legal entities having a link with the applicant, notably a legal or capital link, which is neither limited to the action nor established for the sole purpose of its implementation on the condition that they satisfy the eligibility and non-exclusion criteria of an applicant.”

The first type of affiliated entities is not envisaged for external action but to address internal EU policy projects, such as research projects in Europe for which a consortium may be created. The second type of affiliated entities implies the existence of a structural link (mainly control or membership¹) between the applicant or co-applicant and the affiliated entity.

- **Eligibility criteria:** Affiliated entities must satisfy the same eligibility criteria as the applicant and the co-applicants. They are listed in the proposal and have to sign an affiliated entity statement. They also need to be registered in PADOR prior to submission of the full proposal. They participate in the design and implementation of the action and the costs they incur are eligible in the same way as those incurred by grant beneficiaries.
- **Difference between co-applicant and affiliated entity:** In principle, there is no difference between the co-applicant and affiliated entity. They both have to meet the same eligibility criteria and can incur costs in the same way. The only difference is that affiliated entities do not become grant beneficiaries in the EC contract, which means they don't bear any financial or operational

¹ These precisions have been introduced with 2014 PRAG :

- **Control:** Holding a majority of voting rights, agreements with fellow shareholders or members.
- **Membership:** The beneficiary is legally defined as a network, federation or association with a legal personality in which the proposed affiliated entities also participate or the beneficiary participates in the same entity (e.g. network, federation, association) as the proposed affiliated entities.

individual financial support to third parties or make financial support to third parties mandatory under the call for proposals. You should read carefully the guidelines as it may vary from one to another.

- Financial support to third parties **must be described in the full application** form, Section 2.1.1. Description, and cover the following details:
 - objectives and results to be obtained with the financial support
 - types of persons and categories of persons which may receive financial support
 - a fixed list of the types of activities eligible for financial support
 - the criteria for selecting recipients of financial support
 - the criteria for determining the exact amount of financial support to each third party
 - maximum amount which will be given per recipient of financial support
 - modality through which the financial support is granted (call for proposals, direct award, etc.)
 - types of supporting documents that will provide evidence of the use of the financial support
- Third parties receiving financial support do not need to meet the same eligibility criteria as the applicant or co-applicant. This means that financial support can be for example awarded to groups which do not have a legal entity.
- **Rules of nationality and origin** are not applicable when giving financial support to third parties. Article 10.6 of the Grants Implementation Manual refers to the Basic Act which does not require compliance with these rules. In fact, third parties receiving financial support do not have to comply with the provisions of Annex IV.
- **Requirements for recipients of financial support:** The following articles in the General Conditions apply to the recipients of financial support: Article 3 – Liability; Article 4 - Conflict of interests; Article 5 – Confidentiality; Article 6 - Visibility; Article 7 - Ownership/use of results and assets; Article 8 - Evaluation/Monitoring of the action; and Article 16 - Accounts and Technical and Financial checks.

Supporting documents: It is at the moment not very clear what kind of supporting documents need to be kept for financial support to third parties.

- Article 10.8 of the General Conditions stipulates that third parties have to comply with Article 16. However, Article 16.9 of the Grant Implementation Manual explains that the supporting documents depend on the purpose of the financial support and conditions specified in the Description of the action. It further specifies the minimum evidence that has to be kept such as: contract with recipients of financial support, proof that the funds have been received and proof that the activity for which the grant was given has taken place, and that other supporting documents like invoices, pay slips and receipts might not be necessary. The Grant Implementation Manual also specifies that grant beneficiaries can determine their own criteria for supporting evidence when awarding financial support to third parties and once approved by the EC, this evidence should be accepted by the Contracting Authority and the auditors.

Since the rules for supporting documents are not clear and considering the potential risk of auditors strictly following the legally binding General Conditions, it is strongly recommended to determine your own rules and describe the expected supporting documents in the Description of the action.

4. Simplified Cost Options

Useful reference:

- PRAG: Section 6.2.1 Simplified Cost Options
- General Conditions: Article 14.3, 14.4, and 14.5 Simplified cost options
- Guidelines for grant applicants: 2.1.5. Eligibility of costs: costs that can be included
- Annex K: Guidelines and checklist for assessing budget and for simplified costs options

Standard templates:

- Annex B (budget): Worksheet no. 1 and 2

Guidance:

The simplified cost options may take the form of the following budgeting modalities:

Unit costs: Cover all or certain specific categories of eligible costs which are clearly identified in advance by reference to an amount per unit i.e. cost per worked month for personnel costs based on the internal rules and average costs, small local transportation or other expenses in rural areas without having to verify thousands of minor expenses with none or very weak proofs of payment.

