

ANNEXES

CONTENT:

ANNEX 1: Differences between 2010 (March 2011 update) general conditions and 2007 – 2008 – 2010 (November update) – 2012 versions – **page 34**

ANNEX 2: Applicable rules of nationality and origin for the 2007-2013 instruments for procurement purposes within grant agreements – **page 59**

ANNEX 3: Memo on financial reporting template – **page 63**

ANNEX 4: CONCORD interpretation to the treatment of taxes within the 2007 – 2013 Funding instruments – **page 67**

ANNEX 5: Explanatory note on claiming default interests within EuropeAid grant contracts – **page 79**

ANNEX 6: Changes to the rules for grants 2010 PRAG (March 2011 update) – **page 82**

ANNEX 1

DIFFERENCES BETWEEN 2010 (MARCH 2011 UPDATE) GENERAL CONDITIONS AND 2007 – 2008 – 2010 (NOVEMBER UPDATE) – 2012 VERSIONS

| Text of the Article - General Conditions 2010 PRAG (March 2011 update) | Differences with the 2012 PRAG | Differences with the 2010 PRAG (November update) | Differences with the 2008 (update December 2009) | Differences with the 2007 |
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| 1.1. The Beneficiary shall implement the Action under its own responsibility and in accordance with the Description of the Action in Annex I with a view to achieving the objectives laid down therein. | No difference. | No difference. | No difference. | No difference. |
| 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. 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. | No difference. | No difference. | No difference. | No difference. |
| 1.3. The Beneficiary shall act alone or in partnership with one or more non-governmental organisations or other bodies identified in the Description of the Action. 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. If the Beneficiary or, where applicable its partners, have to conclude contracts in order to carry out the Action, these may only cover a limited portion of the Action and shall respect the contract-award procedures and rules of nationality and origin set out in Annex IV of this Contract. In order to support the achievement of the objectives of the Action, and in particular where the implementation of the Action requires financial support to be given to third parties, the Beneficiary may award sub-grants if so provided for in the Special Conditions. However, sub-granting may not be the main purpose of the Action and it shall be duly justified. The Special Conditions shall establish the total amount which may be used for awarding sub-grants as well as the minimum and maximum amount per sub-grant. The maximum amount of a sub-grant shall be limited to EUR 10 000 per third party while the total amount which may be awarded as sub-grants to third parties shall be limited to EUR 100 000. The Description of the Action shall include a list with the types of activity which may be eligible for sub-grants, together with the | No difference. | No difference in the first two paragraphs and in the last paragraph. Version of November 2010 had a different wording on sub-granting but the general rule is the same: "If the Special Conditions authorise financial support (sub-granting) to be given to third parties, it shall be done in accordance with the Description of the Action. The cost of the financial support shall be laid down in the Special Conditions and may not in any event exceed EUR 10 000 per each third party and a total of EUR 100 000. The rules of nationality and origin set out in Annex IV of this Contract shall be respected." Version November 2010 does not specify that sub-grants may not be | The first two and the last two paragraphs are included also in version 2008 although in a slightly different order. However, it did not specify that partners may conclude contracts ("where applicable its partners"). Version 2008 did not include at all the third paragraph ("In order to support the achievement..."), therefore it did not include: - the requirement to justify sub-granting - the rule on maximum amounts for sub-granting - the requirement to include a list with the types of activity which may be eligible for sub- | The first two and the last two paragraphs are included also in version 2007 although in a slightly different order. However, it did not specify that partners may conclude contracts ("where applicable its partners"). Version 2007 does not include at all the third paragraph ("In order to support the achievement..."), therefore it did not include: - the requirement to justify sub-granting - the rule on maximum amounts for sub-granting - the requirement to include a list with the types of activity which may be eligible for sub- |

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|--|--------------------------------|--|---|---|
| <p>criteria for the selection of the beneficiaries of these sub-grants.</p> <p>The bulk of the Action must, however, be undertaken by the Beneficiary and, where applicable, his partners.</p> <p>The Beneficiary alone shall be accountable to the Contracting Authority for the implementation of the Action. It shall undertake that the conditions applicable to it under Articles 1, 3, 4, 5, 6, 7, 8, 10, 14, 16 and 17 shall also apply to its partners, and those applicable under Articles 1, 3, 4, 5, 6, 7, 8, 10 and 16 to all its contractors. It shall include provisions to that effect as appropriate in its contracts with them.</p> | | <p>the main purpose of the action either and does not explicitly include the requirement to include a list with the types of activity which may be eligible for sub-grants with the criteria for selection of beneficiaries of these sub-grants.</p> | <p>grants with the criteria for selection of beneficiaries of these sub-grants.</p> | <p>grants with the criteria for selection of beneficiaries of these sub-grants.</p> <p>Version 2007 includes also the following disclaimer: "The Contracting Authority does not acknowledge any contractual link between itself and the Beneficiary's partner(s) or subcontractors."</p> <p>"...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." Articles 7 and 10 do not apply according to version 2007.</p> |
| <p>1.4. The Beneficiary and the Contracting Authority are the only 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.</p> | <p>No difference.</p> | <p>No difference.</p> | <p>Version 2008 included in addition the following final phrase on the EC: "Nevertheless it shall endorse the Contract to ensure the financing of the Contracting Authority's grant from the European Union's budget, and the provisions in this Contract on visibility shall apply accordingly."</p> | <p>Version 2007 includes in addition the following final phrase on the EC: "Nevertheless it shall endorse the Contract to ensure the financing of the Contracting Authority's grant from the European Communities' budget, and the provisions in this Contract on visibility shall apply accordingly."</p> |
| <p>1.5. Any personal data included in the Contract shall be processed pursuant to Regulation (EC) No 45/2001 on the protection of individuals with regard to the processing of personal data by the European Union institutions and bodies and on the free movement of such data. The data shall be processed solely for the purposes of the performance, management and monitoring of the Contract by the Contracting Authority without prejudice to possible transmission to the bodies charged with a monitoring or inspection task in application of Union law. The Beneficiary shall have the right of access to his/her personal data and the right to rectify any such data. Should the Beneficiary have any queries concerning the processing of his/her personal data, s/he shall address them to the Contracting Authority. The Beneficiary shall have right of recourse at any time to the European Data Protection Supervisor.</p> | <p>No difference.</p> | <p>Version November 2010 does not include at all article 1.5. on the protection of personal data.</p> | <p>Version 2008 does not include at all article 1.5. on the protection of personal data.</p> | <p>Version 2007 does not include at all article 1.5. on the protection of personal data.</p> |

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|---|--------------------------------|--|--|---------------------------|
| <p>Where the Contract requires the processing of personal data, the Beneficiary may act only under the supervision of the data controller, in particular with regard to the purposes of the processing, the categories of data which may be processed, the recipients of the data, and the means by which the data subject may exercise his/her rights.</p> <p>The data shall be confidential within the meaning of Regulation (EC) No 45/2001 of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data by Community institutions and bodies and on the free movement of such data. The Beneficiary shall limit access to the data to the staff strictly necessary for the performance, management and monitoring of the Contract.</p> <p>The Beneficiary undertakes to adopt appropriate technical and organisational security measures having regard to the risks inherent in the processing and to the nature of the personal data concerned in order to:</p> <p>a) prevent any unauthorised person from having access to computer systems processing personal data, and especially:</p> <p>aa) unauthorised reading, copying, alteration or removal of storage media;</p> <p>ab) unauthorised data input as well as any unauthorised disclosure, alteration or erasure of stored personal data;</p> <p>ac) unauthorised persons from using data-processing systems by means of data transmission facilities;</p> <p>b) ensure that authorised users of a data-processing system can access only the personal data to which their access right refers;</p> <p>c) record which personal data have been communicated, when and to whom;</p> <p>d) ensure that personal data being processed on behalf of third parties can be processed only in the manner prescribed by the contracting institution or body;</p> <p>e) ensure that, during communication of personal data and transport of storage media, the data cannot be read, copied or erased without authorisation;</p> <p>f) design its organisational structure in such a way that it meets data protection requirements.</p> | | | | |

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|---|--------------------------------|--|--|---------------------------|
| <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 Article 7.3 are also annexed to the final report.</p> | No difference. | No difference. | No difference. | No difference. |
| <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> | No difference. | No difference. | No difference. | No difference. |
| <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> <ul style="list-style-type: none"> • 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; • if payments are made in accordance with option 2 of Article 15.1: <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 six months where the Beneficiary does not have its headquarters in the country where the Action is implemented.</p> | No difference. | No difference. | No difference. | No difference. |
| <p>2.4. Any additional reporting requirement will be set out in the Special Conditions.</p> | No difference. | No difference. | No difference. | No difference. |

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|---|--------------------------------|--|--|---------------------------|
| <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 it 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 it 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> | No difference. | No difference. | No difference. | No difference. |
| <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> | No difference. | No difference. | No difference. | No difference. |
| <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> | No difference. | No difference. | No difference. | No difference. |
| <p>4. 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> | No difference. | No difference. | No difference. | No difference. |
| <p>5. 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</p> | No difference. | No difference. | No difference. | No difference. |

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|--|--------------------------------|---|--|---|
| 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 shall maintain the same confidentiality. | | | | |
| 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 co-financed the Action. Such measures must comply with the Communication and Visibility Manual for EU External Actions laid down and published by the European Commission, that can be found at: http://ec.europa.eu/europeaid/work/visibility/documents/communication_and_visibility_manual_en.pdf . The Beneficiary shall submit a communication plan for the approval of the European Commission and report on its implementation in accordance with Article 2. | No difference. | No difference. | Version 2008 does not include: - the link to EC website to the Communication and Visibility Manual - the requirement to submit a communication plan. | “Such measures must comply with the relevant rules on the visibility of external actions laid down and published by the Commission.” There is no expressed reference to the Communication and Visibility Manual. Version 2007 does not include: - the link to EC website to the Communication and Visibility Manual - the requirement to submit a communication plan. |
| 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. | No difference. | 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.” | No difference. | 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 its name and address, nationality, the purpose of the grant, duration and location as well as the maximum amount of the grant and rate of funding of the Action's costs, as laid down in Article 3 of the | No difference. | Version 2010 states: “rate of funding of the Action's eligible costs, as laid down in the Article 3.2 of the Special Conditions.” | Version 2008 states: “rate of funding of the Action's eligible costs, as laid down in the Article 3.2 of the Special Conditions.” | Version 2007 does not provide the right to publish the nationality or the duration and location of the project. |

