

# GRANT CONTRACT - EXTERNAL ACTIONS OF THE EUROPEAN COMMUNITY -

062-381

The European Community, represented by the Commission of the European Communities,  
 ("the Contracting Authority")

of the one part,

and

Associazione Amici dei Bambini, with its office at Via Giacomo Frassi, 19 - Milano - I-20077; VAT  
 n°: 92504680155 ("the Beneficiary")

of the other part,

have agreed as follows:

## Special conditions

### Article 1 - Purpose

- 1.1 The purpose of this contract is the award of a grant by the Contracting Authority for the implementation of the Action entitled: *De-institutionalisation of children in Public Care and promotion of the social and family reinsertion* ("the Action").
- 1.2 The Beneficiary will be awarded the grant on the terms and conditions set out in this contract, which consists of these special conditions ("Special Conditions") and the annexes, which the Beneficiary hereby declares it has noted and accepted.
- 1.3 The Beneficiary accepts the grant and undertakes to carry out the Action under its own responsibility.

### Article 2 - Implementation period of the Action

- 2.1 This contract shall enter into force on the date when the last of the two Parties signs.
- 2.2 Implementation of the Action shall begin on the day following that on which the last of the two Parties signs.
- 2.3 The Action's implementation period, as laid down in Annex I, is **24** months.

### Article 3 - Financing the Action

- 3.1 The total cost of the Action eligible for financing by the Contracting Authority is estimated at € **190.749** as set out in Annex III.
- 3.2 The Contracting Authority undertakes to finance a maximum of € **149.749** equivalent to 78,50 % of the estimated total eligible cost specified in paragraph 1; the final amount shall be established in accordance with Article 17 of Annex II.

#### **Article 4 - Technical and financial reporting and payment arrangements**

4.1 Technical and financial reports shall be produced in support of payment requests, in compliance with Articles 2 and 15.1 of Annex II.

4.2 Payment will be made in accordance with Article 15 of Annex II. Of the options referred to in Article 15.1, the following will apply:

First instalment of pre-financing (80% of the part of the forecast budget for the first 12 months of implementation financed by the Contracting Authority): € 57.311

Second instalment of pre-financing: € 77.463

Forecast final payment (subject to the provisions of Annex II): € 14.975

#### **Article 5 - Contact addresses**

Any communication relating to this contract must be in writing, state the number and title of the Action and be sent to the following addresses:

##### For the Contracting Authority

Payment requests and attached reports, including requests for changes of bank account arrangements should be sent to:

European Commission  
EuropeAid Cooperation Office  
For the attention of the Finance Unit A6  
L41 - 4/110  
Rue de Genève 1  
B-1049 Brussels  
Belgium  
Fax: (+32-2) 296 03 07

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

European Commission  
EuropeAid Cooperation Office  
For the attention of the Management Unit A2  
L41 - 2/17  
Rue de Genève 1  
B-1049 Brussels  
Belgium  
Fax: (+32-2) 295 74 82

A copy of the reports referred to in Article 4.1 must be sent to the European Commission Delegation in charge of monitoring the Action, at the following address:

Delegation of the European Commission to Ukraine  
For the Attention of the Contracts and Finance Section  
Kruhlouniversitetska 10  
UA - 01024 Kyiv  
UKRAINE  
Fax: (+380-44) 462 09 20

For the Beneficiary

Associazione Amici dei Bambini  
Attn.: [REDACTED], Project Co-ordinator  
Via per Melegnano, 10  
Mezzano di San Giuliano Milanese (Milano)  
I-20098

Tel.: 390-2-988-221  
Fax: 390-2-98,23,26,11

**Article 6 - Annexes**

6.1 The following documents are annexed to these Special Conditions and form an integral part of the contract:

- Annex I: Description of the Action
- Annex II: General Conditions applicable to European Community-financed grant contracts for external Actions
- Annex III: Budget for the Action
- Annex IV: Contract-award procedures
- Annex V: Standard request for payment and financial identification form
- Annex VI: Model audit certificate

6.2 In the event of conflict between the provisions of the Annexes and those of the Special Conditions, the provisions of the Special Conditions shall take precedence. In the event of conflict between the provisions of Annex II and those of the other annexes, those of Annex II shall take precedence.