Lump sums: Cover in global terms all or certain specific categories of eligible costs, which are, clearly identified in advance, i.e. global cost for the

organisation of an opening event, global cost for the production of information videos, etc.

Flat-rate financing: Covers specific categories of eligible costs, which are clearly identified in advance by applying a percentage fixed *ex ante* i.e. local office costs and related expenses (maintenance, security, a shared car, etc.) charged as a percentage of staff costs.

For each of the corresponding budget item or heading the applicants must:

- Describe the information and methods used to establish the amounts of unit costs, lump sums and/or flat-rates, to which costs they refer, etc.;
- Clearly explain the formulas for calculation of the final eligible amount;
- Identify the beneficiary who will use the simplified cost option (in case of affiliated entity, specify first the beneficiary), in order to verify the maximum amount per each beneficiary.

The amounts have to be based on estimates using objective data such as statistical data or any other objective means or with reference to certified or auditable historical data of the applicants.

The methods used to determine the amounts of unit costs, lump sums or flat rates must comply with the criteria established in Annex E3a2 Guidelines - Checklist for simplified cost options, and especially ensure that:

- They correspond fairly to the actual costs incurred by the Grant Beneficiary(ies) (or affiliated entities);
- They are in line with Grant Beneficiary's accounting practices;
- No profit is made;
- They do not cover costs already covered by other sources of funding (no double funding).

The applicant proposing simplified cost options must clearly indicate in worksheet no. 1 of Annex B, each heading/item of eligible costs concerned, i.e. add the reference in capital letters to "UNIT COST" (per month/flight, etc.), "LUMPSUM" or "FLAT RATE" in the Unit column.

The total amount of financing on the basis of simplified cost options cannot exceed €60,000 per beneficiary (*including* simplified cost options proposed by its own affiliated entities and *excluding* the indirect costs i.e. the amount of indirect costs obtained via the flat-rate are not taken into account in the €60,000 threshold³).

³ The EUR reference amount is considered as exclusive of the funding of eligible indirect costs on the basis of a 7% or lower flat-rate applied to total eligible direct costs.

The final amount granted at the end of the action in the form of reimbursement of unit costs or flat-rate financing may, however, exceed €60,000 in case budget transfers between contributions to eligible costs or categories of eligible costs are authorized.

The applicant may propose simplified cost options for some costs at proposal stage and the Contracting Authority will decide whether to accept them during the contracting phase on the basis of the provisional budget submitted. Simplified cost options can apply to one or more of the direct cost headings of the budget (i.e. cost headings 1 to 6), or to cost sub-headings or to specific cost items within these cost headings.

Once the amounts have been assessed and approved by the Contracting Authority they will not be challenged by *ex post* controls. This means that auditors will not check all the supporting documents to establish the actual costs incurred, but they will concentrate on the correct application of the formulas and the related inputs or generating events as established in the contract. This means that the beneficiary has to keep supporting documents justifying that the calculations are done according to the method agreed (for instance, in the case of the unit cost per month for a staff you will need to prove the number of months worked) and that the conditions for payment are fulfilled

Advantages, challenges and pre-requisites

The advantage of using this option should be to ease administration of the Grant Beneficiary(ies) for small expenses.

Initially, a challenge will be to figure out and gain experience with the requirements for documentation at the time of budgeting for simplified cost options as well as at the time of reporting. This may also include convincing auditors to look only at the application of a described method and not on actual costs incurred.

A prerequisite for an organization applying the simplified cost options is to have well documented records and perhaps statistical data on costs such as salary, office-running costs, etc.

5. Taxes (including non-refundable VAT)

Useful Reference:

- Annex J: Information on the tax regime applicable to grant contracts
- Special Conditions: Article 7.1
- General Conditions: Article 14.2(g) Eligible Direct Costs
- Annex VII (Expenditure Verification Report), Article 4.2(2)

Standard Template

- Budget and financial reporting templates

Guidance:

- Which taxes do the tax eligibility rules refer to?

They refer to indirect taxes such as VAT and customs/import duties and not to the income tax of staff working

on the project, which is part of the gross salary.