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|--|--------------------------------|--|--|--|
| Special Conditions. A derogation from publication of this information may be granted if it could endanger the Beneficiary or harm its commercial interests. | | | | “...rate of funding of the Action's eligible costs, as laid down in the Article 3.2 of the Special Conditions.” |
| 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. | No difference. | 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, other than those reports referred to in Article 2, whatever their form, provided it does not thereby breach existing industrial and intellectual property rights. | No difference. | No difference. | Version 2008 does not explicitly exclude the right to use financial and narrative reports as the phrase “other than those reports referred to in Article 2” is not included in 2008 version. | Version 2007 does not explicitly exclude the right to use financial and narrative reports as the phrase “other than those reports referred to in Article 2” is not included in 2007 version. |
| 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 beneficiaries of the Action, at the latest when submitting the final report. Copies of the proofs of transfers of equipments and vehicles, the purchase cost of which was more than EUR 5 000 per item, must be attached to the final report. Such proofs must be kept for control in all other cases. | No difference. | No difference. | According to version 2008, ownership must be transferred to “at the latest by the end of the implementation of the Action.” instead of when submitting the final report. | According to version 2007, ownership must be transferred to “at the latest by the end of the implementation of the Action.” instead of when submitting the final report. |
| 8.1. If the European 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. | No difference. | No difference. |
| 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. | No difference. | No difference. |
| 9.1. Any amendment to the contract, including the annexes thereto, must be set out in writing in an addendum. This contract can be modified only during its execution period. If an amendment is requested by the Beneficiary, it must submit that | No difference. | No difference. | “...it must submit that request to the Contracting Authority one month before the date on which the amendment should enter into force...” | “This contract can be modified only during its execution period.” is not included in version 2007. “...it must submit that request to |

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|--|--------------------------------|--|--|--|
| request to the contracting authority thirty days before the date on which the amendment should enter into force, unless there are special circumstances duly substantiated by the Beneficiary and accepted by the Contracting Authority. | | | | the Contracting Authority one month before the date on which the amendment should enter into force..." |
| <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 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, bank account or 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>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.</p> | No difference. | No difference. | No difference. | No difference. |
| 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. | No difference. |
| 10. 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. | No difference. | No difference. | No difference. | No difference. |
| 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 in accordance with Article 9. The request must be accompanied by all the supporting evidence needed for its appraisal. | No difference. | No difference. | "The Beneficiary may request an extension of the Action's implementation period no later than one month before it ends." | "The Beneficiary may request an extension of the Action's implementation period no later than one month before it ends." |
| 11.2 The Beneficiary may suspend implementation of all or part of the | No difference. | No difference. | No difference. | No difference. |

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|---|--------------------------------|--|--|---|
| 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. | | | | |
| 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 time of its suspension and shall resume implementation once circumstances allow, after obtaining the prior written approval of the Contracting Authority. | No difference. | No difference. | No difference. | No difference. |
| 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. | No difference. | No difference. | No difference. | No difference. |
| 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. 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. | No difference. | No difference. | No difference. | No difference. |
| 11.6 The payment obligations of the European Union under this Contract shall end 18 months after the implementation period laid down in Article 2 of the Special Conditions, unless the Contract is terminated under Article 12. The Contracting Authority shall notify the Beneficiary of any postponement of the end date. | No difference. | No difference. | No difference. | "...payment obligations of the European Community..." |

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|--|--------------------------------|--|---|---|
| 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. | No difference. | No difference. | No difference. | No difference. |
| <p>12.2. The Contracting Authority may terminate the Contract, by giving a seven day notice and without paying compensation of any kind:</p> <p>a) where the Beneficiary fails, without justification, to fulfil any of the obligations incumbent on it 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) where the Beneficiary 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) where the Contracting Authority has evidence on the Beneficiary or any related entity or person, of grave professional misconduct; this also applies to partners and agents of the Beneficiary;</p> | No difference. | No difference. | According to version 2008, the Contracting Authority may terminate the Contract, without giving notice. | <p>According to version 2007, the Contracting Authority may terminate the Contract, without giving notice.</p> <p>Different wording in point c):</p> <p>"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) where the Contracting Authority has evidence on the Beneficiary or any related entity or person, of fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the European Union's financial interests; this also applies to partners and agents of the Beneficiary;</p> <p>e) where the Beneficiary changes legal personality, unless an addendum recording that fact is drawn up;</p> <p>f) where the Beneficiary does not comply with Articles 4, 10 and 16;</p> <p>g) where the Beneficiary makes false or incomplete statements to obtain the grant provided for in the Contract or provides reports that do not reflect reality;</p> <p>h) where the Beneficiary has not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which it is established;</p> | No difference. | No difference. | No difference. | <p>Different wording in point d):</p> <p>"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>Version 2007 does not include points h) and i) or the final paragraph ("In the cases referred to in points...").</p> |

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|---|--------------------------------|--|--|---|
| <p>i) where the Contracting Authority has evidence on the Beneficiary or any related entity or person, of substantial errors, irregularities or fraud in the award procedure or the performance of the grant; this also applies to partners and agents of the Beneficiary;</p> <p>In the cases referred to in points (c), (d) and (i) above, any related person shall mean any physical person with powers of representation, decision-making or control in relation to the Beneficiary. Any related entity shall mean in particular any entity which meets the criteria laid down by Article 1 of the Seventh Council Directive n° 83/349/EEC of 13 June 1983.</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> | No difference. | No difference. | No difference. | No difference. |
| <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> | No difference. | No difference. | No difference. | No difference. |
| <p>12.5. However, in the event of termination of the Contract by the Contracting Authority under 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 submit its observations.</p> | No difference. | “...in the event of termination of the Contract by the Beneficiary...” | “...in the event of termination of the Contract by the Beneficiary...” | “However, in the event of wrongful termination of the Contract by the Beneficiary under Article 12.1 and in the cases specified in points...” |
| <p>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.</p> | No difference. | No difference. | No difference. | No difference. |

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|--|--------------------------------|--|--|--|
| 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. | No difference. | No difference. | No difference. |
| 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 Union law supplemented as appropriate by Belgian law. | No difference. | No difference. | No difference. | No difference. |
| 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. | No difference. | 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. | 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. | No difference. |
| 14.1 Eligible costs are costs actually incurred by the Beneficiary which meet all the following criteria: a) They are incurred during the implementation of the Action as specified in Article 2 of the Special Conditions with the exception of costs relating to final reports and expenditure verification and evaluation of the Action, whatever the time of actual disbursement by the Beneficiary and/ or its partners. Procedures to award contracts, as referred to in the Article 1.3, may have been initiated but contracts may not be concluded by the Beneficiary or its partners before the start of | No difference. | No difference. | Really small differences in wording e.g. "by the beneficiary of this grant". | "...by the beneficiary of this grant" Evaluation costs are not included in the costs which may incur after the implementation of the action. Version 2007 includes in addition this final condition on subcontracts: "Such costs must be paid for before the final report is finalised." |

| Text of the Article - General Conditions 2010 PRAG (March 2011 update) | Differences with the 2012 PRAG | Differences with the 2010 PRAG (November update) | Differences with the 2008 (update December 2009) | Differences with the 2007 |
|---|--------------------------------|--|--|---|
| the implementation period of the Action, provided the provisions of Annex IV were respected. | | | | |
| b) must be indicated in the estimated overall budget of the Action | No difference. | No difference. | No difference. | No difference. |
| c) must be necessary for the implementation of the Action | No difference. | No difference. | "must be necessary for the implementation of the action which is the subject of the grant" | "have to be necessary for the implementation of the action which is the subject of the grant" |
| d) they are 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 according to the usual cost accounting practices of the Beneficiary, | No difference. | No difference. | No difference. | No difference. |
| e) must be reasonable, justified and comply with the requirements of sound financial management, in particular regarding economy and efficiency. | No difference. | No difference. | No difference. | No difference. |
| 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 partners shall be eligible: | No difference. | No difference. | No difference. | No difference. |
| - the cost of staff assigned to the Action, corresponding to actual gross salaries including social security charges and other remuneration-related costs; salaries and costs must not exceed those normally borne by the Beneficiary or its partners, as the case may be, unless it is justified by showing that it is essential to carry out the Action; | No difference. | No difference. | No difference. | No difference. |
| - 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 its 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; | No difference. | No difference. | No difference. | No difference. |
| - 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; | No difference. | No difference. | No difference. | No difference. |

| Text of the Article - General Conditions 2010 PRAG (March 2011 update) | Differences with the 2012 PRAG | Differences with the 2010 PRAG (November update) | Differences with the 2008 (update December 2009) | Differences with the 2007 |
|--|--|---|---|---|
| - costs of consumables; | No difference. | No difference. | No difference. | No difference. |
| - costs entailed by contracts awarded by the Beneficiary for the purposes of the Action referred to in Article 1.3; | No difference. | No difference. | “subcontracting expenditure” | “subcontracting expenditure” |
| - 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). | No difference. | No difference. | No difference. | No difference. |
| - taxes, including VAT, where the Regulation and/ or Financing Agreement with the third country under which the Contract is financed do not exclude coverage of taxes and the Beneficiary (or, where applicable, its partners) can show it cannot reclaim. Notwithstanding, the Beneficiary (or its partners) will not have to show it cannot reclaim taxes in any of the cases set out in Article 14.7. | No difference. | Not included in version 2010, taxes are considered in principle as ineligible costs. | Not included in version 2008, taxes are considered in principle as ineligible costs. | Not included in version 2007, taxes are considered in principle as ineligible costs. |
| 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. | No difference. | “A contingency reserve not exceeding 5 % of the direct eligible costs (excluding taxes) may be included in the Budget of the Action.” | No difference. | No difference. |
| 14.4 A fixed percentage not exceeding the percentage laid down in Article 3 of the Special Conditions of the total amount of direct eligible costs (excluding taxes) 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 EU budget. The flat-rate funding in respect of indirect costs does not need to be supported by accounting documents. Indirect costs are eligible provided that they do not include costs assigned to another heading of the budget of this Contract. This Article 14.4 does not apply in the case of an operating grant. | “A fixed percentage not exceeding the percentage laid down in Article 3 of the Special Conditions of the total amount of direct eligible costs of the Action may be claimed as indirect costs” Taxes are not excluded anymore in version 2012. | No difference. | “A fixed percentage not exceeding 7% of the total amount of direct eligible costs of the Action may be claimed as indirect costs to cover the administrative overheads incurred by the Beneficiary for the Action...” | “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...” |
| 14.5 Any contributions in kind, which must be listed separately at Annex III, do not represent actual expenditure and are not eligible costs. Unless otherwise specified in the Special Conditions, the contributions in kind may not be treated as co- financing by the Beneficiary. | No difference. | No difference. | Version 2008 specifies in addition: “The cost of staff assigned to the Action is not a contribution in kind and may be considered as co- | Version 2007 specifies in addition: “The cost of staff assigned to the Action is not a contribution in kind and may be considered as co- |