**Article 7 - Other specific conditions applying to the Action**

7.1 The General Conditions are supplemented by the following:

7.1.1 The audit firm which will carry out the audit referred to in Article 15.6 of Annex II is

Reconta Ernst & Young spa  
Via XX Settembre, 42  
16121 Genova  
Italy

Tel. : +39-010-53 08 111  
Fax : +39-010-58 86 36

Done at Brussels in three originals in the English language, two of them for the Contracting Authority and one for the Beneficiary.

For the Beneficiary



(Name and title of the individual(s)  
authorised to sign)

Signature

Date 31 DEC. 2003

For the Contracting Authority



AIDCO/A/3

.....



Signature



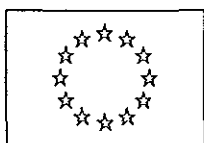
Procurement Co-ordinator

Signature

Date 11 DEC. 2003



14/01/04



EUROPEAN COMMISSION  
EuropeAid Co-operation Office

Europe, Caucasus, Central Asia  
Financing, Contracts and Audits

Annex II :

General Conditions

applicable to European Community

Grant Contracts for external aid

## ANNEX II

### General Conditions applicable to European Community-financed grant contracts for external actions

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## GENERAL AND ADMINISTRATIVE PROVISIONS

### ARTICLE 1 - GENERAL OBLIGATIONS

- 1.1. The Beneficiary shall implement the Action under his own responsibility and in accordance with the Description of the Action in Annex I with a view to achieving the objectives laid down therein.
- 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.

- 1.3. The Beneficiary shall act alone or in partnership with one or more NGOs or other bodies identified in the Description of the Action. He may subcontract a limited portion of the Action (works and services). The bulk of the Action must, however, be undertaken by the Beneficiary and, where applicable, his partners.

If implementation of the Action involves the conclusion of contracts by the Beneficiary, the contract-award procedures and rules of nationality and origin set out in Annex IV shall apply.

The Contracting Authority does not acknowledge any contractual link between itself and the Beneficiary's partner(s) or subcontractors. The Beneficiary alone shall be accountable to the Contracting Authority for the implementation of the Action. He shall undertake that the conditions applicable to him under Articles 1, 3, 4, 5, 6, 7, 8, 10, 14, 16 and 17 shall also apply to his partners, and those applicable under Articles 1, 3, 4, 5, 6, 8 and 16 to all his contractors. He shall include provisions to that effect as appropriate in his contracts with them.

- 1.4. The Beneficiary and the Contracting Authority are the only parties (the "Parties") to this Contract. Where the European Commission is not the Contracting Authority, it is not Party to this Contract, which confers on it only the rights and obligations explicitly mentioned therein. Nevertheless it shall endorse the Contract to ensure the financing of the Contracting Authority's grant from the European Communities' budget<sup>1</sup>, and the provisions in this Contract on visibility shall apply accordingly.

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<sup>1</sup> Where a grant is financed by the European Development Fund, any mention of Community financing must be understood as referring to European Development Fund financing.

## ARTICLE 2 - OBLIGATION TO PROVIDE INFORMATION AND FINANCIAL AND TECHNICAL REPORTS

- 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 technical section and a financial section. They shall cover the Action as a whole, regardless of which part of it is financed by the Contracting Authority. The Contracting Authority may request additional information at any time and that information must be supplied within 30 days of the request.
- 2.2. Each interim report must provide a full account of all aspects of the Action's implementation for the period covered. The report shall be laid out in such a way as to allow comparison between on the one hand the objective(s), the means proposed, the results expected in the Description of the Action and the budget details for the Action and on the other hand the means employed, the costs incurred and the results obtained (using the indicators of achievement provided for in the Description of the Action). The report shall include a statement of the beneficiary's, and as the case may be each partner's, outlay for the period covered and a work plan the next phase of the Action's implementation.
- 2.3. The final report shall in addition contain a detailed description of the conditions in which the Action was carried out, information on the steps taken to ensure the visibility of EU financing, information with which to evaluate the Action's impact, the proof of the transfers of ownership referred to in Art 7.3 and a final statement of all the eligible costs of the Action, plus a full summary statement of the Action's income and expenditure and payments received.
- 2.4. The reports shall be drafted in the language of the Contract. They shall be submitted to the Contracting Authority at the following intervals:
  - A. 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;
  - B. if payments are made in accordance with option 2 of Article 15.1:
    - 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.