- Are indirect taxes eligible costs for EU grants?

For the vast majority of calls for proposals, indirect taxes such as VAT and customs/ import duties are now considered eligible costs, providing grant beneficiaries (the coordinator and the co-beneficiaries) and their affiliated entities can prove that they are not tax exempted and cannot recover the taxes under the applicable national law.

However, the EU occasionally signs specific Financing Agreements with third countries under which taxes are ineligible. This information should be found in Annex J upon publication of the call for proposals.

- How should taxes be presented in budgets and financial reports?

If the main applicant and/ or any of the co-applicants or affiliated entities are tax exempt, the relevant part of the budget should be presented net of indirect taxes. If the applicants and their affiliated entities are not tax exempt, the indirect taxes should be included in the overall cost of the item budgeted. Likewise, in the financial reports, indirect taxes should be included in the cost of the item reported.

If you should be applying to a call under which indirect taxes are ineligible, the taxes will need to be separated out in line 12 of the budget and financial reporting templates. They will be considered “accepted” costs and may be charged to the NGO contribution to the budget. For an explanation of the notion, “accepted costs” please refer to the Annexes of the Concord Reader on the 2010 Practical Guide - CONCORD interpretation to the treatment of taxes.

- What documentation is required to prove tax exemption?

The evidence may take the following forms:

An official document from the national tax authority stating that the entity is not entitled to reclaim taxes for the activities in question. This official document may be a specific declaration or a refused claim for reimbursement.

The entity's annual accounts, complemented if deemed necessary by the Contracting Authority by, for example, an extract from the national VAT law or a declaration of honor accompanied by an expert statement (e.g. from a lawyer or auditor).

The absence of a reply by the competent tax authority within the legal deadline set by the applicable national law to a request submitted in good time (or 6 months in the absence of a legal deadline).

The third proof has been introduced in the 2013 PRAG in recognition of the fact that there are many countries in which the tax authorities are inefficient or simply do not reply to correspondence. In such cases, it is recommended to seek advice from the Contracting Authority and keep as much evidence as possible of the steps undertaken.

The evidence does not need to be submitted to the

- Are there exceptions to the obligation to provide proof of exemption?

Yes. In the following cases, grant beneficiaries and their affiliated entities will not be required to seek exemption or provide proof of non-recovery of taxes:

1. Where the amount of taxes per invoice is less than €200, with a maximum of €2,500 per contract, representing no more than 5% of the EU contribution;
2. Where it would be necessary to incur costs for tax recovery in a country where an entity only operates on an ad hoc basis;
3. Where the tax recovery costs (registration fees or the cost of appointing a tax representative) would clearly exceed the amount of the taxes incurred;
4. Where a mechanism for tax exemption has to be agreed by the tax authorities prior to the purchase of goods and services and it is possible to demonstrate that the excessive time required for prior authorisation would endanger implementation of the project;
5. Where a country has been declared in a crisis situation or in need of emergency and post-emergency assistance by the European Commission. This exception is limited to the period in which the declaration is in force.
6. For EIDHR and other human rights projects.

The fourth exception has been introduced in 2013. Check with the Contracting Authority if you are unsure whether one of these exceptions applies to your project.

- Where can I find information on the tax situation for a particular call or country?

You should consult Annex J to the call – *Information on the tax regime applicable to grant contracts signed under xxx call*. This document should contain information on:

- Whether a financing agreement exists between the EU and a particular country excluding the financing of taxes;
- Whether a tax exemption agreement exists between the EU and a particular country;
- (In some cases) exemption procedures in the country;
- Proofs of non-exemption;
- Exceptions to the obligation to seek exemption or provide proof of non-recovery.

6. Interest on pre-financing

Useful reference:

- Special Conditions: Article 7.2 (Note that the articles on interest in the 2012 General Conditions - articles 15.9-15.12 - have been removed in the 2013 General Conditions).

Standard templates:

- Financial reporting templates (Annex VI)

Guidance:

For grants funded from the EU budget, interest on pre-financing no longer needs to be shown in the financial reports and paid to the EU, and there is no longer a requirement to open an interest-bearing account.

For grants from the European Development Fund (EDF), interest does still need to be reported in the interim and final reports. It does however not need to be paid to the EU:

- When interest is transferred to the co-beneficiaries or affiliated entities in accordance with any internal agreement or without undue delay;
- If the amount of the pre-financing instalment is €250,000 or less, or €750,000 or less in the case of crisis management actions recognized as such by the Contracting Authority.

