



ANNEX A

TWINNING CONTRACT

AND OTHER RELEVANT ANNEXES

Revision 2013



Contracting Authority

< Name of programme >

Twinning Contract

TITLE OF THE TWINNING PROJECT

Name of Beneficiary:	
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Dossier No	
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ANNEX A

TWINNING CONTRACT

“SPECIAL CONDITIONS”

(for official use only)

TWINNING CONTRACT
[Twinning contract identification number]

[The European Union, represented by the European Commission], or [full name and address of the Contracting Authority in the Beneficiary Country]¹, ("the Contracting Authority")

of the one part,

and

[Full official name of [Lead]² MS partner + acronym where relevant] with its office at [full official address]³

[where relevant legal status, official registration name and VAT number]
("the [Lead]⁴ Member State Partner" - MSP),

[If a multi-MSP twinning contract: [hereinafter the "Lead Member State Partner"]

and

[Full official name of Junior MS partner + acronym where relevant] with its office at [full official address],

[where relevant legal status, official registration name and VAT number]

who have conferred powers of attorney for the purposes of the signature of the agreement to the Lead Member State Partner⁵

collectively referred to as "Member State Parties" where a provision applies without distinction to the Lead Member State Partner and the Junior Member State Partner(s)]

of the other part,

(the "Parties")

have agreed as follows:

¹ Complete as appropriate: Administrative Office, Programme Administration Office, or other.

² In case of consortium of MSPs.

³ Should be the official registration address – postal/physical address is given in Article 5 – contact addresses

⁴ In case of consortium of MSPs.

⁵ Model mandate provided in Annex A8.

Special Conditions

Article 1 - Purpose

- 1.1 The purpose of this contract is the award of a Twinning grant, consisting of reimbursement of expenditures, by the Contracting Authority to finance the implementation of the Action entitled: [*title of Action*] ("the Action") described in annex A1.
- 1.2 The Member State Partner(s) shall be awarded the Twinning grant on the terms and conditions set out in this Contract, which consists of these special conditions ("Special Conditions") and the annexes, which the Member State Partner(s) hereby declares it has noted and accepted.
- 1.3 The Member State Partner(s) accepts the Twinning grant and undertakes to be responsible for carrying out the Action.
- 1.4 The Final Recipient of the Action is: [.....]⁶

Article 2 – Execution and Implementation period of the Action (legal and work plan duration)

- 2.1 The execution period of the contract (legal duration) shall enter into force upon the date of notification by the Contracting Authority of the contract signed by all parties. The execution period of the contract shall end 3 months after the implementation period of the Action as stipulated in art 2.2.
- 2.2 The implementation period of the Action shall takemonths and shall begin on the date of the arrival of the Resident Twinning Adviser (RTA). His/her arrival has to take place at the latest within one month following the notification of the Twinning contract.

Twinning Light:

The implementation period of the Action shall take.....months and shall start on the date of the notification of the Twinning Light contract.

Article 3 - Financing the Action

- 3.1 The total cost of the Action eligible for financing by the Contracting Authority is estimated at EUR [.....], as set out in Annex A3.
- 3.2 The Contracting Authority undertakes to finance a maximum amount of EUR [...].The final amount shall be established in accordance with Article 17 of Annex A2 except where annex A7 applies. The Action is co-financed as per Annex A3 by the Final Recipient of the Action.

Article 4 - Payment arrangements and technical and financial reporting

- 4.1 Payment shall be made in accordance with Article 15 of Annex A2 option no. 2, as set out in Article 15.1.

Initial pre-financing payment: EUR [.....]

⁶ Name of the Beneficiary Country Administration benefiting from the Twinning Contract.

Further pre-financing payment(s): EUR [.....]
(subject to the provisions of Annex A2)

Balance of the final amount of the Twinning contract
(subject to the provisions of Annex A2): EUR [.....]

- 4.2 Technical and financial reports shall be produced in compliance with Articles 2 and, 15.1 and 15.3 of Annex A2, using the relevant twinning templates.

Financial section of these reports shall comply with the requirements defined in paragraphs 4, 5 and 6 of Article 15.7 of Annex 2 (requirements for a detailed breakdown of expenditure).

In addition to these reports, the [Lead]⁷ Member State Partner shall send additional interim reports in compliance with article 2.1 of Annex A2 on a quarterly basis. The specific reporting procedure shall follow the provisions spelled out in Annex A7 to this contract.

Article 5 - Contact addresses

- 5.1 Any communication relating to this Contract shall be in writing, state the number and title of the Action and be sent to the following addresses:

For the Contracting Authority

Option 1: where the Contracting Authority is not the European Commission (after conferral of management with or without ex-ante control):

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

[address of the Contracting Authority's management department]

A copy of the reports referred to in Article 4.2 must be sent to the concerned service of the European Commission at the following address:

[address of the EU Delegation/ Directorate-General for Enlargement / Directorate-General for Development and Cooperation - EuropeAid]

Option 2: where the Contracting Authority is an EU Delegation:

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

[address of the finance section of the Delegation]

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

[address of the management section of the Delegation]

Under ENPI ONLY, add:

[address of the PAO]

⁷ In case of consortium of MSPs.

Option 3: Where the Contracting Authority is the European Commission Headquarters

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

European Commission
Directorate-General for Development and Cooperation - EuropeAid / Directorate General for Enlargement
For the attention of the finance unit [*address of the finance unit*]

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

European Commission
Directorate-General for Development and Cooperation - EuropeAid / Directorate General for Enlargement
For the attention of the management unit [*address of the management unit*]

A copy of the reports referred to in Article 4.2 must be sent to the EU Delegation in charge of monitoring the Action, at the following address: [*address of the Delegation*]

With reference to the three options:

For the [Lead]⁸ Member State Partner

[*address of the [Lead]⁹ MSP for correspondence*]

For the Final Recipient of the Action

[*address of the Final Recipient of the Action*]

- 5.2 The expenditure verification referred to in Article 15.7 of Annex A2 will be carried out by [*name, address, telephone and fax numbers of selected audit firm*].

Article 6 - Annexes

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

Annex A1:	Description of the Action (including the Work Plan)
Annex A2:	General Conditions applicable to European Union-financed grant contracts for External Actions
Annex A3:	Budget for the Action (including co-financing part by the Final Recipient of the Action)
Annex A4:	Contract-award procedures
Annex A5:	Standard request for payment and financial identification form
Annex A6:	Expenditure verification report
Annex A7:	Special Financial Annex
Annex A8:	Mandate (if Member States have formed a consortium)

- 6.2 In the event of conflict between the provisions of the present Special Conditions and any Annex thereto, the provisions of the Special Conditions shall take precedence. In the event of conflict

⁸ In case of consortium of MSPs.

⁹ In case of consortium of MSPs.

between the provisions of Annex A2 and those of the other annexes, those of Annex A2 shall take precedence.

In case of discrepancies between Article 14 of Annex A2 and Annex A7, the latter shall prevail.

Article 7 - Other specific conditions applying to the Action

7.1 The General Conditions are supplemented by the following:

7.1.1 In annexes A2 to A7:

In case of consortium of Member State Partners, the Member State Partner signing the Twinning contract and leading the consortium is referred to as the Lead Member State Partner.

The term “Beneficiary(ies)” refers collectively to all Member State Partners (MSP), including the Lead Member State Partner.

The term “Coordinator” refers to the Lead Member State Partner.

When there is only one Member State Partner, the terms Beneficiary(ies) and Coordinator should both be understood as referring to the only Member State Partner.

7.1.2. The Action is co-financed as per annex A3 by the Final Recipient of the Action.

7.1.3 In article 7.1 and 7.2 of annex A2, the term ‘Beneficiary(ies)’ is replaced by ‘the Final Recipient of the Action’. Article 7.2 of Annex A2 applies also to any work done by the RTA(s) and other experts mobilised by the MSP(s) in the performance of their duties related to the implementation of the Action.

7.1.4¹⁰¹¹ [not applicable for ENPI] Taxes, including VAT, duties and charges and all other costs identified in Article 34(3) of the IPA Implementing Regulation [(EC) No 718/2007 of 12 June 2007, as amended)] are not eligible for the activities described in Annex A1.