The deadline for submission of the final report is extended to six months where the Contracting Authority is a service at the headquarters of the European Commission.



- 2.5. The Special Conditions may stipulate that the Beneficiary must supply an extra copy of the reports for the European Commission Delegation in charge of monitoring the Action.
- 2.6. If the Beneficiary fails to supply the Contracting Authority with a final report by the final report deadline laid down in Article 2.4 and fails to furnish an acceptable and sufficient written explanation of the reasons why he is unable to comply with this obligation, the Contracting Authority may terminate the Contract in accordance with Article 12.2 a) and recover the amounts already paid and not substantiated.

Furthermore, where payments are made in accordance with option 2 of Article 15.1 and the Beneficiary fails to present an interim report and a request for payment by the end of each twelve-month period following the date laid down in Article 2.2 of the Special Conditions, the Beneficiary must inform the Contracting Authority of the reasons why he is unable to do so, and provide a summary of progress in the Action. If the Beneficiary fails to comply with this obligation, the Contracting Authority may terminate the Contract in accordance with Article 12.2 a) and recover the amounts already paid and not substantiated.

### ARTICLE 3 - LIABILITY

- 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. The Contracting Authority cannot therefore accept any claim for compensation or increases in payment in connection with such damage or injury.
- 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. 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.

### ARTICLE 4 - CONFLICT OF INTERESTS

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.

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.

**ARTICLE 5 - CONFIDENTIALITY**

Subject to Article 16, the Contracting Authority and the Beneficiary undertake to preserve the confidentiality of any document, information or other material communicated to them in confidence until at least seven years after the final payment. Where the European Commission is not the Contracting Authority it shall still have access to all documents communicated to the Contracting Authority and will maintain the same confidentiality.

**ARTICLE 6 - VISIBILITY**

- 6.1. Unless the European Commission agrees or requests otherwise, the Beneficiary must take all necessary steps to publicise the fact that the European Union has financed or cofinanced the Action. Such measures must comply with the relevant rules on the visibility of external actions laid down and published by the Commission.
- 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.
- 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."*
- 6.4. The Beneficiary authorises the Contracting Authority and the European Commission to publish his name and address, the purpose of the grant, the maximum amount of the grant and rate of funding of the Action's eligible costs, as laid down in the Article 3.2 of the Special Conditions. A derogation from publication of this information may be granted if it could endanger the Beneficiary or harm his commercial interests.

**ARTICLE 7 - OWNERSHIP/USE OF RESULTS AND EQUIPMENT**

- 7.1. Ownership of, and title and intellectual and industrial property rights to, the Action's results, reports and other documents relating to it shall be vested in the Beneficiary.
- 7.2. Notwithstanding the provisions of Article 7.1 and subject to Article 5, the Beneficiary grants the Contracting Authority (and the European Commission where it is not the Contracting Authority) the right to use freely and as it sees

fit all documents deriving from the Action, whatever their form, provided it does not thereby breach existing industrial and intellectual property rights.

- 7.3. By the end of the implementation of the Action, the equipment, vehicles and supplies paid for by the Budget for the Action must be transferred to any local partners of the Beneficiary or the final recipients of the Action. Copies of the title transfers must be attached to the final report.

#### ARTICLE 8 - EVALUATION OF THE ACTION

- 8.1. If the Commission carries out an interim or ex post evaluation, 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, and grant them the access rights described in Article 16.2.
- 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.

