

## FINANCIAL PROVISIONS

### ARTICLE 14 – ELIGIBLE COSTS

- 14.1. To be considered eligible as direct costs under this Agreement, costs must:
- be necessary for carrying out the Action, be provided for specifically in this Agreement and comply with the principles of sound financial management, in particular value for money and cost-effectiveness;
  - have actually been incurred during the implementation period of this Agreement as defined in article 2 of the Special Conditions, whatever the time of actual disbursement by the Organisation;
  - be recorded in the Organisation's or Organisation's partners' accounts, be identifiable, backed by originals of supporting evidence (as the case may be in electronic form), and verifiable pursuant to the provisions of article 16.4;
- 14.2. Subject to the above and without prejudice to article 10.4, the following direct costs of the Organisation or its implementing partners may in particular be eligible:
- the cost of staff assigned to the Action, corresponding to actual salaries plus social security charges and other remuneration-related costs (including in the form of provisions). Identifiable personnel costs at headquarters level arising as a direct consequence of the Action may be included. Salaries and costs will not exceed those normally borne by the Organisation or partners;
  - travel and subsistence costs for staff taking part in the Action, provided they do not exceed those normally borne by the Organisation or partners;
  - purchase costs for equipment (new or used) which are attributable to the Action;
  - purchase costs for goods and services (transport, storage and distributing, rent of equipment, etc.) which are directly attributable to the Action;
  - costs directly arising out of, or related to, accepting or distributing contributions in kind;
  - costs of consumables and supplies directly attributable to the Action;
  - expenditure on contracting directly attributable to the Action;
  - the proportion of field office costs that corresponds to the amount of activity directly attributable to the Action or to the proportion of funding by the Contracting Authority;
  - costs deriving directly from the requirements of this Agreement (dissemination of information, evaluation specific to the Action, specific reporting for the needs of the Contracting Authority, translation, reproduction, insurance, targeted training for those involved in the Action, etc.) including financial service costs (in particular bank fees for transfers).
- 14.3. The following costs shall not be considered eligible:
- debts and provisions for possible future losses or debts;
  - interest owed by the Organisation to any third party;
  - items already financed from other sources;
  - purchases of land or buildings;
  - currency exchange losses;
  - taxes, duties and charges (unless the Organisation is not able to reclaim them and if allowed by the applicable regulatory provisions of the European Community).

- 14.4. A fixed percentage of direct eligible costs, not exceeding 7 %, shall be eligible as indirect costs.

Subject to the above, for comparable Actions and Actions where there is more than one donor the amount recovered shall not, in percentage terms, be higher or lower than for other comparable contributions.

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

Indirect costs may be charged on the value of in-kind commodities delivered by the Contracting Authority, including their associated costs.

Where the rates applied in accordance with the Organisation's governing bodies' decisions exceed 7%, the Organisation may recover the balance as direct eligible costs, subject to the provisions governing direct eligible costs referred to in this article 14 being fulfilled.

Indirect costs shall not be eligible where the Agreement concerns the financing of an Action where the Organisation is already receiving an operating grant from the European Community during the period in question.

- 14.5. A contingency reserve may be included in the Budget of the Action, to cover any adjustment necessary in the light of changed circumstances on the ground. The contingency reserve should not be higher than 5% of eligible costs and can only be used with the prior written (by letter) authorisation of the Contracting Authority, upon a duly justified request from the Organisation.
- 14.6. In the case of co-financing, contributions in kind made by the Organisation or its partners may not be considered as co-financing nor as eligible costs. The cost of staff assigned to the Action is not a contribution in kind and may be considered as co-financing in the Budget for the Action when paid by the Organisation or its partners.

## ARTICLE 15 – PAYMENTS

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

Option 1: When the implementation period of the Agreement does not exceed 12 months or the contribution is less than EUR 100 000

The Contracting Authority will provide a payment of prefinancing of from 80% up to 95% of the sum referred to in Article 3(2) of the Special Conditions less contingencies within 45 days of receiving the Agreement signed by both Parties and accompanied by a request for payment conforming to the model attached as Annex V.