7.2 The following derogations from the General Conditions shall apply:

7.2.1 By derogation from article 9.4 of Annex A2, changes to the Twinning work plan and budget shall be governed by the procedure spelled out in Annex A7.

7.2.2 By derogation from Article 12.1 of Annex A2:

In case of failure by the Final Recipient of the Action to fulfil any of their obligations under the Twinning Contract, or for any other duly substantiated external reason, the MSP(s) may terminate the Twinning Contract by giving three months' notice in writing to the Final Recipient of the Action, after having informed the CA, the Commission Headquarters and the administrative office of the BC.

In case of failure by the MSP(s) to fulfil any of their obligations under the Twinning Contract, or for any other duly substantiated external reason, the Final Recipient of the Action may terminate the Twinning Contract by giving three months' notice in writing to the MSP(s), after agreement with the Commission Headquarters and after having informed the CA (where the Commission is not the CA) and the administrative office of the BC.

In case of failure by the MSP(s) or by the Final Recipient of the Action to fulfil any of their obligations under the Twinning Contract, or for any other duly substantiated external reason, the CA, after agreement with the Commission (where the Commission is not the Contracting Authority), may halt funding of the Action or terminate the Action by giving three/two months' notice in writing to the MSP(s) and the Final Beneficiary of the Action.

¹⁰ Article to be deleted for ENPI-funded Twinning Contracts.

¹¹ For IPA-funded Twinning Contracts, please adapt in line with any existing (already allowed) derogations based on Article 66(3) of the IPA IR.

- 7.2.3. By derogation from Articles 13.3 and 13.4 of Annex A2, the following procedure for settlement of disputes shall apply:
The Parties shall endeavour to settle amicably any dispute or complaint relating to the interpretation, application or fulfilment of this Twinning Contract, including its existence, validity or termination. In default of amicable settlement, any Party may refer the matter to arbitration in accordance with the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States in force at the date of this Agreement.
The language to be used in the arbitral proceedings shall be English, French or German. The appointing authority shall be the President of the Court of Justice of the European Union following a written request submitted by either Party. The Arbitrator's decision shall be binding on all Parties and there shall be no appeal.
- 7.2.4 By derogation to Article 14.3 of Annex A2, eligible costs may also be constituted by unit costs (fee per day worked in the Beneficiary Country and per diems) and flat-rate financing (twinning management costs and 6% of salary and non-wage labour costs for the RTA), as defined in section 3.5 of Annex 7 and in the Common Twinning Manual.
- 7.2.5 By derogation to Article 14.4 of Annex A2, the first paragraph of Article 14.4 shall not apply.
- 7.2.6 By derogation to Article 14.5 of Annex A2, the total amount of financing on the basis of simplified costs options as defined in Article 7.2.4 above may exceed EUR 60 000¹².
- 7.2.7 Articles 14.6, 14.7 and 14.8 of Annex A2 shall not apply.
- 7.2.8 The last sentence of article 15.2 of Annex A2 (extension of the deadline for submission of the final report) shall not apply.
- 7.2.9 By derogation to Article 15.4 of Annex A2, the initial pre-financing payment shall be made within 30 days of the date of notification by the Contracting Authority of the contract signed by all parties.
- 7.2.10 The expenditure verification report of Article 15.7 of Annex A2 is only required for the final payment. The auditor is designated in accordance with the regulation prevailing for the MSP.¹³
- 7.2.11 By derogation to Article 15.7 of Annex A2, a detailed breakdown of expenditure shall be submitted in support of each request for further pre-financing payment. This detailed breakdown of expenditure shall consist in the financial section of the narrative reports produced in compliance with Articles 2 and 15 of Annex A2, provided that this financial section complies with the requirements for a detailed breakdown of expenditure that are defined in paragraphs 4, 5 and 6 of Article 15.7 of Annex A2.
- 7.2.12 By derogation to Article 15.9 of Annex A2, costs incurred in other currencies are converted in Euro at the rate published by the Directorate General of the European Commission for Budget, at InforEuro (<http://ec.europa.eu/budget/inforeuro/index.cfm>) for the month in which the expenditure is incurred.
- 7.2.13 A Privacy statement is publicly available on the twinning website at the following address: http://ec.europa.eu/enlargement/pdf/financial_assistance/institution_building/privacy_statem

¹² Article to be deleted if the financing decision does not authorise the use of simplified cost options for a total amount exceeding EUR 60 000.

¹³ Article to be deleted if the value of the grant financing the Twinning Project is above EUR 5 million.

[ent twinning_103994_en.pdf](#) . The information contained therein applies to this Twinning contract.

7.2.14 All Twinning partners undertake to facilitate the organisation and conduct of the Twinning review Missions referred to in Article 9 of Annex A1 and described in the Common Twinning Manual.

Where the Commission is the Contracting Authority

Done at [.....] in three originals in the [English/French/German]¹⁴ language, one original being for the European Commission one original being for the [Lead]¹⁵ Member State Partner and one original being for the Beneficiary Country Administration

Where the Commission is not the Contracting Authority

Done at [.....] in four originals in the English/French/German¹⁶ language, one original being for the European Commission, one original being for the Contracting Authority, one original being for the [Lead]¹⁷ Member State Partner and one original being for the Beneficiary Country Administration

For the [Lead]¹⁸ Member State Partner

For the Contracting Authority

Name¹⁹:
Title²¹:
Signature:

Name²⁰:
Title²²:
Signature:

Date:

Date:

Only under decentralised management with ex ante control

Endorsed for financing by the European Union

Name²³:
Title²⁴:
Signature:

Date:

¹⁴ Delete as appropriate.

¹⁵ In case of consortium of MSPs.

¹⁶ Delete as appropriate.

¹⁷ In case of consortium of MSPs.

¹⁸ In case of consortium of MSPs.

¹⁹ Name of the individual(s) authorised to sign.

²⁰ Name of the official(s) authorised to sign.

²¹ Title of the individual(s) authorised to sign.

²² Title of the official(s) authorised to sign.

²³ Name of the official(s) authorised to sign.

²⁴ Title of the official(s) authorised to sign.

Please ensure that the contact details of the Project Leaders (both of the MSPs and of the BC) are also mentioned, if appropriate, on a separate sheet.

**ANNEXES A: ANNEXES TO THE
TWINNING CONTRACT
(FOR ALL PROGRAMMES)**

- ANNEX A1:** Description of the action (including the Work Plan)
- ANNEX A2:** General Conditions applicable to European Union-financed grant contracts for external actions
- ANNEX A3:** Budget for the Action (breakdown of costs)
- ANNEX A4:** Contract Award Procedures
- ANNEX A5:** Standard request for payment and financial identification form
- ANNEX A6:** Terms of reference for an expenditure verification report
- ANNEX A7:** Special Financial Annex
- ANNEX A8:** Mandate (If Member States have formed a consortium)

ANNEX A1
DESCRIPTION OF THE ACTION



TWINNING WORK PLAN*

The Administration of _____ (hereinafter referred to as the BC)
represented by _____

of the one part,

and the Administration of _____ (hereinafter referred to as the
Member State) represented by _____

of the other part

**HAVE AGREED THE FOLLOWING WORK PLAN WHICH THEY UNDERTAKE TO
IMPLEMENT JOINTLY:**

ARTICLE 1. BACKGROUND

1. 1. BC policy developments in the sector

Describe briefly the sector of the project in the BC and present the current situation and the reform programme paying special attention to gaps and needs which the project will address (contextual and conceptual overview).

1. 2. Beneficiary institutions and other parties involved

Spell out the ministries and agencies of the BC, which will participate in and benefit from the project. Indicate the contact person in each of the beneficiary institutions, as well as the contact details.

* For Twinning Light contract, Annex A1 consists of the detailed Twinning Light project fiche and the selected MS proposal.

1. 3. Parallel or related projects in the field

Indicate any parallel actions / projects (including e.g. investment components of the same project), which contribute to the same Overall Objective. Specify how co-ordination will be assured between the project and those actions;

ARTICLE 2. ACQUIS - PROJECT FICHE FIELD OF COOPERATION WITH THE EU

ENPI: Relevant Field of Cooperation with the EU

Describe how the project field answers to one of the areas of cooperation with the EU. If relevant, list other projects already implemented/under implementation with the EU in this field.