The EU will deduct the interest on pre-financing instalments of more than €750,000 from the next instalment and on instalments of €750,000 or less from the final balance.

7. Bank guarantees

Useful reference:

General Conditions: Art. 15.8 Financial guarantee

Special Conditions: Art. 4.

Guidelines for grant applicants: No reference

Standard templates:

Annex E3h9 for PRAG/Annex VIII for Special Conditions, if relevant.

Guidance:

In most cases, a financial guarantee will no longer be required, unless it brings a clear added value to the protection of the EU budget. For grant less than €60,000, the EU does not have the right to request a bank guarantee.

8. Exchange rates

Useful reference:

- General Conditions: 15.9 Rules for currency conversion

Guidance:

The Contracting Authority shall make payments in the currency set in the Special Conditions. If the currency in the special conditions is EUR, then reports shall be submitted in EUR.

For the accounting, the exchange rate to be used between the local currency and the organisation currency is either the monthly InforEuro on the date of pre-financing payment or the organisation's usual accounting practice or methodology, e.g. rate of National Bank, as long as this is accepted by the contracting authority and included in the Special Conditions of the grant. For this reason, if you want to use your organization's own accounting practice, make sure to request this when negotiating the contract as it needs to be included in the Special Conditions.

For reporting, the exchange rate to be used between the organisation's currency and EUR should be the rate of exchange at which the Contracting Authority's contribution was recorded in the Beneficiary(ies)'s accounts. Again, a derogation in order to use the organisation's own usual exchange accounting procedure is possible but this will need to be accepted by the contracting authority and included in the Special Conditions of the grant. This is particularly important for organisations that do not have the EUR as their currency; as the standard rule is a fixed exchange rate, which eases reporting but also creates an artificial rate that does not reflect the value in donor currency at the point of which expenditure is incurred.

Note that, the derogation will have to be requested for each specific grant agreement that the organization signs with the Contracting Authority – no blanket/general derogations are possible. The level of information that needs to be provided to justify the use of a different exchange rate is not specified in the rules but will have to be sufficient to show that it corresponds to the organisation's usual accounting practice and it is advisable to obtain some certification from your auditors. To date most requests have been approved and when there has been some hesitancy or questions, reference to other delegation having accepted this has helped.

It is up to the Grant Coordinator to agree with the co-beneficiaries on which system they should use for their conversion and to ensure that this is in compliance with what is included in the Special Conditions.

9. Payments delays

Useful reference:

- General conditions: Article 15.1. Payment procedures, 15.3. Payment request, 15.4. Payment deadlines, 15.5. Suspension of the period for payments and 15.6. Interest on late payment.
- Special conditions: Article 4 — Reporting and payment arrangements

Standard templates:

- Request for payment (Annex V)
- There is no standard template for requesting the interest on late payment. The Coordinator has to send a written request to the CA and refer to Art. 15.6 of the General Conditions.

Guidance:

In actions with an implementation period of more than 12 months and where the financing provided by the Contracting Authority is more than €100,000, the initial pre-financing payment is now 100 % of the part of the estimated budget financed by the Contracting Authority for the first reporting period, instead of 80 %. Further pre-financing payments will be 100 % of the budget for the next 12 months period (or up to 18 months if this is the period left to the end of the project).

The coordinator has 60 days to submit the report and payment request after the end of the reporting period.

If the amount of expenditure did not reach 70% of the EC contribution, the balance will be deducted from the next payment.

If the amount of spending reaches 70 % of the financing provided by the Contracting Authority before the yearly report, the coordinator can submit a request for the next pre-financing payment. Note that, for a 2-year project, this can avoid overspending year 1 budget and having year 2 pre-financing payment calculated on the new (and therefore reduced) year 2 budget forecast and consequently reduced.

Initial pre-financing payments shall be made within **30 days** of receipt of the payment request by the Contracting Authority. In the case of the initial payment, the signed contract serves as payment request. Note that for EDF, the deadline is still 45 days.

Further pre-financing payments and payments of the balance shall be made **within 60 days** of receipt of the payment request by the Contracting Authority.

Further pre-financing payments and payments of the balance shall be made **within 90 days** of receipt of the payment request by the Contracting Authority if there is more than one beneficiary to the contract, if the EC is not the Contracting Authority and if the grant exceeds 5 million euros.