| Text of the Article - General Conditions 2010 PRAG (March 2011 update) | Differences with the 2012 PRAG | Differences with the 2010 PRAG (November update) | Differences with the 2008 (update December 2009) | Differences with the 2007 |
|---|--------------------------------|--|---|---|
| Notwithstanding to the above, if the Description of the Action foresees the contributions in kind, such contributions have to be provided. | | | financing in the Budget of the Action when paid by the Beneficiary or its partners.” | financing in the Budget of the Action when paid by the Beneficiary or its partners.” |
| <p>14.6 The following costs shall not be considered eligible:</p> <ul style="list-style-type: none"> - debts and debt service charges; - provisions for losses or potential future liabilities; - interest owed; - costs declared by the Beneficiary and covered by another action or work programme; - 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; - credits to third parties, unless otherwise specified in the Special Conditions. | No difference. | <p>In addition version 2010 declared as ineligible:</p> <ul style="list-style-type: none"> - taxes, including VAT, unless the Beneficiary (or, where applicable, its partners) can show it cannot reclaim and the applicable regulations do not exclude coverage of taxes | <p>In addition version 2008 declared as ineligible:</p> <ul style="list-style-type: none"> - taxes, including VAT, unless the Beneficiary (or, where applicable, its partners) can show it cannot reclaim and the applicable regulations authorise coverage of taxes <p>There were also some small differences e.g. “potential future liabilities” is not included in the list and “unless otherwise specified in the Special Conditions” does not appear in the last point.</p> | <p>In addition version 2007 declared as ineligible:</p> <ul style="list-style-type: none"> - taxes, including VAT, unless the Beneficiary (or, where applicable, his partners) cannot reclaim and the applicable regulations authorise coverage of taxes <p>There were also some small differences e.g. “potential future liabilities” is not included in the list and “unless otherwise specified in the Special Conditions” does not appear in the last point.</p> |
| <p>14.7 The Beneficiary (or, where applicable, its partners) will not have to show it cannot reclaim taxes in any of the following cases:</p> <ul style="list-style-type: none"> - where the amount of taxes per invoice is less than EUR 200, within a maximum of EUR 2,500, representing not more than 5% of the Contracting Authority’s contribution; - where the Beneficiary can demonstrate that the steps necessary for recovery of taxes oblige it to incur costs in a country where it only performs the relevant operations on an ad hoc and isolated basis; and that these costs for recovery (e.g. registration fees in the country or the costs for appointing a tax representative, declaration fees, etc.) clearly exceed the amount of the taxes declared to the Contracting Authority; - where a country has been declared in crisis situation or in the need for emergency and post-emergency assistance by the European Commission. This exception is limited to the period in which the declaration is in force. The Beneficiary shall be informed in writing thereof. - where the Action relates to the protection of fundamental rights of peoples, as provided for in the Special Conditions. <p>The Beneficiary shall certify that the concerned taxes have not been or</p> | No difference. | Version 2010 does not include this article. | Version 2008 does not include this article. | Version 2007 does not include this article. |

| Text of the Article - General Conditions 2010 PRAG (March 2011 update) | Differences with the 2012 PRAG | Differences with the 2010 PRAG (November update) | Differences with the 2008 (update December 2009) | Differences with the 2007 |
|---|---|---|---|---|
| <p>will not be recovered from the local tax authorities and prove that the above requirements are met at the latest when submitting the final report.</p> | | | | |
| <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><u>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</u></p> <p>The Contracting Authority shall 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><u>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</u></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, by applying the percentage to eligible costs laid down in article 3.2 of the Special Conditions, following the provisions in Article 4 of the Special Conditions. • further pre-financing instalments designed to normally cover the part of the Beneficiary's financing needs for each twelve month period of implementation of the Action financed by the Contracting Authority by applying the percentage to eligible costs laid down in article 3.2 of the Special Conditions. Payment will be made 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"> o a request for payment conforming to the model in Annex V, o an expenditure verification report under Article 15.6, if required o a financial guarantee if required under Article 15.7; • the balance within 45 days of the Contracting Authority approving | <p>Version 2012 specifies in addition that "a forecast budget for the subsequent 12-month period (or of the remaining period if its shorter)" must be attached to the interim report.</p> | <p>In option 2: initial pre-financing instalment of 80% shall be paid following provisions in art. 4.3 of the Special Conditions.</p> | <p>In option 2: "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."</p> <p>In addition some small differences e.g. "Where reports are submitted in compliance with Article 2" is not included in version 2008.</p> <p>On the 70% rule version 2008 states: "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 pre-financing payment."</p> | <p>In option 2: "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."</p> <p>In addition some small differences e.g. "Where reports are submitted in compliance with Article 2" is not included in version 2007.</p> <p>On the 70% rule version 2007 states similarly to version 2008: "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 pre-financing payment."</p> |

| Text of the Article - General Conditions 2010 PRAG (March 2011 update) | Differences with the 2012 PRAG | Differences with the 2010 PRAG (November update) | Differences with the 2008 (update December 2009) | Differences with the 2007 |
|---|--------------------------------|--|--|--|
| <p>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 required under Article 15.6. <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 reports are submitted in compliance with Article 2 but where the consumption of the previous pre-financing payment is less than 70%, the amount of the new pre-financing payment shall be reduced by the amount corresponding to the difference between the 70% threshold and the amount actually consumed of the previous pre-financing 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><u>Option 3: All Actions</u></p> <p>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>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. Approval of the reports shall not imply recognition of their regularity nor of the authenticity, completeness and correctness of the declarations and information they contain.</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. Suspension shall take effect when the notification is sent by the Contracting Authority. In such cases, the Contracting Authority may request clarification, alteration or additional information, which must be</p> | No difference. | No difference. | No difference. | <p>Version 2007 does not include the following condition: "Approval of the reports shall not imply recognition of their regularity nor of the authenticity, completeness and correctness of the declarations and information they contain."</p> <p>Version 2007 does not include: "Suspension shall take effect when the notification is sent by the Contracting Authority."</p> |

| Text of the Article - General Conditions 2010 PRAG (March 2011 update) | Differences with the 2012 PRAG | Differences with the 2010 PRAG (November update) | Differences with the 2008 (update December 2009) | Differences with the 2007 |
|--|--------------------------------|--|--|--|
| <p>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>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. 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. Suspension shall take effect when the notification is sent by the Contracting Authority. The time-limit for payment shall start running again on the date on which a correctly formulated request for payment is recorded.</p> | No difference. | No difference. | No difference. | Version 2007 does not include: "Suspension shall take effect when the notification is sent by the Contracting Authority." |
| <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 European Union Member State</p> <ul style="list-style-type: none"> - may, within two months of receipt of the late payment, claim default interest: - 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 euro, as published in the Official Journal of the European Union, C series, if 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 interest shall be payable for the time elapsed between the expiry of the payment deadline and the date on which the Contracting Authority's account is debited. By way of exception, when the interest calculated in accordance with this provision is lower than or equal to EUR 200, it shall be paid to the Beneficiary only upon demand submitted within two months of receiving late payment. 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> | No difference. | Version 2010 does not include this exception: "By way of exception, when the interest calculated in accordance with this provision is lower than or equal to EUR 200, it shall be paid to the Beneficiary only upon demand submitted within two months of receiving late payment." | Version 2008 does not include this exception: "By way of exception, when the interest calculated in accordance with this provision is lower than or equal to EUR 200, it shall be paid to the Beneficiary only upon demand submitted within two months of receiving late payment." | Version 2007 does not include this exception: "By way of exception, when the interest calculated in accordance with this provision is lower than or equal to EUR 200, it shall be paid to the Beneficiary only upon demand submitted within two months of receiving late payment." |
| <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</p> | No difference. | No difference. | "...or by budgets managed by it..." instead of specifying "EDF". | "...funded by the general budget of the European Community or by |

| Text of the Article - General Conditions 2010 PRAG (March 2011 update) | Differences with the 2012 PRAG | Differences with the 2010 PRAG (November update) | Differences with the 2008 (update December 2009) | Differences with the 2007 |
|--|--------------------------------|--|--|---|
| <p>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 Union or by EDF, which are likely to affect the performance of the present contract. Suspension shall take effect when the notification is sent by the Contracting Authority.</p> | | | | <p>budgets managed by it..."</p> <p>The last sentence "Suspension shall take effect when the notification is sent by the Contracting Authority." is not included in version 2007.</p> |
| <p>15.6. A report on the verification of the Action's expenditure, produced by an approved auditor who meets the specific conditions of the Terms of Reference for the expenditure verification, shall be attached to:</p> <ul style="list-style-type: none"> - any request for pre-financing payments per financial year in case of grants of EUR 750 000 or more; - any final report in the case of a grant of more than EUR 100,000; - any request for payment of over EUR 100 000 for the financial year, in the case of an operating grant. <p>The auditor examines whether the costs declared by the Beneficiary are real, accurately recorded and eligible in accordance with the Contract, as well as the revenue of the Action and issues an expenditure verification report conforming to the model in Annex VII.</p> <p>The Beneficiary grants the auditor all access rights mentioned 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 or an international organisation, the Contracting Authority may exempt it from the expenditure verification requirement.</p> | No difference. | No difference. | No difference. | <p>Some small differences in expressions:</p> <p>"Interim payments" instead of "pre-financing payments".</p> <p>"Payment of the balance" in relation to final payment.</p> <p>Version 2007 does not include "as well as the revenue of the Action" in the 2nd paragraph.</p> |
| <p>15.7 If the total sum of pre-financing paid 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. Where the Beneficiary is a non governmental organisation, such guarantee is requested if the total sum of pre-financing paid under the Contract is more than EUR 1 million or 90% of the Contract amount. The</p> | No difference. | No difference. | "local currency" instead of "currency of the Contracting Authority". | The last paragraph is art. 15.8 in version 2007. |