ARTICLE 3. MANDATORY RESULTS (OUTPUTS)

	Intervention logic	Benchmarks	Sources of information	Assumptions (external to project)
Overall Objective				
Project Purpose				
Mandatory Results (Components)				
Activities				

Clarifications to columns in the table

Intervention Logic

OVERALL OBJECTIVE: Objective beyond the immediate scope of the project, to which the project contributes.

PROJECT PURPOSE: The immediate objective that will be entirely achieved through the implementation of the twinning project.

MANDATORY RESULTS: Results that will be achieved as a result of groups of actions within the project (limit this to 5-10 relatively high-level results).

ACTIVITIES: Numbered lists of activities, each of them contributing to the achievement of one of the mandatory results.

Benchmarks

How will the achievement of the results at each level of the project (i.e. from overall objective down to activities) be measured?

Make sure that the benchmarks always define the following:

- 1. Quantity*
- 2. Quality*
- 3. Target Group*
- 4. Time*
- 5. Place*

Sources of Information

How will the Project partners and the Administrative Office/Programme Administrative Office know that the benchmarks have been met? For every level, list sources of information, (e.g. reports, surveys, Official Journal, Commission Regular Report).

The sources should be specified for each of the mandatory results and activities.

Assumptions

Specify at each level the external conditions related to the project that must be fulfilled in order to guarantee its success.

The table should be read as follows: if these assumptions are fulfilled and the activities are carried out, then the relevant mandatory results will be achieved

ARTICLE 4. TASKS (INPUTS)

Describe each of the activities, providing as a minimum the information required in the form below. The logic is that each component (corresponding to a mandatory result) is broken down into several activities. Each activity constitutes a separate unit in the project design and corresponds to one budget entry.

Under IPA, information can be provided in an abridged version, i.e. listing only the denomination of components and activities.

Component 1

(Specify here, as described in Mandatory Results in Article 3)

Activity 1.1

(Specify here, as described in Article 3)

Method

- Brief description of activity (what will happen: MS STE mission, study visit, training, consultation, etc), how will it be implemented, by whom (clear share of responsibility MS/BC) and when.

Resources

- MS human resources needed. (number of experts and man/days)*
- Beneficiary Administration human resources. (number of people and their home institutions)*
- Other resources (translation, interpretation, training materials)*

Activity 1.2

(Specify here, as described in Article 3)

Method

- Brief description of activity (what will happen: MS STE mission, study visit, training, consultation, etc), how will it be implemented, by whom (clear share of responsibility MS/BC) and when.

Resources

- MS human resources needed. (number of experts and man/days)*
- Beneficiary Administration human resources. (number of people and their home institutions)*
- Other resources (translation, interpretation, training materials)*

ARTICLE 5. RISKS

Specify the internal conditions related to the project that must be fulfilled in order to guarantee its success.

ARTICLE 6. SCHEDULE

Under IPA, activities can be grouped by quarter instead than by month.

Project Month	1	2	3	4	5	6	7	8	9	10	11	12
Component 1												
Activity 1.1												
Activity 1.2												
Activity 1.3												
Component 2												
Activity 2.1												
Activity 2.2												
Activity 2.3												

ARTICLE 7. RESOURCES

7.1. Human Resources

7.1.1. Member State(s)

Name the MS institution(s) participating in the project, as well as those providing experts. Indicate their status (Administration or Mandated Body)

*Identify and briefly describe the tasks of the key positions in the project, including as a minimum: the **MS Project Leader, Junior MS Project Leader** (in case of a consortium) and the **RTA**. For more complex projects (especially those involving a consortium of MS) identify also the **Component Leaders** (key experts). For the MS Project Leader specify additionally how much of his/her time will be spent in the MS and how much in the BC.*

*Provide career details of individuals performing each of the functions above as well as the **key short-term experts** who will be involved in the project, using the table below.*

Name	Present position	Employer	Years of experience	Nationality	Education	Specialist knowledge	BC experience	Languages

7.1.2. Beneficiary Country

*Identify and briefly describe the tasks of the key positions in the project, including as a minimum: the **BC Project Leader**, **RTA Counterpart** and **key contacts** in each of the beneficiary institutions. For more complex projects, identify also the BC counterparts for the component leaders.*

7.1.3. Curricula Vitae

Attach the EU format CVs of the following persons:

- (1) MS Project Leader,*
- (2) BC Project Leader,*
- (3) RTA,*
- (4) RTA Counterpart in the BC,*
- (5) Key STEs from the MS (Component Leaders).*

7.2. Material Resources

The BC commits itself to cover the costs of the following provisions:

- Adequately equipped office space for the RTA and the RTA assistant for the entire duration of their secondment.
- Adequate conditions for the STEs to perform their work while on mission to the BC.
- Training and conference venues, costs of catering, as well as presentation and interpretation equipment.

(Costs for travel by BC officials from their capitals to a MS or between MS, e.g. in the framework of study visits, may be eligible for funding except for Twinning projects financed under IPA. Costs for travel by BC officials **within** a MS are on the other hand eligible for reimbursement in any case).

7.3. Indicative Budget

Provide the total budget here, as documented in the detailed breakdown of costs in Annex A3.

ARTICLE 8. MANAGEMENT AND MONITORING

8.1. Language

The official language of the project will be [English/French/German]*. All formal communication regarding the project, including all reports will be produced in the agreed language.

Some of the STE inputs may be produced in [name any official language of the EU different than the ones above] and will be translated into the BC language. Adequate provision has been made in the budget for this purpose.

8.2. Project Steering Committee

At quarterly intervals, the Project Leaders, the RTA and where applicable, representatives of the administrative office and/or the EU Delegation will meet to discuss the progress of the project, verify the achievement of the outputs and mandatory results and discuss actions to be undertaken in the following quarter. The Project Steering Committee will also discuss the draft of the quarterly report submitted to it beforehand, recommend corrections.

The responsibility for the organisation of the Project Steering Committee meeting lies with both Project Leaders.

Under IPA, it is the responsibility of the Project Steering Committee to update the detailed description of activities in a six month perspective, issuing successive operative side letters, as described in section 4.1 of the Common Twinning Manual.

8.3. Reporting

Every three months, the MS Project Leader in co-operation with the BC Project Leader will submit interim quarterly reports to the respective institution identified in section 6.4 of the Common Twinning Manual. Each report will cover a three months period calculated from the date of notification of the contract.

The interim quarterly reports will be prepared and distributed to all the participants in advance of the meetings of the Project Steering Committee. The template of the report is detailed in Annex C4 to the Twinning manual.

The first report will be due in the fourth month counting from the date of notification of the Twinning contract. Failure to submit satisfactory reports in time may lead to the decision to suspend EU financing for the project.

The MS Project Leader shall submit the final report before the end of the legal duration of the Twinning contract.

The final report will be accompanied by a verification expenditure report.

ARTICLE 9 TWINNING REVIEW MISSIONS

Each Twinning project is in principle followed, 6 to 12 months after its finalisation, by a Twinning Review Mission (TRM). This mission aims at reporting whether sustainable impacts or spin offs have been observed after Twinning project finalisation.

* Delete as appropriate.

The overall objective of a TRM is to assess if the achievements of the Twinning project are still present and if they produced a standing impact, in particular in terms of sustainability. Normally, a TRM should also identify lessons learned and recommend improvements for the managing of Twinning projects in the given country and/or sector.

A TRM shall analyse the situation in the area/sector covered by the Twinning project concerned, comparing it to the situation prevailing when the project's implementation ended and taking into account the initial situation that the project was called to correct. The scope of the analysis shall be determined by the mandatory results of the Twinning project.

A TRM shall focus on the developments intervened after the end of the Twinning project concerned with particular regard to the legal and institutional level (legislative progress and administrative adaptation), to capacity and skills building (further training of staff and spreading of know-how) and to the structural changes introduced (irreversibility of the new framework).

The Team charged with the performance of the TRM is led by the Twinning Review Expert (TRE), a public sector (or mandated body) expert from a different MS than the Lead or Junior MS of the project concerned, who did not participate in the Twinning project in question. In principle and when possible the TRE is a former RTA of a similar project.