#### ARTICLE 9 - AMENDMENT OF THE CONTRACT

- 9.1. Any amendment to the Contract, including the annexes thereto, must be set out in writing in an addendum.

If an amendment is requested by the Beneficiary, he must submit that request to the Contracting Authority one month before the date on which the amendment should enter into force, unless there are special circumstances duly substantiated by the Beneficiary and accepted by the Contracting Authority.

- 9.2. However, where the amendment does not affect the basic purpose of the Action and the financial impact is limited to a transfer within the same budget heading, or a transfer between budget headings involving a variation of 15% or less of the amount originally entered under each relevant heading for eligible costs, the Beneficiary may apply the amendment and inform the Contracting Authority accordingly in writing. This method may not be used to amend the heading for administrative costs.

Changes of address, changes of bank account and changes of auditor may simply be notified, although this does not stop the Contracting Authority from opposing the Beneficiary's choice of bank account or auditor.

The Contracting Authority reserves the right to require that the auditor referred to in Article 7.1 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.

- 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.

**ARTICLE 10 - ASSIGNMENT**

The Contract and the payments attached to it may not be transferred or assigned to a third party in any manner whatsoever without the prior written consent of the Contracting Authority.

**ARTICLE 11 - IMPLEMENTATION PERIOD OF THE ACTION, EXTENSION, SUSPENSION, FORCE MAJEURE AND END DATE**

- 11.1. The implementation period of the Action is laid down in Article 2 of the Special Conditions. The Beneficiary must inform the Contracting Authority without delay of any circumstances likely to hamper or delay the implementation of the Action. The Beneficiary may request an extension of the Action's implementation period no later than one month before it ends. The request must be accompanied by all the supporting evidence needed for its appraisal.
- 11.2. The Beneficiary may suspend implementation of all or part of the Action if circumstances (chiefly force majeure) make it too difficult or dangerous to continue. The Beneficiary must inform the Contracting Authority without delay and provide all the necessary details. Each Party may terminate the Contract in accordance with Article 12.1. If the Contract is not terminated, the Beneficiary shall endeavour to minimise the time of its suspension and shall resume implementation once circumstances allow, and shall inform the Contracting Authority accordingly.
- 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, with the prior written approval of the Contracting Authority.
- 11.4. The implementation period of the Action shall be extended by a period equivalent to the length of suspension, without prejudice to amendments to the Contract that may be necessary to adapt the Action to the new implementing conditions.
- 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 contractors, 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 12.3, 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.

- 11.6. The payment obligations of the European Community under this Contract shall end 18 months after the implementation period laid down in Article 2 of the Special Conditions, unless the Contract is terminated under Article 12.

The Contracting Authority shall notify the Beneficiary of any postponement of the end date.

#### ARTICLE 12 - TERMINATION OF THE CONTRACT

- 12.1. If a Party believes that the Contract can no longer be executed effectively or appropriately, it shall consult the other Party. Failing agreement on a solution, either Party may terminate the Contract by serving two months' written notice, without being required to pay compensation.
- 12.2. The Contracting Authority may terminate the Contract, without giving notice and without paying compensation of any kind, where the Beneficiary:
- a) fails, without justification, to fulfil any of the obligations incumbent on him and, after being given notice by letter to comply with those obligations, still fails to do so or to furnish a satisfactory explanation within 30 days of sending of the letter;
  - b) is bankrupt or being wound up, is having its affairs administered by the courts, has entered into an arrangement with creditors, has suspended business activities, is the subject of proceedings concerning those matters or is in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
  - c) has been convicted of an offence concerning professional conduct by a judgement which has the force of *res judicata* or is guilty of grave professional misconduct proven by any justified means;
  - d) engages in any act of fraud or corruption or is involved in a criminal organisation or any other illegal activity detrimental to the Communities' financial interests: this also applies to the partners, contractors and agents of the Beneficiary;
  - e) changes legal personality, unless an addendum recording that fact is drawn up;
  - f) does not comply with Articles 4, 10 and 16;
  - g) makes false or incomplete statements to obtain the grant provided for in the Contract or provides reports that do not reflect reality.
- 12.3. 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.