The Contracting Authority will pay the balance within 45 days of approving the final report.

Option 2: When the implementation period of the Agreement exceeds 12 months and the contribution is of EUR 100 000 or more

The Contracting Authority will provide a payment of prefinancing of from 80% to 95% of that part of the forecast budget for the first 12 months of an Action which is being financed by it (excluding contingencies) within 45 days of receiving the Agreement signed by both Parties and accompanied by a request for payment conforming to the model attached as Annex V.

Each further instalment of prefinancing will cover the remainder of the Contracting Authority's part of the planned budget for the previous period (including any approved contingencies) plus

a prefinancing of from 80% to 95% of that part of the forecast budget for the subsequent 12-month period (or of the remaining period if shorter as regards the last instalment of prefinancing) which is financed by it (excluding contingencies), and be made by the Contracting Authority within 45 days of approving a progress report, provided that at least 70% of the immediately preceding payment (and 100% of previous payments if any) has been incurred, as proven by the relevant report. For the purpose of this provision funds are incurred when they are the subject of a formal legal commitment between the Organisation (or its partners) and a third party.

The Contracting Authority will pay the balance within 45 days of approving the final report.

- 15.2. Any report will be deemed approved 45 days after receipt, accompanied by a request for payment conforming to the model attached as Annex V, if the Contracting Authority has not reacted.

If the Contracting Authority does not intend to approve a report, as submitted, it shall revert to the Organisation with a request explaining the reason and specifying the additional information it requires within the first 45-day period. The deadline for approving the report shall be suspended pending the receipt of the requested information. If the Contracting Authority deems that a payment request cannot be met, it shall revert to the Organisation with a request explaining the reason and specifying the additional information it requires within the second 45-day period. The payment period shall be suspended pending the registration of a properly formulated payment request.

Reports shall be presented in accordance with the stipulations of Article 2.

Approval of a report does not imply recognition of the regularity, authenticity, completeness and correctness of the declarations and information contained therein.

- 15.3. On expiry of the payment period specified in article 15.1, the Organisation may, within two months of receiving late payment, demand interest at the rate applied by the European Central Bank to its principal refinancing operations, as published in the C series of the Official Journal of the European Union on the first day of the month in which payment was due, increased by three and a half percentage points.

The interest shall be payable for the period elapsing from the day following expiry of the time limit for payment up to the day of payment. Any partial payment shall first cover the interest.

The interest shall not be treated as an income for the purposes of determining the final amount of Community financing within the meaning of article 17. The suspension of payment by the Contracting Authority may not be considered as late payment.

- 15.4. The level of prefinancing referred to in article 15.1 above shall be set at a level of between 80% and 95 % in 5% increments taking into account past record of the Organisation in particular as regards timely submission of the final report.
- 15.5. The Contracting Authority will make payments in EUR into the bank account referred to in the financial identification form in Annex IV. Where payment is to be made to a bank account which is already known to the Contracting Authority, the Beneficiary may provide a copy of the relevant financial identification form.
- 15.6. Where feasible, the funds paid by the Contracting Authority shall be maintained in Euro denominated bank accounts. They may be pooled together with contributions from other donors. They may be exchanged for other currencies in order to facilitate their disbursement.

- 15.7. For Multi-donor Actions, the Organisation's rules and procedures pertaining to bank interest shall apply, and an equal treatment among donors shall be ensured. This is based on the understanding that these rules and procedures conform to internationally accepted standards.

In all other cases, interest earned by the Organisation on funds received from the Contracting Authority shall be identified as such and reflected in reports to the Contracting Authority. Interest earned shall be reimbursed to the Contracting Authority.