The TRE is selected by the Institution Building Unit (IBU) of the Commission, in consultation with MS National Contact Points (NCP) and other stakeholders. He/She is directly invited by the IBU to perform the TRM.

The TRE is responsible for preparing the Reporting Form. The Reporting Form, which the TRE timely distributes to all members of the TRM Team, mentions the project's deliveries and the final report's recommendations

The TRE drafts the review report.

For all or part of the TRM the TRE can be assisted and accompanied by a team of persons who were involved in the project concerned:

- the MS RTA;
- the BC RTA counterpart;
- the MS Project Leader (when appropriate and if available);
- the BC Project Leader (or the official who might have replaced him/her in the same position);
- the task manager from the pertinent EU Delegation who followed the project or the sector involved (or the official who might have replaced him/her in the same position).

If the MS RTA and/or the BC RTA counterpart are not available, the selection of a replacement is decided on a case by case basis by the IBU in close consultation with the pertinent stakeholders.

A more detailed set of guidelines and the template of the Reporting Form are available on the Twinning web-page:

http://ec.europa.eu/enlargement/pdf/financial_assistance/institution_building/2013/guidelines_trm.pdf.

TRM are organised as TAIEX events whose cost is covered by the TAIEX budget. The request to launch a TRM is initiated by the relevant EU Delegation.

The final reports produced by TRM will be included in a database of Twinning assessments accessible to all those involved.

For the administration of the Member State

*[name and title of the individual(s)
authorised to sign]*

[signature]

[date]

For the administration of the BC

*[name and title of the official(s)
authorised to sign]*

[signature]

[date]

For IPA, **Work Plan to be initialled by the administrative office/ EU Delegation**

For ENPI, **Work Plan to be initialled by the Member State Project Leader and the Beneficiary Country Project Leader.**

(See section 3.10.2 of the Common Twinning Manual)

ANNEX A2¹

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

CONTENTS

Explanations of the terms used throughout these General Conditions may be found in the 'Glossary of terms', Annex A1 to the Practical Guide to contract procedures for EU external actions.

In case of operating grants, the term "Action" should be understood as "Work Programme".

The term "Coordinator" refers to the Beneficiary identified as the Coordinator in the Special Conditions.

The term "Beneficiary(ies)" refers collectively to all Beneficiaries, including the Coordinator, of the Action. When there is only one Beneficiary of the Action, the terms Beneficiary(ies) and Coordinator should both be understood as referring to the only Beneficiary of the Action.

The term "party(ies) to this Contract" refers to the party signatory of this Contract (i.e. the Beneficiary(ies) and the Contracting Authority).

All references to "days" in this Contract are to calendar days, unless otherwise specified.

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¹ Version 2013.1

GENERAL AND ADMINISTRATIVE PROVISIONS

ARTICLE 1 - GENERAL PROVISIONS

General principles

- 1.1 The Beneficiary(ies) 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 the European Commission only the rights and obligations explicitly mentioned in this Contract.
- 1.2 This 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.

Data protection

- 1.3 Any personal data will be processed solely for the purposes of the performance, management and monitoring of this Contract by the Contracting Authority and may also be passed to the bodies charged with monitoring or inspection tasks under European Union law. Beneficiaries will have the right of access to their personal data and the right to rectify any such data. If the Beneficiary(ies) have any queries concerning the processing of personal data, they shall address them to the Contracting Authority. The Beneficiary(ies) will have right of recourse at any time to the European Data Protection Supervisor.
- 1.4 The Beneficiary shall limit access and use of personal data to that strictly necessary for the performance, management and monitoring of this Contract and shall adopt all appropriate technical and organisational security measures necessary to preserve the strictest confidentiality and limit access to this data.

Role of the Beneficiary(ies)

- 1.5 The Beneficiary(ies) shall:
 - a) carry out the Action jointly and severally vis-a-vis the Contracting Authority taking all necessary and reasonable measures to ensure that the Action is carried out in accordance with the Description of the Action in Annex I and the terms and conditions of this Contract.

To this purpose, the Beneficiary(ies) shall implement the Action with the requisite care, efficiency, transparency and diligence, in line with the principle of sound financial management and with the best practices in the field.
 - b) be responsible for complying with any obligation incumbent on them from this Contract jointly or individually;
 - c) forward to the Coordinator the data needed to draw up the reports, financial statements and other information or documents required by this Contract and the Annexes thereto, as well as any information needed in the event of audits, checks, monitoring or evaluations, as described in Article 16;
 - d) ensure that all information to be provided and request made to the Contracting Authority is sent via the Coordinator;
 - e) agree upon appropriate internal arrangements for the internal coordination and representation of the Beneficiary(ies) vis-a-vis the Contracting Authority for any matter concerning this Contract, consistent with the provisions of this Contract and in compliance with the applicable legislation(s).

Role of the Coordinator

- 1.6 The Coordinator shall:

- a) monitor that the Action is implemented in accordance with this Contract and ensure coordination with all Beneficiary(ies) in the implementation of the Action;
- b) be the intermediary for all communications between the Beneficiary(ies) and the Contracting Authority;
- c) be responsible for supplying all documents and information to the Contracting Authority which may be required under this Contract, in particular in relation to the requests for payment. Where information from the Beneficiary(ies) is required, the Coordinator shall be responsible for obtaining, verifying and consolidating this information before passing it on to the Contracting Authority.

Any information given, as well as any request made by the Coordinator to the Contracting Authority, shall be deemed to have been given in agreement with all Beneficiary(ies);

- d) inform the Contracting Authority of any event likely to affect or delay the implementation of the Action;
- e) inform the Contracting Authority of any change in the legal, financial, technical, organisational or ownership situation of any of the Beneficiary(ies), as well as, of any change in the name, address or legal representative of any of the Beneficiary(ies);
- f) be responsible in the event of audits, checks, monitoring or evaluations, as described in Article 16 for providing all the necessary documents, including the accounts of the Beneficiary(ies), copies of the most relevant supporting documents and signed copies of any contract concluded according to Article 10.
- g) have full financial responsibility for ensuring that the Action is implemented in accordance with this Contract;
- h) make the appropriate arrangements for providing the financial guarantee, when requested, under the provisions of Article 4.2 of the Special Conditions
- i) establish the payment requests in accordance with the Contract;
- j) be the sole recipient, on behalf of all of the Beneficiary(ies), of the payments of the Contracting Authority. The Coordinator shall ensure that the appropriate payments are then made to the Beneficiary(ies) without unjustified delay;
- k) not delegate any, or part of, these tasks to the Beneficiary(ies) or other entities.

ARTICLE 2 - OBLIGATION TO PROVIDE FINANCIAL AND NARRATIVE REPORTS

2.1. The Beneficiary(ies) shall provide the Contracting Authority with all required information on the implementation of the Action. The report shall be laid out in such a way as to allow comparison of the objective(s), the means envisaged or employed, the results expected and obtained and the budget details for the Action. The level of detail in any report should match that of the Description of the Action and of the Budget for the Action. The Coordinator shall collect all the necessary information and draw up consolidated interim and final reports. These reports shall:

- a) cover the Action as a whole, regardless of which part of it is financed by the Contracting Authority;
- b) consist of a narrative and a financial report drafted using the templates provided in Annex VI;
- c) provide a full account of all aspects of the Action's implementation for the period covered, including in case of simplified cost options the qualitative and quantitative

information needed to demonstrate the fulfilment of the conditions for reimbursement established in this Contract ;

- d) be drafted in the currency and language of this Contract;
- e) include any update on the Communication plan as provided by Article 6.2
- f) include any relevant reports, publications, press releases and updates related to the Action;

2.2 Additionally the final report shall:

- a) cover any period not covered by the previous reports
- b) include the proofs of the transfers of ownership as referred to in Article 7.5.

2.3 The Special Conditions may set out additional reporting requirements.

2.4 The Contracting Authority may request additional information at any time. The Coordinator shall provide this information within 30 days of the request, in the language of the Contract.

2.5 Reports shall be submitted with the payment requests, according to Article 15. If the Coordinator fails to provide any report or fails to provide any additional information requested by the Contracting Authority within the set deadline without an acceptable and written explanation of the reasons, the Contracting Authority may terminate this Contract according to Article 12.2 (a) and (f).