- 12.4. However, in the event of wrongful termination of the Contract by the Beneficiary under Article 12.1 and in the cases specified in Article 12.2 d), e) and g), 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 his observations.
- 12.5. 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.
- 12.6. This Contract shall be terminated automatically if it has not given rise to any payment within three years of its signature.

#### **ARTICLE 13 - APPLICABLE LAW AND DISPUTE SETTLEMENT**

- 13.1. This Contract shall be governed by the law of the Contracting Authority or, where the Contracting Authority is the European Commission, by Belgian law.
- 13.2. The Parties shall do everything possible to settle amicably any dispute arising between them during implementation of this Contract. To that end, they shall communicate their positions and any solution that they consider possible in writing, and meet each other at either's request. A Party must reply to a request for an amicable settlement within 30 days. Once this period has expired, or if the attempt to reach amicable settlement has not produced agreement within 120 days of the first request, each Party may notify the other that it considers the procedure to have failed.
- 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.
- 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.

## FINANCIAL PROVISIONS

### ARTICLE 14 - ELIGIBLE COSTS

14.1. To be considered eligible as direct costs of the Action, costs must:

- be necessary for carrying out the Action, be provided for in the Contract and comply with the principles of sound financial management, in particular value for money and cost-effectiveness;
- have actually been incurred by the Beneficiary or his partners during the implementation period of the Action as defined in Article 2 of the Special Conditions, whatever the time of actual disbursement by the Beneficiary or a partner; this does not affect the eligibility of costs of the final audit;
- be recorded in the accounts or tax documents of the Beneficiary or his partners and be identifiable, verifiable and backed by originals of supporting evidence.

14.2. Subject to the above and where relevant to the provisions of Annex IV being respected, the following direct costs shall be eligible:

- the cost of staff assigned to the Action, corresponding to actual salaries plus social security charges and other remuneration-related costs; salaries and costs must not exceed those normally borne by the Beneficiary or his partners, as the case may be;
- travel and subsistence costs for staff taking part in the Action, provided they do not exceed those normally borne by the Beneficiary or his partners, as the case may be. Any flat-rate reimbursement must not exceed the scales approved annually by the European Commission;
- purchase costs for equipment (new or used) and services, provided they correspond to market rates;
- costs of consumables and supplies;
- 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);

14.3. The following costs shall not be considered eligible:

- debts and provisions for losses or debts;
- interest owed;
- items already financed in another framework;

- purchases of land or buildings, except where necessary for the direct implementation of the Action, in which case ownership must be transferred to the final recipients at the end of the Action;
- currency exchange losses;
- taxes, including VAT, unless the Beneficiary (or, where applicable, his partners) cannot reclaim and the applicable regulations authorise coverage of taxes.

- 14.4. A lump sum not exceeding 7% of the direct eligible costs of the Action may be claimed as indirect costs to cover the administrative overheads incurred by the Beneficiary for the Action.

Indirect costs are eligible provided that they do not include costs assigned to another heading of the Contract budget.

Indirect costs are ineligible if the Beneficiary receives in other respects an operating grant from the European Commission.

This Article 14.4 does not apply in the case of an operating grant.

- 14.5. Any contributions in kind made by the Beneficiary or his partners, which must be listed separately at Annex III, do not represent actual expenditure and are not eligible costs. They may not be treated as cofinancing by the Beneficiary.

However, the Beneficiary undertakes to make such contributions as stipulated in the Description of the Action.

#### ARTICLE 15 - PAYMENT AND INTEREST ON LATE PAYMENT

- 15.1. Payment procedures are set out in Article 4 of the Special Conditions and correspond to one of the three options below:

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

The Contracting Authority will pay the grant to the Beneficiary in the following manner:

- pre-financing of 80% of the sum referred to in Article 3.2 of the Special Conditions within 45 days of receipt by the Contracting Authority of:
  - the Contract signed by both parties,
  - a request for payment conforming to the model attached at Annex V, and
  - a financial guarantee if required under Article 15.7;
- the balance within 45 days of the Contracting Authority approving the final report in accordance with Article 15.2, accompanied by a request for payment of the balance conforming to the model in Annex V.