| Text of the Article - General Conditions 2010 PRAG (March 2011 update) | Differences with the 2012 PRAG | Differences with the 2010 PRAG (November update) | Differences with the 2008 (update December 2009) | Differences with the 2007 |
|---|--------------------------------|---|--|---|
| <p>financial guarantee must be denominated in euro or currency of the Contracting Authority 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 Union. This guarantee shall remain in 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> <p>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>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 the calculation of the interests produced by such funds. The funds paid to this account or sub-account shall, in accordance with the law of the State in which the account or sub-account is opened, yield interest or equivalent benefits. Such interest or benefits shall, if they are generated by pre-financing, be deducted from the payment of the balance or recovered by the Contracting Authority as specified in Article 15.9.</p> | No difference. | No difference. | The last conditions on interest bearing account and the deduction of interest from payment of balance "The funds paid to this account or sub-account shall, in accordance with the law of the State in which the account or sub-account is opened, yield interest or equivalent benefits..." are not included in version 2008. | <p>Included in art. 15.8 in version 2007.</p> <p>The last conditions on interest bearing account and the deduction of interest from payment of balance "The funds paid to this account or sub-account shall, in accordance with the law of the State in which the account or sub-account is opened, yield interest or equivalent benefits..." are not included in version 2007.</p> |
| <p>15.8 The Contracting Authority shall make payments in the currency of the country to which it belongs or in euro, in accordance with the Special Conditions. In the latter case, any 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, 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 such as terminating the Contract.</p> | No difference. | No difference. | The final sentence "such as terminating the Contract." is not included in version 2008. | <p>Art. 15.9 in version 2007.</p> <p>The final sentence "such as terminating the Contract." is not included in version 2007.</p> |
| <p>15.9 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. Subject to the conditions laid down in the basic act, any interest accruing from pre-financing equal or below</p> | No difference. | "...or for pre-financing under pre-accession aid." is not included. | "...or for pre-financing under pre-accession aid." is not included. | The last paragraph "Interest shall not be due to the Contracting Authority for pre-financing paid to the EU member states or for pre- |

| Text of the Article - General Conditions 2010 PRAG (March 2011 update) | Differences with the 2012 PRAG | Differences with the 2010 PRAG (November update) | Differences with the 2008 (update December 2009) | Differences with the 2007 |
|---|--------------------------------|--|---|--|
| <p>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 shall not be due to the Contracting Authority for pre-financing paid to the EU member states or for pre-financing under pre-accession aid.</p> | | | | <p>financing under pre-accession aid." is not included in version 2007.</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 from pre-financing 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> | No difference. | No difference. | No difference. | No difference. |
| <p>15.11 Subject to the conditions laid down in basic act, the Contracting Authority shall recover for each reporting period the interests accruing from pre-financing of more than EUR 750 000 by the end of each financial year.</p> | No difference. | No difference. | No difference but this is Art. 15.12 in version 2008. | <p>"for each reporting period" is not included in version 2007.</p> <p>This is art. 15.12 in version 2007.</p> |
| <p>15.12 The interests are not taken into account when calculating the sum total of pre-financing under the Contract and are not considered as revenue of the Action for the purposes of the final amount as referred to in Article 17.</p> | No difference. | No difference. | No difference but this is Art. 15.11 in version 2008. | <p>"...and are not considered as revenue of the Action for the purposes of the final amount as referred to in Article 17." is not included in version 2007.</p> <p>This is art. 15.11 in version 2007.</p> |
| <p>15.13. All references to days in this article 15 are to calendar days.</p> | No difference. | No difference. | No difference. | No difference. |
| <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</p> | No difference. | No difference. | No difference. | No difference. |

| Text of the Article - General Conditions 2010 PRAG (March 2011 update) | Differences with the 2012 PRAG | Differences with the 2010 PRAG (November update) | Differences with the 2008 (update December 2009) | Differences with the 2007 |
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| <p>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>16.2. The Beneficiary shall allow the European Commission, the European Anti-Fraud Office, the European Court of Auditors and any external auditor authorised by the Contracting Authority carrying out verifications as required per Article 15.6 to verify, by examining the documents and to make copies thereof 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 shall allow the European Anti-Fraud Office and any external auditor authorised by the Contracting Authority 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 Union legislation for the protection of the financial interests of the European Union 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 authorised by the Contracting Authority carrying out verifications as required per Article 15.6 to the sites and 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 authorised by the Contracting Authority 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> | No difference. | No difference. | Version 2008 does not include the right to "make copies thereof" [of project documents]. | Version 2007 does not include the right to "make copies thereof" [of project documents]. In addition some small differences, e.g. "external auditor" instead of "external auditor authorised by the Contracting Authority". |

| Text of the Article - General Conditions 2010 PRAG (March 2011 update) | Differences with the 2012 PRAG | Differences with the 2010 PRAG (November update) | Differences with the 2008 (update December 2009) | Differences with the 2007 |
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| <p>The Beneficiary 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 authorised by the Contracting Authority carrying out verifications as required per Article 15.6 to carry out audits, checks and verification shall 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, contractors and sub-grantees. Where a partner, contractor or sub-grantee is an international organisation, any verification agreement concluded between such organisation and the European Commission applies.</p> | No difference. | No difference. | <p>"The Contractor guarantees..."</p> <p>"...to the Beneficiary's partners and subcontractors." instead of "...to the Beneficiary's partners, contractors and sub-grantees."</p> <p>Where a partner or a subcontractor is an international organisation" instead of "Where a partner, contractor or sub-grantee is an international organisation"</p> | <p>"The Contractor guarantees..."</p> <p>"...to the Beneficiary's partners and subcontractors." instead of "to the Beneficiary's partners, contractors and sub-grantees."</p> <p>"Where a partner or a subcontractor is an international organisation" instead of "Where a partner, contractor or sub-grantee is an international organisation"</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 , 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 contractor; – Proof that taxes and/or VAT that have been paid cannot actually be reclaimed; – For fuel and oil expenses, a summary list of the distance covered, the average consumption of the vehicles used, fuel costs and maintenance costs; | No difference. | <p>Version 2010 requires also the keeping of boarding passes:</p> <ul style="list-style-type: none"> – 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;" <p>Version 2010 does not require (taxes and VAT considered ineligible costs):</p> <ul style="list-style-type: none"> – Proof that taxes and/or VAT that have been paid cannot actually be reclaimed. | <p>Version 2008 requires also the keeping of boarding passes:</p> <ul style="list-style-type: none"> – 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;" <p>Version 2008 does not require (taxes and VAT considered ineligible costs):</p> <ul style="list-style-type: none"> – Proof that taxes and/or VAT that have been paid cannot actually be reclaimed. <p>Some minor change in: "Proof of payment such as bank statements, debit notices, proof of settlement by the subcontractor".</p> | <p>Version 2007 requires also the keeping of boarding passes:</p> <ul style="list-style-type: none"> – 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;" <p>Version 2007 does not require (taxes and VAT considered ineligible costs):</p> <ul style="list-style-type: none"> – Proof that taxes and/or VAT that have been paid cannot actually be reclaimed. <p>Some minor change in: "Proof of payment such as bank statements, debit notices, proof of settlement by the subcontractor".</p> |

| Text of the Article - General Conditions 2010 PRAG (March 2011 update) | Differences with the 2012 PRAG | Differences with the 2010 PRAG (November update) | Differences with the 2008 (update December 2009) | Differences with the 2007 |
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| <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>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 neither in terms of absolute amount nor in percentage.</p> | No difference. | The last sentence: "...nor in percentage(s)." | The last sentence: "...nor in percentage of the total estimated costs of the action." | The last sentence: "even if the total of actual eligible expenditure exceeds the estimated total budget set out in Annex III." instead of "neither in terms of absolute amount nor in percentage". |
| <p>17.2. If the total costs of the Action at the end of the Action are less than the estimated total eligible costs as referred to in Article 3.1 of the Special Conditions, the Contracting Authority's contribution shall be limited to the amount obtained by applying the percentage laid down in Article 3.2 of the Special Conditions to the total eligible costs of the Action approved by the Contracting Authority.</p> | No difference. | "...by applying the percentage(s)..." | "...are less than the estimated total costs as referred to in Article 3.1 of the Special Conditions..." | "If the eligible costs at the end of the Action are less than the estimated total cost..." |
| <p>17.3. The Beneficiary accepts that the grant can under no circumstances result in a profit for itself 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 actual receipts over the actual 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> | No difference. | No difference. | No difference. | No difference. |

| Text of the Article - General Conditions 2010 PRAG (March 2011 update) | Differences with the 2012 PRAG | Differences with the 2010 PRAG (November update) | Differences with the 2008 (update December 2009) | Differences with the 2007 |
|---|--------------------------------|--|--|--|
| 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. | No difference. | No difference. | No difference. | No difference. |
| 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 the issuing of the debit note, the latter being the letter by which the Contracting Authority requests the amount owed by the Beneficiary. | No difference. | No difference. | No difference. | “...within 45 days of receiving a request to do so.” |
| 18.2. Should the Beneficiary fail to make repayment within the deadline set by the Contracting Authority, the Contracting Authority may increase the amounts due by adding interest: – 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 euro, as published in the Official Journal of the European Union, C series, where payments are in euro, on the first day of the month in which the time-limit expired, plus three and a half percentage points. The default interest shall be incurred over the time which elapses between the date of the payment deadline set by the Contracting Authority, and the date on which payment is actually made. Any partial payments shall first cover the interest thus established. | No difference. | No difference. | No difference. | Government departments and public bodies of Member States are exempted from interest added to the amounts to be paid. “...as published in the Official Journal of the European Union, C series...” is not included in version 2007. |
| 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. | No difference. | No difference. | No difference. | No difference. |
| 18.4. Bank charges incurred by the repayment of amounts due to the Contracting Authority shall be borne entirely by the Beneficiary. | No difference. | No difference. | No difference. | No difference. |
| 18.5. Where necessary the European Union may as a donor subrogate itself to the Contracting Authority. | No difference. | No difference. | No difference. | Included in art. 18.3. |
| 18.6 If the Contract is terminated for any reason whatsoever, the guarantee securing the pre-financing may be invoked forthwith in order to repay the balance of the pre-financing still owed by the Beneficiary, and the guarantor shall not delay payment or raise objection for any reason whatever. | No difference. | No difference. | Version 2008 does not include this article. | Version 2007 does not include this article. |

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 service providers, suppliers and consultants.