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(ies) 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.

3.2 The Beneficiary(ies) 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(ies) shall discharge the Contracting Authority of all liability arising from any claim or action brought as a result of an infringement of rules or regulations by the Beneficiary(ies) or the Beneficiary(ies)'s employees or individuals for whom those employees are responsible, or as a result of violation of a third party's rights.

ARTICLE 4 - CONFLICT OF INTERESTS

4.1 The Beneficiary(ies) shall take all necessary measures to prevent or end any situation that could compromise the impartial and objective performance of this Contract. Such conflict of interests may arise in particular as a result of economic interest, political or national affinity, family or emotional ties, or any other relevant connection or shared interest.

4.2 Any conflict of interests which may arise during performance of this Contract must be notified in writing to the Contracting Authority without delay. In the event of such conflict, the Coordinator shall immediately take all necessary steps to resolve it.

4.3 The Contracting Authority reserves the right to verify that the measures taken are appropriate and may require additional measures to be taken if necessary.

4.4 The Beneficiary(ies) shall ensure that its staff, including its management, is not placed in a situation which could give rise to conflict of interests. Without prejudice to its obligation under this Contract, the Beneficiary(ies) shall replace, immediately and without compensation from the Contracting Authority, any member of its staff in such a situation.

ARTICLE 5 - CONFIDENTIALITY

- 5.1 Subject to Article 16, the Contracting Authority and the Beneficiary(ies) undertake to preserve the confidentiality of any information, notwithstanding its form, disclosed in writing or orally in relation to the implementation of this Contract and identified in writing as confidential until at least 5 years after the payment of the balance.
- 5.2 The Beneficiary(ies) shall not use confidential information for any aim other than fulfilling their obligations under this Contract unless otherwise agreed with the Contracting Authority.
- 5.3 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 level of confidentiality.

ARTICLE 6 - VISIBILITY

- 6.1 Unless the European Commission agrees or requests otherwise, the Beneficiary(ies) shall take all necessary steps to publicise the fact that the European Union has financed or co-financed the Action. Such measures shall comply with the Communication and Visibility Manual for Union 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.
- 6.2 The Coordinator shall submit a communication plan for the approval of the European Commission and report on its implementation in accordance with Article 2.
- 6.3 In particular, the Beneficiary(ies) 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 European Union logo wherever appropriate.
- 6.4 Any notice or publication by the Beneficiary(ies) concerning the Action, including those given at conferences or seminars, shall specify that the Action has received European Union funding. Any publication by the Beneficiary(ies), in whatever form and by whatever medium, including the internet, shall 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(ies)'s name > and can under no circumstances be regarded as reflecting the position of the European Union. '
- 6.5 The Beneficiary(ies) 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 the rate of funding of the Action's costs, as laid down in Article 3 of the Special Conditions. Derogation from publication of this information may be granted if it could endanger the Beneficiary(ies) or harm their interests.

ARTICLE 7 - OWNERSHIP/USE OF RESULTS AND ASSETS

- 7.1 Unless otherwise stipulated in the Special Conditions, ownership of, and title and intellectual and industrial property rights to, the Action's results, reports and other documents relating to it will be vested in the Beneficiary(ies).
- 7.2 Without prejudice to Article 7.1, the Beneficiary(ies) grant the Contracting Authority (and the European Commission where it is not this Contracting Authority) the right to use freely and as it sees fit, and in particular, to store, modify, translate, display, reproduce by any technical procedure, publish or communicate by any medium all documents deriving from the Action whatever their form, provided it does not thereby breach existing industrial and intellectual property rights.

- 7.3 The Beneficiary(ies) shall ensure that it has all rights to use any pre-existing intellectual property rights necessary to implement this Contract.
- 7.4 In case natural, recognizable persons are depicted in a photograph or film, the Coordinator shall, in the final report to the Contracting Authority, submit a statement of these persons giving their permissions for the described use of their images. The above does not refer to photographs taken or films shot in public places where random members of the public are identifiable only hypothetically and to public persons acting in their public activities.
- 7.5 Where a Beneficiary(ies) does not have its headquarter(s) in the country where the Action is implemented and unless otherwise specified in the Special Conditions, its equipment, vehicles and supplies paid for by the Budget for the Action shall be transferred to any local Beneficiary(ies) and/or to any local affiliated entity(ies) and/or to the final beneficiaries of the Action, at the latest when submitting the final report. Copies of the proofs of transfer of any equipment and vehicles for which the purchase cost was more than EUR 5 000 per item, shall be attached to the final report. Proofs of transfer of equipment and vehicles whose purchase cost was less than EUR 5 000 per item shall be kept by the Beneficiary(ies) for control purposes..

ARTICLE 8 - EVALUATION/MONITORING OF THE ACTION

- 8.1 If the European Commission carries out an interim or ex post evaluation or a monitoring mission, the Coordinator 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.
- 8.2 If either the Beneficiary(ies) or the European Commission carries out or commissions an evaluation in the course of the Action, it shall provide the other with a copy of the evaluation report.

ARTICLE 9 - AMENDMENT OF THE CONTRACT

- 9.1 Any amendment to this Contract, including the annexes thereto, shall be set out in writing. This Contract can be modified only during its execution period.
- 9.2 The amendment may not have the purpose or the effect of making changes to this 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.
- 9.3 If an amendment is requested by the Beneficiary(ies), the Coordinator shall submit a duly justified 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 and accepted by the Contracting Authority.
- 9.4 Where the amendment to the Budget or Description of the Action does not affect the basic purpose of the Action and the financial impact is limited to a transfer between items within the same main budget heading including cancellation or introduction of an item, or a transfer between main budget headings involving a variation of 25% or less of the amount originally entered (or as modified by addendum) in relation to each concerned main heading for eligible costs, the Coordinator 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 indirect costs, for the contingency reserve, for in-kind contributions or the amounts or rates of simplified cost options.
- 9.5 Changes of address, bank account or auditor may simply be notified by the Coordinator. However, in duly substantiated circumstances, the Contracting Authority may oppose the Coordinator's choice.

- 9.6 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 this Contract was signed cast doubt on the auditor's independence or professional standards.

ARTICLE 10 — IMPLEMENTATION

Implementation contracts

- 10.1 If the Beneficiary(ies) have to conclude implementation contracts with contractors 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.
- 10.2 The Beneficiary(ies) shall also ensure that contractors awarded an implementation contract comply with Articles 3, 4, 5, 6, 7, 8 and 16 of this Contract.
- 10.3 The Coordinator shall provide in its report to the Contracting Authority a comprehensive and detailed report on the award and implementation of any contract awarded under article 10.1.

Financial support to third parties

- 10.4 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(ies) may award financial support if so provided by the Special Conditions.
- 10.5 The maximum amount of financial support shall be limited to EUR 60 000 per each third party, except where the main purpose of the Action is to redistribute the grant.
- 10.6 The Description of the Action, in conformity with the relevant instructions given in this regard by the Contracting Authority, shall define the types of entities eligible for financial support and include a fixed list with the types of activity which may be eligible for financial support. The criteria for the selection of the third parties recipient of this financial support, including the criteria for determining its exact amount, shall also be specified. The Beneficiary(ies) shall respect the rules of nationality and origin set out in Annex IV of this Contract.
- 10.7 The Coordinator shall provide in its report to the Contracting Authority a comprehensive and detailed report on the award and implementation of any financial support given. These reports should provide, amongst other, information on the award procedures, on the identities of the recipient of financial support, the amount granted, the results achieved, the problems encountered and solutions found, the activities carried out as well as a timetable of the activities which still need to be carried out.
- 10.8 The Beneficiary(ies) shall also ensure that third parties awarded financial support comply with Articles 3, 4, 5, 6, 7, 8 and 16 of this Contract.

ARTICLE 11 - EXTENSION AND SUSPENSION

Extension

- 11.1 The Coordinator shall inform the Contracting Authority without delay of any circumstances likely to hamper or delay the implementation of the Action. The Coordinator may request an extension of the Action's implementation period as laid down in Article 2 of the Special Conditions in accordance to Article 9. The request shall be accompanied by all the supporting evidence needed for its appraisal.