10. Low value grants

Useful reference:

- PRAG: Section 6.6. Low value grants

Explanation:

Low value grants are those grants which are lower than or equal to €60,000.

In this case, specific simplifications apply:

- The refusal of accepting in kind co-financing must be justified
- No need for the applicant to submit evidence of no exclusion situation.
- No supporting documents are requested.
- The pre-financing guarantee may not be asked.
- Accounting records and supporting documents must be kept for 3 years after the payment of the balance.
- No proof is required to show compliance with the no profit rule.

11. Procurement rules

Useful reference:

- PRAG: Grants - Annex IV Procurement by grant Beneficiaries on the context of European Union external actions
- PRAG: Section 2.3.1 Rules on nationality and origin
- PRAG: Annex A2 Rules on nationality and origin

Standard templates:

The templates for EU contract procedures (published in the PRAG) may be used but the Beneficiary can use his own formats.

Guidance:

- General principles:

The general principle lays down that the contracts must be awarded to the most cost-effective tender (i.e. best price-quality ratio).

However, “in case of works or supply contracts not involving after-sales service, the sole award criterion should be the price”(new).

New (raised) thresholds

	<i>Supply</i>	<i>Services</i>	<i>Works</i>
International Open Tender	€300,000 ≤ X International open tender procedure	N/A	€5,000,000 ≤ X International open tender procedure
International restricted tender	N/A	€300,000 ≤ X International restricted tender procedure (4 to 8 candidates invited to submit tenders)	N/A
Local Open Tender	€100,000 ≤ X < €300,000 Local open tender procedure	N/A	€300,000 ≤ X < €5,000,000 Local open tender procedure
Negotiated Procedure	€60,000 < X < €100,000 Negotiated procedure (without publication, consultation of at least three suppliers)	€60,000 < X < €300,000 Negotiated procedure (without publication, consultation of at least three service providers)	€60,000 < X < €300,000 Negotiated procedure (without publication, consultation of at least three contractors)
Procedures established by the Beneficiary	≤ €60,000 Procedures established by the Beneficiary (while respecting articles 1, 2, 3 of annex IV)	≤ €60,000 Procedures established by the Beneficiary (while respecting articles 1, 2, 3 of annex IV)	≤ €60,000 Procedures established by the Beneficiary (while respecting articles 1, 2, 3 of annex IV)

For contracts of value of €60,000 or less, “the procedures established by the Beneficiary may be used, while respecting the rules and principles laid down in articles 1, 2 and 3 of the Annex”.

Article 3 lays down that an Evaluation Committee must be set up, in general it should be set up for each procurement under €60,000.

- Use of negotiated procedure based on a single tender:

The Beneficiary may decide to use the negotiated procedure based on a (single tender)

- “for the purposes of humanitarian aid and civil protection operations or for crisis management aid. Crisis situations may be invoked only when they have been formally recognised by the EC” (former “extreme urgency”)
- “where contracts extend on-going activities” (*new conditions introduced, see Annex IV for more details*)
- “for additional works not included in the initial contract” (*new conditions introduced, see Annex IV for more details*)
- “where a new contract has to be concluded after early termination of an existing contract” (*new case*)

- Special cases:

New: (8.6) Where the Beneficiary or an affiliated entity has concluded an FPA with ECHO and the controls applicable at the time of signature of the EuropeAid contract follows the “P” control mechanism, it may use the procurement rules recognized under this mechanism.

12. Budget flexibility

Useful reference:

- PRAG: Heading 6. Grants
- General Conditions: Article 9.4 Amendment of the Contract

Standard templates:

- Interim report template and Final report template: reallocation column

Guidance:

The budget flexibility is only applicable when the budget variation does not affect the basic purpose of the Action. The new article on budget flexibility still allows a transfer between items within the same heading, including the removal or introduction of a budget line or item.

It also still allows the transfer between main budget headings but the allowed variation has now increased to a variation of **25% or less** of the amount originally entered.

As it was the case previously, the budget flexibility cannot be used to amend the headings for indirect costs and for the contingency reserve.

In addition, note that the budget flexibility cannot be used to amend in-kind contributions or the amounts and/or the rates of simplified cost options.

It is important to remember that the budget flexibility can be applied unilaterally but the contracting authority must still be informed without delay. However, the notion of informing in writing the contracting authority without delay is still left vague as it was in previous PRAGs and therefore guidance included in the Reader still applies: if you are about to send a report, include it in the report and if there are months to the next report, inform the project manager in writing as soon as possible.