Rule of origin: refers to the origin of supplies, equipment and materials. The European Commission defines “origin” as follows: “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 working¹”. 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 TO NGOS

The rules of nationality and origin for the 2007-2013 instruments are set out in detail in the DG DEVCO document entitled Annex A2b - Eligibility of Programmes 2007-2013 and EDF. To access this document, click [here](#).

Another relevant DG DEVCO document is entitled “Annex A2a – EU External Aid Programmes”. To access this document, click [here](#). It has 3 parts:

- A list of the legal bases of EU external assistance programmes
- A more useful section with detailed OECD/ DAC lists of developing countries since 2003. Note that the DAC updates the list regularly and be sure to refer to the list applicable to your contract.
- Another useful section on the European Development Fund and ACP countries (Africa, Caribbean, Pacific).

Annexes A2a and A2b are available in French (click [here](#)) and Spanish (click [here](#)) and Portuguese (click [here](#)).

¹ Articles 23 and 24 of Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code and other Community legislation governing non-preferential origin

For development projects implemented through NGOs, the rules of nationality and origin for the main instruments are as follows:

| Instrument | Programme | Applicable rules of nationality and origin |
|---------------------------|---|---|
| European Development Fund | EDF funded programmes (in Sub-Saharan Africa, the Caribbean and the Pacific). | <p><u>9th EDF:</u></p> <ul style="list-style-type: none"> • For calls for proposals published before 1st July 2008: EU Member States which contributed to the funds (EU 15) + ACP countries + International Organisations • For calls for proposals published from 1st July 2008 onwards: the 27 EU Member States + ACP countries + International Organisations <p><u>10th EDF:</u></p> <p><i>Until 31st October 2010:</i></p> <ul style="list-style-type: none"> • The 27 EU member states • ACP countries² • International organisations <p><i>From 1st November 2010:</i></p> <ul style="list-style-type: none"> • The 27 EU member states • Official candidate countries (Croatia, FYROM, Montenegro, Iceland and Turkey) • Member states of the European Economic Area (Iceland, Liechtenstein, Norway) • ACP countries • All Least Developed Countries according to the UN. (The UN list is the same as the OECD/ DAC list.) • Any country for which reciprocal access has been granted (no reciprocal access granted yet). • International organisations • When the project takes place in a Least Developed Country according to the UN, reciprocal access is automatically granted to OECD members. This includes the following additional countries: Australia, Canada, Japan, South Korea, New Zealand, Switzerland and the United States. <p>If a project is implemented through an international organisation, all natural and legal persons who are eligible according to the rules of that organization are also eligible for grants and procurement contracts.</p> <p>If a project is implemented within a regional initiative, all natural and legal persons from countries participating in that initiative are also eligible for grants and procurement contracts.</p> <p>If the project is co-funded by a third country, then all natural and legal persons eligible according to the rules of that country are also eligible for EDF grants and procurement contracts.</p> |

² For more details on the list of ACP countries, please see part 3 of the inserted file "Annex A2 – EC programmes".

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| Development Cooperation Instrument | Programme Non State Actors and Local Authorities in Development | <ul style="list-style-type: none"> - The 27 EU countries, - Official candidate countries (Croatia, FYROM, Montenegro, Iceland and Turkey), - Member States of the European Economic Area (Iceland, Liechtenstein, Norway), - All developing countries as listed by OECD DAC³ - Any country for which reciprocal access has been granted (no reciprocal access granted yet) - International Organisations <p>*** 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, Japan, South Korea, New Zealand, Switzerland and the United States.</p> <p>Note that the rules for geographical programmes funded from the DCI are different from the rules for thematic programmes.</p> |
| | Investing in People | |
| | Food Security | |
| | Environment and Sustainable Management of Natural Resources | |
| | Asylum and Migration | |
| European Instrument for Democracy and Human Rights | Programmes funded under all 5 objectives of the EIDHR. | <ul style="list-style-type: none"> - The 27 EU countries, - Official candidate countries (Croatia, FYROM, Macedonia, Iceland and Turkey), - Member States of the European Economic Area (Iceland, Liechtenstein, Norway), - All developing countries as listed by OECD DAC⁴ - Any country for which reciprocal access has been granted (no reciprocal access granted yet) - International Organisations. |

³ 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".

⁴ See Annex A2a – EU External Aid Programmes

III. OTHER REMARKS

- Please note that the basic act might contain derogations to the above rules in exceptional cases. On that base, you might therefore decide to request a derogation to the Contracting Authority: the request must be clearly justified and the Contracting Authority will review each derogation on a case-by-case basis. These can be on the basis of the unavailability of products and services in the markets of the countries concerned or for reasons of extreme urgency of project implementation, if the rules would impede the realisation of the project.
- Rules of nationality and origin apply from the first Euro spent.
- The rules of nationality apply for all service, work and supply contracts within grant agreements (Rules of origin apply only to supply and work contracts.). However, consultants (free-lance or belonging to a service provider) can be of any nationality.
- 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 (ie including OECD countries such as USA, Canada, Japan, Australia, South Korea, New Zealand and Switzerland).

MEMO ON FINANCIAL REPORTING TEMPLATE

| Annex VI to the Standard Grant Contract– Financial Reporting Templates 2010 PRAG (March 2011 update) | |
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| FINANCIAL REPORTING TEMPLATE | EXPLANATION FROM THE FDR |
| SHEET 1: INFORMATION | |
| <p><u>Nota Bene</u></p> <p>The beneficiary alone is responsible for the correctness of the financial information provided in these tables.</p> <p><u>Rounding</u></p> <p>Figures have to be rounded to the nearest euro cents</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>In accordance with article 15.1 of the General Conditions a forecast budget for the subsequent 12 months period or of the remaining period (if it is shorter) have to be provided with any request for payment of further pre-financing instalment.</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) • following period = period of your budget for the following year (generally corresponds to a full year); 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. |

Annex VI to the Standard Grant Contract– Financial Reporting Templates 2010 PRAG (March 2011 update)

| FINANCIAL REPORTING TEMPLATE | EXPLANATION FROM THE FDR |
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| | <ul style="list-style-type: none"> 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. 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 4 “interim report” |
| SHEET 3: ADDENDA OR USE OF CONTINGENCIES | |
| To be filled in case of an addendum and/or when contingencies are used. | Should be completed only in the event of a modification that implies a variation of more than 15% of a heading or for use of the budgetary heading "Provision for contingency reserve» and must respectively be the subject of a formal amendment (art.9.1) or of prior written authorization of the EC (art.14.3). |
| SHEET 4 & 5 : INTERIM & 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> <p>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</p> <p>establish the exchange rates (local currency > €) to be used by having, for the period, the simple arithmetical average of the InforEuro exchange rate</p> <p>(i.e. sum the exchange rates of the months of the reporting period and divide the sum by the number of months)</p> <p>To ease the preparation of the reports, indications are provided on the relevant columns, FX= foreign currency</p> | <p>How to fill in sheet 4 “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/ addendum" present the TOTAL budget of the contract or the last amendment signed including all details (sub-headings, units.# units, unit costs) Column "Reallocations" should be completed for modifications that imply variations of less than 15% of a heading as foreseen in Article 9.2 of the General Conditions. This is not applicable to the “administrative costs” and “contingency reserve” and “Taxes” budget headings 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 “Any 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” (Art15.8 of GC). This average rate by currency must be 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. 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 units cannot be added. 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”. |

Annex VI to the Standard Grant Contract– Financial Reporting Templates 2010 PRAG (March 2011 update)

| FINANCIAL REPORTING TEMPLATE | EXPLANATION FROM THE FDR |
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| | <ul style="list-style-type: none"> • 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 previous 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. Please note that the obligation applies only to the entity receiving pre-financing directly from the Commission (not the implementing partners). • For the utilization and/or re-imbursement 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. • 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/addendum". 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 these variations, we only give you one possibility for illustration purpose: <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)</p> <p>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 %: $(120.000 / 100.000) \times 100 = 120$ ⇒ it means you have spent 20% more of the budget line</p> <p>Budgeted amount: 100.000 Spent amount : 80.000 Variation in %: $(80.000 / 100.000) \times 100 = 80$ ⇒ 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. |

Annex VI to the Standard Grant Contract– Financial Reporting Templates 2010 PRAG (March 2011 update)

| FINANCIAL REPORTING TEMPLATE | EXPLANATION FROM THE FDR |
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| | <p>This sheet may not match the table on sources of funding submitted and approved along with the project application.</p> <p>The financial contributions from other donors are to be distributed between:</p> <ul style="list-style-type: none"> • Applicant's financial contribution • Contribution(s) from other European Institutions or EU Member States, European public funds, contributions from other organisations, other public or private funds, etc • Direct revenue of the action (to be deducted or not according to art. 17.3) Example 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>Changes in the funding sources (e.g. replacing own fund with another donor’s contribution) is not forbidden and does not request an official amendment. The % of cofinancing has to respect in all cases the limits set in the Special Conditions.</p> <p>In kind contributions are indicated only for information purpose, without any figures, except if envisaged in the 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>Article 2.1 of General Conditions : <i>“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.”</i></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. The explanations and contextual information must be provided in the language of the Contract.</p> <p>The list of expenditure may be presented in the language of the organisation’s account, and does not have to be systematically translated into the language of the Contract. When the headings/items of the tables copied from the internal reporting are written in another language than the one of the Contract, a translation in the language of the Contract of the main items should be provided in order to allow the Contracting authority to verify it. This can be done globally in an annex or per heading, as it suits best the readability of the report</p> <p>In case of local languages, no systematic translation of supporting documents (purchase orders, procurement procedures, etc) is needed, but a lack of translation of the key parts could be seen as a major internal control weakness as this could lead to a lack of supervision at HQ level and could lead to possible subsequent audits. Translation costs are considered as eligible costs although certified translations are not necessary.</p> |

1. Scope of application and reference documents

1.1 Scope of application: what is at stake?

Since the coming into force of the new instruments under the 2007-2013 financial framework, taxes (i.e. indirect taxes such as value added taxes (VAT), customs and import duties, other fiscal charges and duties) have been considered ineligible costs under the Development Cooperation Instrument (DCI) and European Instrument for Democracy and Human Rights (EIDHR) legal bases: “*Community assistance shall not be used for paying taxes, duties or charges in beneficiary countries*”⁵. (Articles 25.2 and 13.6 of the DCI and EIDHR regulations respectively)

These regulations concern grants under:

- The “thematic programmes” of the Development Cooperation Instrument (DCI) :
 - Environment and sustainable management of natural resources including energy
 - Non-state actors and local authorities in development
 - Food security
 - Migration and asylum
 - Investing in people
- And the European Instrument for Democracy and Human Rights (EIDHR)

This effectively implied that grant beneficiaries (including their partners, if applicable) unable to obtain full tax exemptions in the country of operation, were faced with taxes, including VAT, that could be considered as ineligible costs when reporting to the EU, and this despite the fact that these costs could not be reclaimed. As such, the issue became a growing concern for both CSOs and CONCORD.