Suspension by the Coordinator

- 11.2 The Coordinator may suspend implementation of the Action, or any part thereof, if exceptional circumstances, notably of force majeure, make such implementation excessively

difficult or dangerous. The Coordinator shall inform the Contracting Authority without delay, stating the nature, probable duration and foreseeable effects of the suspension.

- 11.3 The Coordinator or the Contracting Authority may then terminate this Contract in accordance with Article 12.1. If the Contract is not terminated, the Beneficiary(ies) shall endeavour to minimise the time of its suspension and any possible damage and shall resume implementation once circumstances allow, informing the Contracting Authority accordingly.

Suspension by the Contracting Authority

- 11.4 The Contracting Authority may request the Beneficiary(ies) to suspend implementation of the Action, or any part thereof, if exceptional circumstances, notably of force majeure, make such implementation excessively difficult or dangerous. To this purpose, the Contracting Authority shall inform the Coordinator stating the nature and probable duration of the suspension.
- 11.5 The Coordinator or the Contracting Authority may then terminate this Contract in accordance with Article 12.1. If the Contract is not terminated, the Beneficiary(ies) shall endeavour to minimise the time of its suspension and any possible damage and shall resume implementation once circumstances allow and after having obtained the approval of the Contracting Authority.
- 11.6 The Contracting Authority may also suspend this Contract or the participation of a Beneficiary(ies) in this Contract when, or, if necessary to verify, that:
- a) the grant award procedure or the implementation of the Action have been subject to substantial errors, irregularities or fraud;
 - b) the Beneficiary(ies) have breached any substantial obligation under this Contract.
- 11.7 The Coordinator shall provide any requested information, clarification or document within 30 days of receipt of the requests sent by the Contracting authority. If, notwithstanding the information, clarification or document provided by the Coordinator, the award procedure or the implementation of the grant proves to have been subject to substantial errors, irregularities, fraud, or breach of obligations, then the Contracting Authority may terminate this Contract according to Article 12(2) h.

Force majeure

- 11.8 The term force majeure, as used herein covers any unforeseeable events, not within the control of either party to this Contract and which by the exercise of due diligence neither party is able to overcome such as acts of God, strikes, lock-outs or other industrial disturbances, acts of the public enemy, wars whether declared or not, blockades, insurrection, riots, epidemics, landslides, earthquakes, storms, lightning, floods, washouts, civil disturbances, explosion. A decision of the European Union to suspend the cooperation with the beneficiary country is considered to be a case of force majeure when it implies suspending funding under this Contract.
- 11.9 The Beneficiary(ies) shall not be held in breach of its contractual obligations if it is prevented from fulfilling them by circumstances of force majeure.

Extension of the implementation period following a suspension

- 11.10 In case of suspension according to Articles 11.2, 11.4 and 11.6, 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. Article 11.10 does not apply in case of an operating grant.

ARTICLE 12 — TERMINATION OF THE CONTRACT

Termination in case of force majeure

- 12.1 In the cases foreseen in Article 11.2 and 11.4, if the Coordinator or the Contracting Authority believes that this Contract can no longer be executed effectively or appropriately, it shall duly consult the other. Failing agreement on a solution, the Coordinator or the Contracting Authority may terminate this Contract by serving two months written notice, without being required to pay compensation.

Termination by the Contracting Authority

- 12.2 Without prejudice to article 12.1, in the following circumstances the Contracting Authority may, after having duly consulted the Coordinator, terminate this Contract or the participation of any Beneficiary(ies) in this Contract without any indemnity on its part when:
- a) a Beneficiary(ies) fails, without justification, to fulfil any substantial obligation incumbent on them individually or collectively by this Contract 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 receipt of the letter;
 - b) a Beneficiary(ies) 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) a Beneficiary(ies), or any related entity or person, have been found guilty of an offence concerning their professional conduct proven by any means;
 - d) a Beneficiary(ies), or any related entity or person, have committed fraud, corruption, or are involved in a criminal organisation, money laundering or any other illegal activity detrimental to the European Union's financial interests;
 - e) a change to a Beneficiary(ies)'s legal, financial, technical, organisational or ownership situation or the termination of the participation of a Beneficiary(ies) substantially affects the implementation of this Contract or calls into question the decision awarding the grant;
 - f) a Beneficiary(ies) or any related person, are guilty of misrepresentation in supplying the information required in the award procedure or in the implementation of the Action or fails to supply - or fails to supply within the deadlines set under this Contract - any information related to the Action required by the Contracting Authority;
 - g) a Beneficiary(ies) 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;
 - h) the Contracting Authority has evidence that a Beneficiary(ies), or any related entity or person, has committed substantial errors, irregularities or fraud in the award procedure or in the implementation of the Action;
 - i) a Beneficiary(ies) is subject to an administrative penalty referred to in Article 12(8);
 - j) the Contracting Authority has evidence that a Beneficiary(ies) is subject to a conflict of interests;
 - k) the European Commission has evidence that a Beneficiary(ies) has committed systemic or recurrent errors or irregularities, fraud, or serious breach of obligations under other grants financed by the European Union and awarded to that specific under similar conditions, provided that those errors, irregularities, fraud or serious breach of obligations have a material impact on this grant.

- 12.3 In the cases referred to in points (c), (d) (f) (h) and (k) above, any related person means any physical person with powers of representation, decision-making or control in relation to the Beneficiary(ies). Any related entity means, in particular, any entity which meets the criteria laid down by Article 1 of the Seventh Council Directive No 83/349/EEC of 13 June 1983.

Termination of a Beneficiary(ies) participation by the Coordinator

- 12.4 In duly justified cases, the participation of a Beneficiary(ies) in this Contract may be also terminated by the Coordinator. To this purpose, the Coordinator shall communicate to the Contracting Authority the reasons for the termination of its participation and the date on which the termination shall take effect, as well as a proposal on the reallocation of the tasks of the Beneficiary(ies) whose participation is terminated, or on its possible replacement. The proposal shall be sent in good time before the termination is due to take effect. If the Contracting Authority agrees, the Contract shall be amended accordingly in conformity with Article 9.

End date

- 12.5 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 this Contract is terminated according to Article 12. The Contracting Authority shall notify the Coordinator of any postponement of the end date.
- 12.6 This Contract will be terminated automatically if it has not given rise to any payment by the Contracting Authority within two years of its signature.

Effects of Termination

- 12.7 In the event of termination, the Beneficiary(ies) shall be entitled to payment only for the part of the Action carried out, excluding costs relating to current commitments that are not due to be executed until after termination.

To this purpose, the Coordinator shall introduce a payment request to the Contracting Authority within the time limit set by Article 15(2) starting from the date of termination.

In the cases of termination foreseen in Article 12.2 a), c), d), f), h) and k) the Contracting Authority may, after having properly consulted the Coordinator and depending on the gravity of the failings, request full or partial repayment of amounts already paid for the Action.

Administrative and Financial penalties

- 12.8 Without prejudice to the application of other remedies laid down in the Contract, a Beneficiary(ies) who has made false declarations, substantial errors, irregularities and fraud or was in serious breach of its contractual obligations may be excluded from all contracts and grants financed by the EU for a maximum of five years from the date on which the infringement is established, to be confirmed after an adversarial procedure with the European Commission, in accordance with the Financial Regulations applicable to the contracts covered by the Budget or the EDF. The period may be increased to ten years in the event of a repeated offence within five years of the first infringement.
- 12.9 In addition or in alternative to the administrative sanctions laid down in Article 12.8, a Beneficiary(ies) may also be subject to financial penalties representing 2-10% of the total value of this Contract. This rate may be increased to 4-20% in the event of a repeated offence within five years of the first infringement.
- 12.10 The European Commission shall formally notify the Beneficiary(ies) concerned of any decision to apply such penalties.