#### **ARTICLE 16 – ACCOUNTS AND TECHNICAL AND FINANCIAL CHECKS**

- 16.1. The Organisation shall keep accurate and regular records and accounts of the implementation of the Action. Separate accounts shall be kept for each Action, and shall detail all income and expenditure.

For Multi-donor Actions, the accounting regulations and rules of the Organisation shall apply. This is based on the understanding that these regulations and rules conform to internationally accepted standards.

In all other cases the Organisation shall use a dedicated double-entry book-keeping system as part of or as an adjunct to the Organisation's own accounts. This dedicated system shall follow the procedures dictated by professional practice and provide precise details of interest accruing on funds paid by the Contracting Authority.

- 16.2. Financial transactions and financial statements shall be subject to the internal and external auditing procedures laid down in the Financial Regulations, Rules and directives of the Organisation. A copy of the audited financial statements shall be submitted to the European Commission by the Organisation.

- 16.3. The Organisation shall, until at least five years after the end date as specified in article 12.5:
- keep financial accounting documents concerning the activities financed by the contribution and,
  - make available to the competent bodies of the European Communities, upon request, all relevant financial information, including statements of accounts concerning the Action, whether they are executed by the Organisation or by its implementing partners or contractors.

- 16.4. In conformity with its financial regulations, the European Communities may undertake, including on the spot, checks related to the Actions financed by the Contracting authority.

- 16.5. These provisions shall be applied in accordance with any specific agreement concluded in this respect by the Organisation and the European Community.

#### **ARTICLE 17 – FINAL AMOUNT OF FINANCING BY THE CONTRACTING AUTHORITY**

- 17.1. The total amount to be paid by the Contracting Authority to the Organisation may not exceed the maximum contribution established by Article 3(2) of the Special Conditions, even if the overall actual expenditure exceeds the estimated total budget set out in Annex III.

- 17.2. Where Article 3(2) of the Special Conditions sets out a maximum percentage of estimated total eligible cost to be financed by the Contracting Authority, and if the eligible costs at the end of the Action are less than the estimated total cost specified in Article 3(1) of the Special Conditions, the contribution of the Contracting Authority may be limited to the amount

produced by multiplying the actual expenditure by the percentage laid down in Article 3(2) of the Special Conditions.

Where the percentage set out in article 3(2) of the Special Conditions is likely to change in the course of implementation, the Organisation will consult the Contracting Authority without delay so as to agree on appropriate measures, in accordance with Article 9.

- 17.3. The Organisation accepts that the contribution of the Contracting Authority shall be limited to the amount required to balance income and expenditure for the Action and that it may not in any circumstances result in a surplus for the Organisation.
- 17.4. In cases where the Action is suspended or not completed within the implementation period of this Agreement, the funds that remain unexpended after all liabilities incurred in this period have been satisfied, including interest earned where applicable, will be reimbursed to the Contracting Authority.
- 17.5. Where the Action is not carried out at all, or is not carried out properly, in full or on time and without prejudice to its right to terminate this Agreement pursuant to article 12.2, the Contracting Authority may, after allowing the Organisation to submit its observations and without prejudice to article 13, reduce the contribution pro rata the actual implementation of the Action on the terms laid down in this Agreement.

#### **ARTICLE 18 – RECOVERY**

- 18.1. Where recovery is justified, the Organisation undertakes to repay to the Contracting Authority within 45 days of receiving a request from the latter any amounts paid in excess of the final amount due.
- 18.2. If the Organisation fails to repay by the due date, the sum due shall bear interest at the rate indicated in article 15.3. The interest shall be payable for the period elapsing from the day following expiry of the time limit for payment up to the day of payment. Any partial payment shall first cover the interest.
- 18.3. Amounts to be repaid to the Contracting Authority may be offset against amounts of any kind due to the Organisation, after informing it accordingly. The Organisation's prior consent is not required. This shall not affect the Parties' option to agree on payment in instalments.
- 18.4. Bank charges incurred by the repayment of amounts due to the Contracting Authority shall be borne entirely by the Organisation.