This is particularly important now that the flexibility percentage has increased and therefore any non-acceptance could translate in a significant financial disallowance.

The nature of the notification of the application of the budget flexibility and the level of information required varies from delegation to delegation and it is therefore recommended to agree on process for the notification with the Contracting Authority programme manager as soon as you sign the grant agreement.

Both the interim and final report templates include a column called "reallocation" in which you have to indicate any use of the budget flexibility.

13. Time limit award procedure

Useful reference

- PRAG Sections 6.5.5. Deadline for submission of proposals, 6.5.10.1 Notification of applicant, 6.5.10.2 Contract preparation and signature

The minimum period between the date of publication of the Guidelines for Applicants and the deadline for submission of full proposals is 90 days.

Where the maximum size of each grant to be awarded within the programme is € 100 000 or less, the minimum period is 60 days.

In exceptional cases, a shorter deadline may be allowed as a derogation.

In direct centralized management, notifications to successful applicants (in case of multi-beneficiary actions, it is sufficient to inform only the applicant) on the outcome of the evaluation of their applications must

take place within 6 months following the submission deadline of the full application.

However, in exceptional cases, in particular for complex actions, in case of a large number of proposals or where there have been delays attributable to the applicants, this limit may be exceeded. Multi-beneficiary grant contracts, which may be considered as complex actions, may therefore benefit from this exemption.

Letters to successful applicants must be sent within 15 days of the award decision.

Unsuccessful applicants (in case of multi-beneficiary actions, it is sufficient to inform only the applicant) must be notified on the outcome of the evaluation of their applications within 15 days of the notification to the successful applicants.

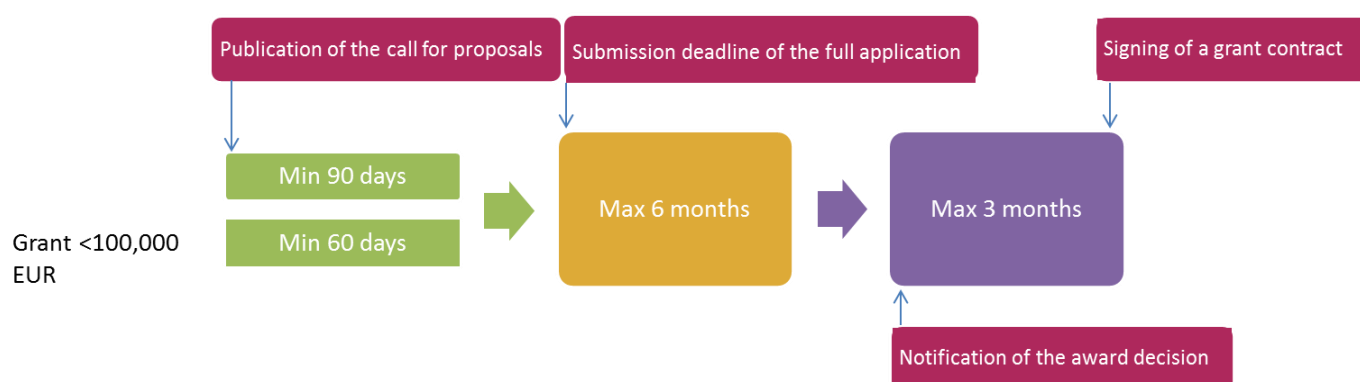
The signing of a grant contract with an applicant must take place within 3 months from the notification of the award decision. However, in exceptional circumstances, in particular for complex actions in case of a large number of proposals or where there have been delays attributable to the applicants, multi-beneficiary grant contracts may benefit from an exemption to this rule. The 3 month rule only applies in case of direct centralized management.

Standard templates:

E3a Guidelines.doc mentions the two articles in Section 2.5.2. "Indicative timetable".

Guidance:

Proposed timeline



Multi-beneficiary grants may benefit from exemptions from the rule on deadline for notification of the applicant and contract preparation and signature.

Challenges:

- Length of the procedure.
- As partnerships are strongly encouraged within EuropeAid, multi-beneficiary grant contracts will be the rule and not the exception, so the time-limits will not apply most of the time. As no

other limits are imposed, the process could take ages.

- Considering the level of details requested (e.g. in the budget justification), 3 months may be considered as a short period of time to prepare grant applications.