ARTICLE 13 — APPLICABLE LAW AND DISPUTE SETTLEMENT

- 13.1 This Contract shall be governed by the law of the country of the Contracting Authority or, where the Contracting Authority is the European Commission, by the European Union law supplemented as appropriate by Belgian law.
- 13.2 The parties to this Contract 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. The Coordinator and the Contracting Authority shall reply to a request sent for an amicable settlement within 30 days. Once this period has expired, or if the attempt to reach amicable settlement has not produced an agreement within 120 days of the first request, the Coordinator or the Contracting Authority may notify the other part 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 Coordinator and the Contracting Authority be submitted for conciliation by 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 to this Contract 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

Cost eligibility criteria

- 14.1 Eligible costs are actual costs incurred by the Beneficiary(ies) 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. In particular:
 - (i) Costs relating to services and works shall relate to activities performed during the implementation period. Costs relating to supplies shall relate to delivery and installation of items during the implementation period. Signature of a contract, placing of an order, or entering into any commitment for expenditure within the implementation period for future delivery of services, works or supplies after expiry of the implementation period do not meet this requirement;
 - (ii) Costs incurred should be paid before the submission of the final reports. They may be paid afterwards, provided they are listed in the final report together with the estimated date of payment;
 - (iii) An exception is made for costs relating to final reports, including expenditure verification, audit and final evaluation of the Action, which may be incurred after the implementation period of the Action;
 - (iv) Procedures to award contracts, as referred to in Article 10, may have been initiated and contracts may be concluded by the Beneficiary(ies) before the start of the implementation period of the Action, provided the provisions of Annex IV have been respected.
 - b) they are indicated in the estimated overall budget for the Action;

- c) they are necessary for the implementation of the Action;
- d) they are identifiable and verifiable, in particular being recorded in the accounting records of the Beneficiary(ies) and determined according to the applicable accounting standards of the country where the Beneficiary(ies) is established and according to the usual cost accounting practices of the Beneficiary(ies);
- e) they comply with the requirements of applicable tax and social legislation;
- f) they are reasonable, justified and comply with the requirements of sound financial management, in particular regarding economy and efficiency.

Eligible direct costs

14.2 Subject to Article 14.1 and, where relevant, to the provisions of Annex IV being respected, the following direct costs of the Beneficiary(ies) shall be eligible:

- a) 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 shall not exceed those normally borne by the Beneficiary(ies), unless it is justified by showing that it is essential to carry out the Action;
- b) 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(ies) nor the rates published by the European Commission at the time of such mission;
- c) purchase costs for equipment and supplies (new or used) specifically for the purposes of the Action, provided that ownership is transferred at the end of the Action when required in Article 7.5;
- d) costs of consumables;
- e) costs entailed by contracts awarded by the Beneficiary(ies) for the purposes of the Action referred to in Article 10.
- f) 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 where required according to the Contract);
- g) duties, taxes and charges, including VAT, paid and not recoverable by the beneficiaries, unless otherwise provided in the Special Conditions;
- h) overheads, in the case of an operating grant.

Simplified cost options

14.3 In accordance with the detailed provisions in Annex III, eligible costs may also be constituted by any or a combination of the following cost options:

- a) unit costs;
- b) lump sums;
- c) flat-rate financing.

14.4 The methods used by the Beneficiary(ies) to determine unit costs, lump sums or flat-rates shall be clearly described and substantiated in Annex III and shall ensure compliance with the no-profit rule and shall avoid double funding of costs. The information used can be based on the Beneficiary(ies)'s historical and/or actual accounting and cost accounting data or on external information where available and appropriate.

Costs declared under simplified cost options shall satisfy the eligibility criteria set out in Article 14.1 and 14.2. They do not need to be backed by accounting or supporting documents, save those necessary to demonstrate the fulfilment of the conditions for reimbursement established in Annex I and III.

These costs may not include ineligible costs as referred to in Article 14.9 or costs already declared under another costs item or heading of the budget of this Contract.

The amounts or rates of unit costs, lump sums or flat-rates set out in Annex III may not be amended unilaterally and may not be challenged by ex post verifications.

- 14.5 The total amount of financing on the basis of simplified cost options may not exceed EUR 60 000 per each Beneficiary, unless otherwise provided for in the Special Conditions.

Contingency reserve

- 14.6 A reserve for contingencies and/or possible fluctuations in exchange rates not exceeding 5 % of the direct eligible costs may be included in the budget for the Action, to allow for adjustments necessary in the light of unforeseeable changes of circumstances on the ground. It can be used only with the prior written authorisation of the Contracting Authority, upon duly justified request by the Coordinator.

Indirect costs

- 14.7 The indirect costs for the action are those eligible costs which may not be identified as specific costs directly linked to the implementation of the action and may not be booked to it directly according to the conditions of eligibility in Article 14.1. However, they are incurred by the beneficiary(ies) in connection with the eligible direct costs for the action. They may not include ineligible costs as referred to in Article 14.9 or costs already declared under another costs item or heading of the budget of this Contract.

A fixed percentage of the total amount of direct eligible costs of the Action not exceeding the percentage laid down in Article 3 of the Special Conditions may be claimed to cover indirect costs for the Action. Flat-rate funding in respect of indirect costs does not need to be supported by accounting documents. This amount shall not be taken into account with regard to the maximum amount of simplified cost options.

Indirect costs shall not be eligible under a grant for an action awarded to a beneficiary who already receives an operating grant financed from the Union budget during the period in question.

This Article 14.7 does not apply in the case of an operating grant.

In kind contributions

- 14.8 Any contributions in kind, which shall be listed separately in Annex III, do not represent actual expenditure and are not eligible costs. Unless otherwise specified in the Special Conditions, contributions in kind may not be treated as co-financing by the Beneficiary(ies).

If contributions in kind are accepted as co-financing, the Beneficiary(ies) shall ensure they comply with national tax and social security rules.

Notwithstanding the above, if the Description of the Action provides for contributions in kind, such contributions have to be provided.

Non-eligible costs

- 14.9 The following costs shall not be considered eligible:

- a) debts and debt service charges (interest);
- b) provisions for losses or potential future liabilities;

- c) costs declared by the Beneficiary(ies) and financed by another action or work programme receiving a Union (including through EDF) grant;
- d) purchases of land or buildings, except where necessary for the direct implementation of the Action, in which case ownership shall be transferred to the final beneficiaries and/or local Beneficiary(ies), at the latest at the end of the Action, in accordance with Article 7.5;
- e) currency exchange losses;
- f) credits to third parties, unless otherwise specified in the Special Conditions.

ARTICLE 15 — PAYMENT AND INTEREST ON LATE PAYMENT

Payment procedures

15.1 The Contracting Authority must pay the grant to the Coordinator following one of the payment procedures below, as set out in Article 4 of the Special Conditions.

Option 1: Actions with an implementation period of 12 months or less or grant of EUR 100 000 or less

- (i) an initial pre-financing payment of 80 % of the maximum amount referred to in Article 3.2 of the Special Conditions (excluding contingencies);
- (ii) the balance of the final amount of the grant.

Option 2: Actions with an implementation period of more than 12 months and grant of more than EUR 100 000

- (i) an initial pre-financing payment of 100 ÷/÷ of the part of the estimated budget financed by the Contracting Authority for the first reporting period (excluding contingencies). The part of the budget financed by the Contracting Authority is calculated by applying the percentage set out in Article 3.2 of the Special Conditions;
- (ii) further pre-financing payments of 100 ÷/÷ of the part of the estimated budget financed by the Contracting Authority for the following reporting period (excluding not authorised contingencies);
 - the reporting period is intended as a twelve-month period unless otherwise provided for in the Special Conditions. When the remaining period to the end of the Action is up to 18 months, the reporting period shall cover it entirely;
 - within 60 days following the end of the reporting period, the Coordinator shall present an interim report or, if unable to do so, it shall inform the Contracting Authority of the reasons and provide a summary of progress of the Action;
 - if at the end of the reporting period the part of the expenditure actually incurred which is financed by the Contracting Authority is less than 70 ÷/÷ of the previous payment (and 100 ÷/÷ of any previous payments), the further pre-financing payment shall be reduced by the amount corresponding to the difference between the 70 ÷/÷ of the previous pre-financing payment and the part of the expenditure actually incurred which is financed by the Contracting Authority;
 - the Coordinator may submit a request for further pre-financing payment before the end of the reporting period, when the part of the expenditure actually incurred which is financed by the Contracting Authority is more

than 70 0/100 of the previous payment (and 100 0/100 of any previous payments). In this case, the following reporting period starts anew from the end date of the period covered by this payment request;

- in addition, for grants of more than EUR 5 000 000, a further pre-financing payment may be made only if the part financed by the Contracting Authority of the eligible costs approved is at least equal to the total amount of all the previous payments excluding the last one;
- the total sum of pre-financing payments may not exceed 90 % of the amount referred to in Article 3.2 of the Special Conditions, excluding not authorised contingencies;

(iii) the balance of the final amount of the grant.