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

The Contracting Authority shall pay the grant to the Beneficiary in the following manner:

- 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, within 45 days of receipt by the Contracting Authority of :
  - the Contract signed by both Parties,
  - a request for payment conforming to the model in Annex V, and
  - a financial guarantee if required under Article 15.7;
- further pre-financing instalments of the amount specified in Article 4 of the Special Conditions within 45 days of the Contracting Authority approving an interim report in accordance with Article 15.2, accompanied by:
  - a request for payment conforming to the model in Annex V,
  - an audit report if required under Article 15.6,
  - a financial guarantee if required under Article 15.7;
- the balance within 45 days of the Contracting Authority approving the final report in accordance with Article 15.2, accompanied by:
  - a request for payment of the balance conforming to the model in Annex V,
  - an audit report in accordance with Article 15.6.

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 attested in the corresponding interim report and, where applicable, in an audit report as specified in Article 15.6. 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.

Option 3: All Actions

The grant shall be paid to the Beneficiary by the Contracting Authority in one payment within 45 days of the Contracting Authority approving the final report in accordance with Article 15.2, accompanied by:

- a request for payment of the balance conforming to the model in Annex V,
- an audit report if required under Article 15.6.

- 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.

The Contracting Authority may suspend the time-limit for approval of a report by notifying the Beneficiary that the report cannot be approved and that it finds it necessary to carry out additional checks. In such cases, the Contracting Authority may request clarification, alteration or additional information, which must be produced within 30 days of the request. The time-limit starts running again on the date the required information is received.

Reports shall be presented in accordance with Article 2.

- 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 12.5, the Contracting Authority may suspend this time-limit by notifying the Beneficiary that the request for payment is inadmissible, either because the amount in question is not due or because proper supporting documents have not been supplied or it thinks it necessary to conduct further checks, including on-the-spot checks, to make sure that the expenditure is eligible. The time-limit for payment shall start running again on the date on which a correctly formulated request for payment is recorded.

- 15.4. Once the time-limit referred to above has expired, the Beneficiary - unless the Beneficiary is a government department or public body in a Community Member State - may, within two months of receipt of the late payment, claim default interest:

- 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 euro,

on the first day of the month in which the time-limit expired, plus three and a half percentage points. The interest shall be payable for the time elapsed between the expiry of the payment deadline (exclusive) and the date on which the Contracting Authority's account is debited (inclusive). This interest is not considered income for the purposes of Article 17.3. Any partial payments shall first cover the default interest thus established.

- 15.5. All references to days in this article 15 are to calendar days.

- 15.6. An external audit of the Action's accounts, produced by an approved auditor who is a member of an internationally recognised supervisory body for statutory auditing, shall be attached to:

- any request for a further pre-financing payment if the sum total of the earlier and the new pre-financing payments exceeds EUR 750 000;

- any request for payment of the balance in the case of a grant of more than EUR 100 000;
- any payment request of over EUR 75 000 for the financial year, in the case of an operating grant.

In an audit certificate conforming to the model in Annex VI the auditor certifies that the submitted accounts (income and expenditure) are accurate, reliable and justified by adequate supporting documents, and identifies the eligible expenditure incurred in accordance with the Contract.

The amounts that the audit report certifies as incurred in conformity with the Contract shall be deducted from the sum total of pre-financing under the Contract (clearance).

Where the Beneficiary is a government department or a public body of a Member State of the European Community, the Contracting Authority may exempt it from the audit requirement.