What has been done so far?

CONCORD flagged the issue informally as early as 2008 and formally since 2009. In September 2010, CONCORD and the Human Rights and Democracy Network (HRDN) jointly lodged a complaint to the European Ombudsman on this issue. Since then, the Ombudsman has opened a case and asked the European Commission (EC) to answer to our official complaints. The EC answered back end of March 2011 and CONCORD’s final response to the EC’s opinion on the complaint was sent to the Ombudsman on the 27th of April 2011.

On the 31st of August 2011, the Ombudsman closed the case considering that the Commission had not committed any instance of maladministration, and that there were no grounds to conduct further inquiries. CONCORD consequently wrote to the Commissioner for Development, Mr Andris PIEBALGS, to specify that while CONCORD recognised the constructive dialogue with the EC, during all the phases of the complaint, we could not accept the conclusions of the Ombudsman.

Current situation

On the 31st of December 2011, the amendments to DCI and EIDHR legal bases entered into force, which allow for the possibility of making VAT eligible (if unrecoverable): “Union assistance shall not in principle be used for paying taxes, duties or charges in beneficiary countries”. Unfortunately these amendments do not have a retroactive effect. So only calls launched under DCI and EIDHR from that date onwards will consider unrecoverable VAT as an eligible cost.

⁵ Beneficiary country: “The country or state outside the European Union with which the European Union has an agreed programme of cooperation.” PRAG 2010 general Annex 1 Glossary of terms

This means that VAT is still ineligible for EIDHR and DCI calls launched and contracts signed prior to the 31st of December 2011. However for these calls where VAT is an ineligible cost, the 2010 version of the Practical Guide to Contract procedures for EU external actions (PRAG) published in November 2010 and the following versions (March 2011 update and 2012) allow grant recipients to charge unrecoverable taxes to their co-financing contribution (accepted cost system).

2. Applicable tax regime, and required documentation


2.1 Are unrecoverable taxes eligible costs in the call I am applying for?

In order to check if unrecoverable taxes may be considered as eligible costs, CSOs should first identify the funding instrument or programme to which they are applying. This information is in the notice of the call for proposal to which you applied, available at: <https://webgate.ec.europa.eu/europeaid/online-services/index.cfm?ADSSChck=1304340287628&do=publi.welcome&userlanguage=en>

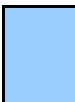
Eligibility of VAT within DEVCO's Funding instruments 2007-2013

| | |
|---------------------|--|
| | Instrument for stability |
| | Nuclear Safety Co-operation Instrument (NSCI) |
| | European Neighbourhood and Partnership Instrument (ENPI) (*) |
| | European Development Fund (EDF) (*) |
| | Instrument for Pre-Accession Assistance (IPA) (*) |
| | European Instrument for Democracy & Human Rights (EIDHR) (*) & (**) |
| | Development Cooperation Instrument (DCI) (*) & (**) |
| Thematic programmes | Investing in people |
| | Migration and asylum |
| | Food security |
| | Non-state actors and local authorities in development |
| | Environment and sustainable management of natural resources including energy |

Caption :

 Funding instrument or programme where the legal bases considers that taxes in beneficiary countries are **ineligible** to EC funding, even when the grant beneficiary cannot reclaim them.

(**) On 31/12/2011, DCI and EIDHR legal bases were amended to allow for the possibility to consider taxes in beneficiary countries **eligible**.

 Funding instruments or programme where the legal bases allow for the possibility to consider taxes in beneficiary countries **eligible** where the grant beneficiary can show it cannot reclaim them.

(*) Although the legal bases or amendments of these funding instruments or programme consider taxes as an eligible cost, Financing Agreements (FA) signed before January 2011 with beneficiary countries can in some cases consider taxes as ineligible costs.

For calls launched prior to December 31st 2011 under DCI and EIDHR legal bases, taxes are ineligible and may usually be considered as part of the **accepted costs** (i.e. co-financing share of the beneficiary), if the CSO can demonstrate it cannot reclaim them.

Under other funding instruments and for calls launched as of the 31st of December 2011 under DCI and EIDHR, taxes may be in principle eligible costs and will therefore be included in the **total eligible costs**, if the CSO can demonstrate it cannot reclaim them.

2.2 What is the difference between eligible and accepted costs?

The PRAG 2010 introduces the new concept of **accepted costs**. Accepted costs are composed of:

1. The total eligible costs(heading 11) which break down in the following manner:

- **Total direct eligible costs** (heading 1 to 6) incurred by the grant beneficiary which meet all the criteria of Article 14 of the general conditions
- **Administrative costs** (heading 10): up to 7% of the total direct eligible costs.

The basis of calculation of the administrative costs does not include ineligible taxes (heading 12).

2. Taxes (heading 12): indirect taxes such as value added taxes, customs and import duties, other fiscal charges and duties. This **should only be filled in where the applicable legal base excludes their financing or the Special Conditions of the Grant Contract (i.e. DCI and EIDHR calls launched before 31/12/2011)** and the grant beneficiary (or where applicable, its partners) can show it cannot reclaim them. Direct taxes such as taxes on salaries are considered as eligible costs and can be included under heading 1 of the budget, "Human Resources".

Under funding instruments and DCI/EIDHR calls launched as of 31/12/2011 where taxes are in principle eligible (see

list on page 2), unrecoverable taxes may be included as eligible costs within the relevant heading of the expenditure as long as the grant beneficiary can demonstrate it cannot reclaim them.

Consequently when the Special conditions allow for the eligibility of taxes, "heading 12" on Taxes and Total accepted costs are not filled out under these other funding instruments and DCI/EIDHR calls launched after 31/12/2011, and reference is only made to Total eligible costs.

DCI / EIDHR calls launched before 31/12/2011:

⇒ Eligible costs + taxes = Accepted costs

Other Funding instruments and DCI/EIDHR calls launched as of 31/12/2011:

⇒ Only Eligible costs

2.3 What is the Tax regime applicable to a call for proposals?

Since the entry into force of the 2010 PRAG and in the following versions (2011 and 2012), each call for proposals must provide the applicable tax regime in "**Annex J: Information on the tax regime applicable to grant contracts**".

http://ec.europa.eu/europeaid/work/procedures/implementation/grants/documents/e3_a_1_guidelines_annexj_en.doc

This document identifies if the **EC has signed an agreement with the beneficiary country(ies) for partial or full exemption of taxes**. More specific information such as details of the competent tax authority of the beneficiary country(ies) and of exemption procedures (for example, the required formalities, the scheme for ex ante exemption or ex post reimbursement, etc.) may be added by the EU Delegation. This information can be very useful for your tax exemption process with the relevant authorities.

For regional calls this information will not be compiled in annex J. It is up to each applicant to contact individual delegations in their countries of operations.

In the event this annex is not published with the call for proposals, CONCORD advises grant applicants to contact the EU Delegation (up to 21 days before the call for proposal's deadline) and to request this annex. The Delegation should then publish a corrigendum to the call.

2.4 How should CSOs document unrecoverable taxes?

In all cases (whether taxes are eligible or ineligible), CSOs (and their partners if applicable) must document the fact that they cannot recover taxes nor obtain an exemption under the applicable national law. This proof does not need to be submitted to the EU Delegation but must be available to auditors during the expenditure verification report or audit.

Article 3.6 of the Terms of Reference for an expenditure verification report:

"The Auditor verifies that the expenditure for a selected item does not concern an ineligible cost as described in Article 14.6 of the General Conditions. The Auditor verifies whether expenditure includes certain taxes, including VAT. If this is the case the Auditor verifies that the Beneficiary (or, where applicable the partners) cannot reclaim these taxes through an exemption system and/or a refund a posteriori. If this is the case, taxes can be considered as eligible costs, provided that the basic act which finances the EU-contribution does not exclude payment of taxes."

CONCORD recommends CSOs to clarify with their audit firm the validity of the proof supporting documents when drafting the terms of reference of the expenditure verification report.

Valid types of supporting documents are listed in Annex J as follows:

- ✓ **"official document from the competent tax authority"** stating that the entity is not entitled to reclaim taxes incurred for the activities in question (and that this does not depend on the simple fact that it does not wish to be subject to VAT). This official document may be a **specific declaration or a refused claim** for reimbursement by the competent tax authority.

- ✓ **entity's annual accounts complemented**, if deemed necessary by the Contracting Authority, for example by an extract of the national VAT tax law **showing that the entity does not have to account for VAT**, a declaration of honor from the entity concerned accompanied by an expert statement (e.g. by a lawyer, auditor etc). »

Article 16.3 of the General Conditions has also been updated in this way: *"In addition to the reports mentioned in Article 2, the documents referred to in Article 16.2 include: (...) Proof that taxes and/or VAT that have been paid cannot actually be reclaimed;"*

In practice there are many countries where the tax authorities are not working efficiently or where they simply do not respond. In these cases, **CONCORD recommends CSOs to seek advice and support from the local EU Delegation. CSOs can also clarify with the Delegation how often the proof should be renewed.**

2.5 What are the exceptions to the proof obligation?

The exceptions to the proof obligation are determined by each EU Delegation when launching the call for proposals. They are listed in annex J ("Information on the tax regime applicable to grant contracts") of the call as follows:

*"a) **Low value taxes:** no proof must be provided for taxes for expenses where the amount of **taxes per invoice is less than EUR 200, within a maximum of EUR 2 500 per contract**, representing not more than 5% of the Contracting Authority's contribution."*

Auditors during the expenditure verification report will verify that the threshold has been respected, in which case no further proof will be required.

*"b) **Reimbursement of local expenses, including all taxes:** the following cases may be considered as proof that the grant Beneficiary has initiated the necessary steps to obtain exemption or recovery of taxes from the competent authorities (all the following conditions must be met):*

- i) *Where the grant Beneficiary demonstrates that **the steps necessary for recovery of taxes oblige him to incur costs in a country where it only performs the relevant operations on an ad hoc and isolated basis**;*
- ii) ***These costs for recovery** (e.g., registration fees in the country or the costs for appointing a tax representative, declaration fees, etc.) **clearly exceed the amount of the taxes declared** to the Contracting Authority.”*

Both conditions have to be met in order to obtain this exception. CSOs with permanent operations in a country facing similar difficulties and high costs for recovery should raise the issue with the Delegation to determine whether their situation fits in the conditions set out.

*“c) **crisis situation**: no proof must be provided where a country has been declared in crisis situation or in the need for emergency and post-emergency assistance by the European Commission up to publication of guidelines (or corrigendum) and as long as the country remains in such a situation. [for restricted procedures: Grant applicants that are invited to submit a full proposal will be informed whether the concerned country(ies) by their proposal has (have) been declared in crisis].”*

The list of countries in a crisis situation is not published by the EC. Individual applicants are informed at full proposal stage.

*“d) **Projects for the protection of fundamental rights of peoples**: In the context of projects with a human rights dimension, it is understood that in these cases an attempt to recover taxes is not necessarily possible, by virtue of the nature of the project and/or the context of the intervention].”*

The scope of this paragraph covers all projects under EIDHR and other human rights related projects. If this paragraph is not included, CSOs should contact the Delegation in order to incorporate it in annex J, through the publication of an addendum to the call.

*“The Beneficiary shall prove that the above requirements are met at the latest **when submitting the final report.**”*

CONCORD recommends CSOs to seek advice and support from the local EU Delegation for determining if an exception to the proof obligation applies.

3. Budgeting separately for taxes

The new budget and financial report templates reflect the 2010 special conditions of the standard grant contract. These templates now distinguish between:

- **Budget heading 11- Total eligible costs composed of:**
 - **Budget heading 9 - Total direct eligible costs** incurred by the grant beneficiary which meet all the criteria of Article 14 of the general conditions.
 - **Budget Heading 10 - Administrative costs**: up to 7% of total direct eligible costs. The basis of calculation of the administrative costs does not include ineligible taxes (heading 12).
- **Budget heading 12 - Taxes**: indirect taxes such as value added taxes, customs and import duties, other fiscal charges and duties. This **should only be filled in where the applicable legal base excludes their financing (DCI and EIDHR calls launched prior to December 31st 2011)** and the grant beneficiary (or where applicable, its partners) can show it cannot reclaim them. Direct taxes (such as taxes on salaries) should not be included here.
- **Budget heading 13 - Total accepted costs** = total eligible costs (11) + taxes (12), including VAT, where the beneficiary can show it cannot reclaim them (unless one of the exceptions to the proof obligation applies).

3.1 When do I need to budget separately for taxes?

For calls launched prior to December 31st 2011 under DCI and EIDHR legal bases, taxes are not eligible and must now be identified under heading 12 "Taxes" as part of the total accepted costs.

Under other funding instruments and for calls launched as of the 31st of December 2011 under DCI and EIDHR, taxes may be considered eligible if the applicant can demonstrate it cannot reclaim them. Consequently "heading 12" on Taxes and Total accepted costs are not filled out, and reference is only made to Total eligible costs.

3.2 How to budget separately for taxes?

Budgeting accurately for taxes can be very difficult. It depends on a variety of factors, some of which will not be known at the proposal stage or may change during the course of the action:

- Different VAT rates
- Nature of costs subject to VAT
- Complexity of the local tax legislation
- Country of procurement of the goods and services
- Etc...

Therefore budgeting for taxes can only represent (as for other costs) the best estimate that an applicant can make at proposal stage, based on:

- identified line items for which it is known that taxes must be paid, and
- a rough estimate for taxes paid on other line items.

For calls launched prior to December 31st 2011 under DCI and EIDHR legal bases, all unrecoverable indirect taxes (including VAT), should be included in heading 12-Taxes. All direct taxes such as taxes on salaries for instance should be included within the relevant heading of the expenditure in direct costs, human resources in our example.

Under other funding instruments and for calls launched as of the 31st of December 2011 under DCI and EIDHR where taxes are considered as eligible costs, direct and indirect taxes should be included within the heading of the expenditure in direct costs.

4. The new approach to co-financing

For calls launched prior to December 31st 2011 under DCI and EIDHR legal bases where taxes have been considered ineligible costs, the percentage of EC co-financing can be applied to the "accepted" costs of the action (heading 13). However these costs will fall within the co-financing share of the grant beneficiary. Therefore, two (maximum) EC co-financing rates are specified in each call for proposals:

- **% of total eligible costs.** This is used to calculate the actual amount of the EC-contribution. The maximum rate should always reach 100% in the case taxes are ineligible⁶.
- **% of total accepted costs.** This is used to calculate the required amount of co-financing by the grant beneficiary. If the co-financing amount does not reach the minimum percentage fixed in the contract, then the EC contribution will be reduced proportionately.

In this new approach to co-financing the % of total eligible costs should always be higher than the % on the total accepted costs.

⁶ See footnote 1 of Guidelines template: «Indicate 100% in the case (i) where the basic act/financing agreement with the Beneficiary country (if there is one) exclude financing of taxes and the grant beneficiary can show it cannot reclaim them and where a second percentage based on the estimated total accepted costs of the action must be fixed, or (ii) where there is an exception for financing in full. In all other cases, indicate the percentage derived from the action fiche»

Where taxes are ineligible, CONCORD recommends CSOs to check that the call for proposal includes these two co-financing rates and that the % on eligible costs always reaches 100%, and is in any case higher than the one on accepted cost. If not an addendum to the call should be published by the Delegation

Please note that:

=> The EC will never fund under its contribution share costs under heading 12 –Taxes.

The EC only offers grant beneficiaries the possibility to show these costs as part of their co-financing share. Consequently, the EC co-financing rate applied to eligible costs (up to 100%) should always be higher than the one applied to accepted costs.

=> The former rule on the calculation of the EC contribution still applies:

- The amount of the grant may never exceed the maximum amount laid down in article 3.2 of the special conditions, even if the actual costs of the action are higher (article 17.1 of the General Conditions).

On the contrary, if the total costs at the end of the action are lower than initially forecasted, the EC will apply the percentage rule to the amount actually spent: therefore the EC grant will be reduced accordingly (article 17.2 of the General Conditions).

4.1 How to calculate the EC and grant beneficiary contributions?

4.1.1 At budgeting stage:

The steps to follow in order to calculate the EC contribution to the Action are:

Step 1 - Calculate the Maximum EC contribution on accepted costs

Step 2 - Calculate the Maximum EC contribution on eligible costs

Step 3 - Check the maximum EC grant amount in the call

Step 4 - Amount requested to the EC: lowest between 1, 2 and 3

Step 5 - Calculate the co-financing share of the grant beneficiary

Example : Call for proposals information :

| | |
|---|---------|
| Maximum % EC contribution on eligible costs | 95% |
| Maximum % EC contribution on accepted costs | 80% |
| Maximum grant amount | 900 000 |

| | Budget |
|---|------------------|
| 9. Total direct eligible costs of the Action (7+ 8) | 1 000 000 |
| 10. Administrative costs | 70 000 |
| 11. Total eligible costs (9+10) | 1 070 000 |
| 12. Taxes | 25 000 |
| 13. Total accepted costs of the Action (11+12) | 1 095 000 |

| | |
|---|-----------|
| 1 - Maximum EC contribution on accepted costs | |
| Total accepted costs x % of EC contribution on accepted costs : 80 % x 1 095 000 | 876 000 |
| 2 - Maximum EC contribution on eligible costs | |
| Total eligible costs x % of EC contribution on eligible costs : 95 % x 1 070 000 | 1 016 500 |
| 3 - Check the maximum EC grant amount in the call | |
| | 900 000 |

| | | |
|---|---------------------|---------|
| 4 - Amount requested to the EC: | | |
| Take the lowest between 1, 2 and 3 | | 876 000 |
| 5 - Co-financing share of the grant beneficiary | | |
| Total accepted costs – EU contribution : | 1 095 000 – 876 000 | 195 000 |

The amount requested to the EC will be 876 000 Euros representing 81.87% of eligible costs and the maximum of 80% of accepted costs.

4.1.2 At reporting stage:

The grant is now signed and special conditions stipulate in article 3.2 : *“The Contracting Authority undertakes to finance a maximum of 876 000 EURO equivalent to 81.87% of the estimated total eligible cost of the Action specified in paragraph 1 (1 070 000 EURO). The Contracting Authority’s contribution is further limited to 80% of the estimated total accepted costs of the Action.”*

The steps to follow in order to calculate the EC contribution are:

Step 1 - Calculate the Maximum EC contribution on accepted costs

Step 2 - Calculate the Maximum EC contribution on eligible costs

Step 3 - Maximum EC contribution in the contract

Step 4 – EC final contribution: lowest contribution between 1, 2 and 3

Step 5 - Calculate the co-financing share of the grant beneficiary

We will use 6 different examples of final reports based on the call for proposal detailed in the above paragraph:

Final report 1: Taxes overspent

Eligible costs are entirely spent but taxes are overspent by 20 000 €

The EC contribution **cannot cover cost from heading 12** and is limited to the amount set forth in article 3.2 of the grant : 876 000 €.

The co-financing share of the grant beneficiary consequently covers entirely the additional tax costs (+20 000 €).

Final report 2: Taxes underspent

Eligible costs are entirely spent but taxes are underspent by 10 000 €.