- 15.7. If the sum total of pre-financing under the Contract is more than 80% of the Contract amount, its payment must be fully covered by a financial guarantee. Where the Beneficiary is a non governmental organisation, such guarantee is requested if the sum total of pre-financing under the Contract is more than EUR 1 million or 90% of the Contract amount. The financial guarantee must be denominated in euro and provided by an approved bank or financial institution established in one of the Member States of the European Community and conforming to the model in Annex VII. 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. This provision shall not apply if the Beneficiary is a government department or public body of a European Community Member State.
- 15.8. The payments owed by the Contracting Authority shall be made to the Action-specific bank account or sub-account referred to in the financial identification form in Annex V, which identifies the funds paid by the Contracting Authority.
- 15.9. 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 published in InforEuro for the month in which the expenditure is incurred, unless otherwise provided in the Special Conditions.  
  
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.
- 15.10. 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 and refunded to the Contracting Authority at its request, in accordance with Article 18. They are not taken into account when calculating the sum total of pre-financing under the Contract.

#### ARTICLE 16 - ACCOUNTS AND TECHNICAL AND FINANCIAL CHECKS

- 16.1. The Beneficiary shall keep accurate and regular records and accounts of the implementation of the Action using a dedicated double-entry book-keeping system as part of or as an adjunct to the Beneficiary's own accounts. This dedicated system shall be run in accordance with the procedures dictated by professional practice. Separate accounts must be kept for each Action, detailing all income and expenditure. They must provide precise details of interest accruing on funds paid by the Contracting Authority.
- 16.2. The Beneficiary will allow the European Commission, the European Anti-Fraud Office and the European Court of Auditors to verify, by examining the documents or by means of on-the-spot checks, the implementation of the Action and conduct a full audit, if necessary, on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the Action. These inspections may take place up to 7 years after the payment of the balance.

Furthermore, the Beneficiary will allow the European Anti-Fraud Office to carry out checks and verification on the spot in accordance with the procedures set out in the European Community legislation for the protection of the financial interests of the European Communities against fraud and other irregularities

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 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 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.

- 16.3. The documents referred to in Article 16.2 include:
  - A. Works, supplies and services
    - bids from suppliers;
    - contracts and order forms;

- invoices and proofs of payment or settled invoices; if supplies come from the Beneficiary's stocks, invoices shall reflect the price paid at the time of purchase. A copy of the purchase invoice must be attached;
- for fuel and oil the Beneficiary shall keep a summary list of the distance covered, the average consumption of the vehicles used, fuel costs and maintenance costs.

**B. Staff costs:**

- a statement of expenditure on local staff recruited on fixed-term contracts, with details of remuneration paid, duly substantiated by the person in charge locally, broken down into gross salary, social security charges, insurance and net salary;
- a statement of expenditure on expatriate and/or European-based staff (if the Action is implemented in Europe) per month of actual work; expenditure will be assessed on the basis of unit prices per verifiable block of time worked and broken down into gross salary, social security charges, insurance and net salary.

- 16.4. The Contractor guarantees that the rights of the European Commission, of the European Anti-Fraud Office and of the European Court of Auditors to carry out audits, checks and verification will be equally applicable, under the same conditions and according to the same rules as those set out in this Article 16, to the Beneficiary's partners and contractors.

**ARTICLE 17 - FINAL AMOUNT OF FINANCING BY THE CONTRACTING AUTHORITY**

- 17.1. The total amount to be paid by the Contracting Authority to the Beneficiary may not exceed the maximum grant laid down in Article 3.2 of the Special Conditions, even if the total of actual eligible expenditure exceeds the estimated total budget set out in Annex III.
- 17.2. If the eligible costs at the end of the Action are less than the estimated total cost referred to in Article 3.1 of the Special Conditions, the Contracting Authority's contribution shall be limited to the amount obtained by applying the percentage laid down in Article 3.2 of the Special Conditions to the actual eligible costs approved by the Contracting Authority.
- 17.3. The Beneficiary accepts that the grant can under no circumstances result in a profit for himself and that it must be limited to the amount required to balance income and expenditure for the Action. Profit shall be defined as:
- In the case of a grant for an Action, a surplus of receipts over the costs of the Action in question when the request is made for payment of the balance. However, in the case of Actions designed specifically to strengthen the financial capacity of the Beneficiary, it is distribution to the members making up the beneficiary body of the surplus revenue resulting from its activity leading to their personal enrichment.