Even though taxes have been underspent, the **grant beneficiary must meet its cost sharing obligation** which is determined by the co-financing rate on accepted costs: 80 % EC and 20% grant beneficiary.

The lower level of taxes (- 10 000 €) in the final report consequently impacts both contributions proportionally:

- 8 000 € for the EC and - 2 000 € for the grant beneficiary.

Final report 3: Eligible costs overspent

Eligible costs have been overspent by 21 400 € and taxes entirely spent.

Even though the actual eligible costs are higher, the amount of **the grant may never exceed the maximum amount laid down in article 3.2** : 876 000 €. The difference is covered by the grant beneficiary co-financing share (+ 21 400 €)

Final report 4: Eligible costs underspent

Eligible costs have been underspent by 21 400 € and taxes entirely spent

The total eligible costs at the end of the action are lower than initially forecasted, the **EC will apply the percentage rule on the actual eligible costs** and reduces its contribution accordingly.

The lower level of eligible costs (- 21 400 €) in the final report consequently impacts both contributions proportionally:

- 17 511€ for the EC and - 3 889 € for the grant beneficiary.

Final report 5: Eligible and taxes overspent

Eligible costs (+ 21 400€) and taxes (+20 000€) have been overspent.

Even though the actual eligible costs are higher, **the amount of the grant may never exceed the maximum amount laid down in article 3.2** : 876 000 €. Moreover **the EC contribution cannot cover cost from heading 12.**

The co-financing share from the grant beneficiary consequently increases by 41 400€

Final report 6: Eligible and taxes underspent

Eligible costs (-21 400 €) and taxes (- 10 000 €) have been underspent.

The total eligible costs at the end of the action are lower than initially forecasted, the **EC will apply the percentage rule on the actual eligible costs** and reduces its contribution accordingly.

Moreover, even though taxes have been underspent, the **grant beneficiary must meet its cost sharing obligation** which is determined by the co-financing rate on accepted costs: 80 % EC and 20% grant beneficiary

Consequently the EC contribution is reduced by - 25 120 € and the grant beneficiary's co-financing share by - 6 280€

From the analysis of these case studies, CONCORD recommends CSOs to have a prudent approach when budgeting heading 12, as underspending on taxes has a negative impact on the EC contribution.

Underspending Taxes within budget heading 12 indirectly reduces the EC contribution as the grant beneficiary must meet its co-financing obligation determined by the % of EC contribution on accepted costs.

While on the contrary, over spending of Taxes within budget heading 12 allows keeping the maximum EC contribution and only impacts the co-financing share of the grant beneficiary.

Contract information (article 3.2 of the special conditions)

| | |
|---|---------|
| % EC contribution on eligible costs | 81,87% |
| Maximum % EC contribution on accepted costs | 80% |
| Amount of the EC contribution | 876 000 |

| | Final Report 1 | Final Report 2 | Final Report 3 | Final Report 4 | Final Report 5 | Final Report 6 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| 9. Total direct eligible costs of the Action (7+ 8) | 1 000 000 | 1 000 000 | 1 020 000 | 980 000 | 1 020 000 | 980 000 |
| 10. Administrative costs | 70 000 | 70 000 | 71 400 | 68 600 | 71 400 | 68 600 |
| 11. Total eligible costs (9+10) | 1 070 000 | 1 070 000 | 1 091 400 | 1 048 600 | 1 091 400 | 1 048 600 |
| 12. Taxes | 45 000 | 15 000 | 25 000 | 25 000 | 45 000 | 15 000 |
| 13. Total accepted costs of the Action (11+12) | 1 115 000 | 1 085 000 | 1 116 400 | 1 073 600 | 1 136 400 | 1 063 600 |

| | | | | | | |
|--|---------|---------|---------|---------|---------|---------|
| 1 - Maximum EC contribution on accepted costs | | | | | | |
| Total accepted costs x % of EC contribution on accepted costs | 892 000 | 868 000 | 893 120 | 858 880 | 909 120 | 850 880 |
| 2 - Maximum EC contribution on eligible costs | | | | | | |
| Total eligible costs x % of EC contribution on eligible costs | 876 009 | 876 009 | 893 529 | 858 489 | 893 529 | 858 489 |
| 3 - Maximum EC contribution in the contract | | | | | | |
| Maximum grant laid down in article 3.2 of the special conditions | 876 000 | 876 000 | 876 000 | 876 000 | 876 000 | 876 000 |
| 4 - Final EC contribution | | | | | | |
| Take the lowest contribution between 1 , 2 and 3 | 876 000 | 868 000 | 876 000 | 858 489 | 876 000 | 850 880 |
| 5 - Co-financing share of the grant beneficiary | | | | | | |
| Total accepted costs – EU contribution | 239 000 | 217 000 | 240 400 | 215 111 | 260 400 | 212 720 |

5. CONCORD's recommendations

CONCORD strongly recommends CSOs to obtain, if possible, a general tax exemption (especially VAT) from the concerned country.

CONCORD emphasizes the need to document these official procedures in all cases (exemption or not).

CONCORD recommends each CSO to obtain "Annex J: Information on the tax regime applicable to grant contracts" for every call for proposals it answers in order to check the applicable tax regime, and exceptions to the proof obligation.

Where taxes are ineligible, CONCORD recommends CSOs to check that the call for proposal includes the two co-financing rates and that the % on eligible costs always reaches 100%, and is in any case higher than the one on accepted cost. If not an addendum to the call should be published by the Delegation.

CONCORD advises CSOs to try to obtain the support of the local EU Delegation in these procedures, in particular in countries where governments are not receptive. This would hopefully help the process but also raise awareness about the difficulties encountered by CSOs in the tax exemption process.

Finally CONCORD recommends CSOs to be prudent when budgeting taxes within heading 12 as underspending on taxes has a negative impact on the EC contribution.

6. Reference documents

Development Cooperation Instrument initial legal bases is available at:

http://ec.europa.eu/europeaid/work/procedures/legislation/legal_bases/documents/dci_en.pdf

Development Cooperation Instrument amendment on taxes is available at:

http://ec.europa.eu/europeaid/work/procedures/legislation/legal_bases/documents/1339_2011_amendment_dci_en.pdf

Instrument for the Promotion of Democracy and Human Rights initial legal bases is available at:

http://ec.europa.eu/europeaid/work/procedures/legislation/legal_bases/documents/human_rights_en.pdf

Instrument for the Promotion of Democracy and Human Rights amendment on taxes is available at:

http://ec.europa.eu/europeaid/work/procedures/legislation/legal_bases/documents/1340_2011_amendment_eidhr_en.pdf

The **2010 PRAG** is available at:

http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/previous_versions/november_2010/index_en.htm

The **2011 PRAG** is available at:

http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/previous_versions/2011/index_en.htm

The **2012 PRAG** is available at:

<http://ec.europa.eu/europeaid/eprag/document.do?locale=en>

In addition to the PRAG, EuropeAid also has created an internal guide, for the benefit of the Commission staff managing external aid projects. Following the revision of this internal guide (named "Companion") in January 2011, a new chapter 7.5.4 was inserted to provide further assistance in the field of tax regimes applicable to EU financed contracts: **"Treatment of taxes in the area of EU external action"**. (attached)

In its FAQ's the EC has published a note on **"New co-financing approach in grants"** available at:
http://ec.europa.eu/europeaid/work/procedures/faq/documents/faqs_on_the_new_co_en.pdf

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 :

| CALENDAR | OPERATIONS |
|-------------------------------------|---|
| Date A | Sending by the NGO of: <ul style="list-style-type: none"> - the Contract signed by both parties, - 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:

| 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, - forecast budget for the subsequent (12 months) period - 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 reception of the documents by the EC, 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 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> <p>The interest shall be payable for the time elapsed between the</p> |

| | |
|--|---|
| | 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
 For contracts within the 2008, 2010 and 2012 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.

CHANGES TO THE RULES FOR GRANTS 2010 PRAG (MARCH 2011 UPDATE)

Open or restricted call for proposals – Article 6.3.1.2

- Since PRAG November 2010, calls for proposals are by default restricted i.e. applicants submit in the first stage only a concept note of the project. Applicants shortlisted in the concept note stage are invited to submit a full proposal including required annexes (detailed budget for the action, LFA matrix, partnership declarations). The elements of the concept note may not be significantly modified in the full application form; eventual modifications may regard only e.g. adjustments in activities such as number of seminars but should not regard e.g. project purpose or expected results.
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- In exceptional cases, calls for proposals may be open, i.e. applicants submit a full proposal with annexes in one stage. However, also in these cases concept notes are evaluated first and thereafter an evaluation of the full proposal will be carried out for the pre-selected concept notes.
- Although in the concept note phase a detailed budget is not required, it is worth mentioning that the applicant has to provide an estimate of the overall budget already at this stage. The EU contribution sought by the European Commission or EU Delegation may not vary from the initial budget estimate in the concept note to the full application by more than 20 %.

Evaluation of the concept note - Article 6.4.8.3

- The concept notes submitted within the deadline and which satisfy the formal criteria will be evaluated according to the relevance and size of the action on the basis of the evaluation grid. The evaluation of the relevance includes an assessment of the compliance of the project to the objectives and priorities identified in the guidelines for applicants of the call for proposals. The relevance of the proposal to the specific needs of the beneficiary country as well as the selection of beneficiary groups and other stakeholders will be assessed as well. In the evaluation, major importance will be given to the relevance of the proposal to the objectives and priorities of the call for proposals and to the needs and constraints of the beneficiary country. Therefore, the scores in these points will be multiplied by 2.
- At concept note phase the minimum score required for full proposal phase is 30/50. After the evaluation of the concept note, the applicant will receive from the Contracting Authority a letter stating the results.

Verification of eligibility (Missing Supporting Documents) - Article 6.4.8.5

- The eligibility of the applicant is assessed by examining the Declaration by the applicant, the supporting documents and the criteria established in the Guidelines for Applicants. The applicant has to provide the documents and relevant information which support the Declaration. In general, this information is provided in the PADOR profile of the organisation and in the application form.
- The Guidelines for Applicants establish the following criteria related to the applicant: legal personality, requirement of non-profit making, type of organisation (e.g. non-governmental), nationality as well as the requirement to be directly responsible for the action.

The non-compliance with the eligibility criteria may lead to the rejection of the proposal on that sole basis.