Option 3: All Actions

(i) the balance of the final amount of the grant.

Submission of final reports

15.2 The Coordinator shall submit the final report to the Contracting Authority 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 Coordinator does not have its headquarters in the country where the Action is implemented.

Payment request

15.3 The payment request shall be drafted using the model in Annex V and shall be accompanied by:

- a) a narrative and financial report in line with Article 2;
- b) a forecast budget for the following reporting period in case of request of further pre-financing;
- c) an expenditure verification report or a detailed breakdown of expenditure if required under Article 15.7;

For the purposes of the initial pre-financing payment, the signed contract serves as payment request. A financial guarantee shall be attached if required in the Special Conditions.

Payment shall not imply recognition of the regularity or of the authenticity, completeness and correctness of the declarations and information provided.

Payment deadlines

15.4 Initial pre-financing payments shall be made within 30 days of receipt of the payment request by the Contracting Authority.

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

However, further pre-financing payments and payments of the balance shall be made within 90 days of receipt of the payment request by the Contracting Authority in any of the following cases:

- a) one Beneficiary with affiliated entity(ies);
- b) if more than one Beneficiary is part to this Contract;
- c) if the Commission is not the Contracting Authority
- d) for grants exceeding EUR 5 000 000

The payment request is deemed accepted if there is no written reply by the Contracting Authority within the deadlines set above.

Suspension of the period for payments

15.5 Without prejudice to Article 12, the Contracting Authority may suspend the time-limits for payments by notifying the Coordinator that:

- a) the amount indicated in its request of payments is not due, or;
- b) proper supporting documents have not been supplied, or;
- c) the Contracting Authority needs to request clarifications, modifications or additional information to the narrative or financial reports, or;
- d) the Contracting Authority needs to carry out additional checks, including on-the-spot checks to make sure that the expenditure is eligible or;
- e) it is necessary to verify whether presumed substantial errors, irregularities, fraud have occurred in the grant award procedure or the implementation of the Action.
- f) it is necessary to verify whether the Beneficiary(ies) have breached any substantial obligations under this Contract.

The suspension of the time-limits for payments starts when the above notification is sent by the Contracting Authority to the Coordinator. The time-limit starts running again on the date on which a correctly formulated request for payment is recorded. The Coordinator shall provide any requested information, clarification or document within 30 days of the request.

If, notwithstanding the information, clarification or document provided by the Coordinator, the payment request is still inadmissible, or if the award procedure or the implementation of the grant proves to have been subject to substantial errors, irregularities, fraud, or breach of obligations, then the Contracting Authority may refuse to proceed further with payments and may, in the cases foreseen in Article 12, terminate accordingly this Contract.

In addition, the Contracting Authority may also suspend payments as a precautionary measure without prior notice, prior to, or instead of, terminating this Contract as provided for in Article 12.

Interest on late payment

15.6 If the Contracting Authority pays the coordinator after the time limit, it shall pay default interest as follows:

- a) 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;
- b) 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 will 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 will be paid to the Coordinator only upon demand submitted within two months of receiving late payment.

The default interest is not considered as income for the purposes of Article 17.2.

This Article 15.6 does not apply if the coordinator is a European Union Member State, including regional and local government authorities or other public body acting in the name and on behalf of the Member State for the purpose of the Contract.

Expenditure verification report

15.7 The Coordinator must provide an expenditure verification report for:

- a) any request for further pre-financing payment in case of grants of more than EUR 5 000 000;
- b) any final report in the case of a grant of more than EUR 100 000.

The expenditure verification report shall conform to the model in Annex VII and shall be produced by an auditor approved or chosen by the Contracting Authority. The auditor shall meet the requirements set out in the Terms of Reference for expenditure verification in Annex VII.

The auditor shall examine whether the costs declared by the Beneficiary(ies) and the revenue of the Action are real, accurately recorded and eligible under this Contract. The expenditure verification report shall cover all expenditure not covered by any previous expenditure verification report.

If no expenditure verification is required, a detailed breakdown of expenditure covering the preceding reporting periods not already covered, shall be provided for every other request for further pre-financing payment and starting with the second request for further pre-financing payment (i.e. 3rd, 5th, 7th... pre-financing payment).

The detailed breakdown of expenditure should provide the following information for each cost heading in the financial report and for all underlying entries and transactions: amount of the entry or transaction, accounting reference (e.g. ledger, journal or other relevant reference) description of the entry or transaction (detailing the nature of the expenditure) and reference to underlying documents (e.g. invoice number, salary slip or other relevant reference), in line with Article 16.1. It shall be provided in electronic form and spread sheet format (excel or similar) whenever possible.

The detailed breakdown of expenditure shall be supported by a declaration of honour by the Coordinator that the information in the payment request is full, reliable and true and that the costs declared have been incurred and can be considered as eligible in accordance to this Contract.

The final report shall in all cases include a detailed breakdown of expenditure covering the whole Action.

Where the Coordinator is a government department or a public body, the Contracting Authority may accept to substitute the expenditure verification with a detailed breakdown of expenditure.

The expenditure verification report shall not be provided by the Coordinator if the verification is directly done by the Contracting Authority's own staff, by the Commission or by a body authorised to do so on their behalf, according to Article of 5.2 of the Special Conditions.

Financial guarantee

15.8 If the grant exceeds EUR 60 000 the Contracting Authority may request a financial guarantee for the amount of the initial pre-financing payment.

The guarantee shall be denominated in euro or in the currency of the Contracting Authority, conforming to the model in Annex VIII and, unless the Contracting Authority agrees otherwise, 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 payment of the balance is made.

This provision shall not apply if the Coordinator is a non-profit organisation, an organisation which has signed a framework partnership agreement with the European Commission, a government department or public body, unless otherwise stipulated in the Special Conditions.

Rules for currency conversion

- 15.9 The Contracting Authority shall make payments to the Coordinator to the bank account referred to in the financial identification form in Annex V, which allows the identification of the funds paid by the Contracting Authority. The Contracting Authority shall make payments in euro or in the currency of the country to which it belongs, in accordance with the currency set in the Special Conditions.

Reports shall be submitted in the currency set out in the Special Conditions, and may be drawn from financial statements denominated in other currencies, on the basis of the Beneficiary(ies)'s applicable legislation and applicable accounting standards. In such case and for the purpose of reporting, conversion into the currency set in the Special Conditions shall be made using the rate of exchange at which the Contracting Authority 's contribution was recorded in the Beneficiary(ies)'s accounts, unless otherwise provided for in the Special Conditions.

Costs incurred in other currencies than the one used in the Beneficiary(ies)'s accounts shall be converted using the monthly Inforeuro on the date of payment or according to its usual accounting practices if so provided for in the Special Conditions.

In the event of an exceptional exchange-rate fluctuation, the Parties shall consult each other with a view to amending 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.

ARTICLE 16 — ACCOUNTS AND TECHNICAL AND FINANCIAL CHECKS

Accounts

- 16.1 The Beneficiary(ies) shall keep accurate and regular accounts of the implementation of the Action using an appropriate accounting and double-entry book-keeping system.

The accounts:

- a) may be an integrated part of or an adjunct to the Beneficiary(ies)'s regular system;
- b) shall comply with the accounting and bookkeeping policies and rules that apply in the country concerned;
- c) shall enable income and expenditure relating to the Action to be easily traced, identified and verified.

- 16.2 The coordinator shall ensure that any financial report as required under Article 2 can be properly and easily reconciled to the accounting and bookkeeping system and to the underlying accounting and other relevant records. For this purpose the Beneficiary(ies) shall prepare and keep appropriate reconciliations, supporting schedules, analyses and breakdowns for inspection and verification.

Right of access

- 16.3 The Beneficiary(ies) shall allow verifications to be carried out by the European Commission, the European Anti-Fraud Office, the European Court of Auditors and any external auditor authorised by the Contracting Authority. The Beneficiary(ies) have to take all steps to facilitate their work.

- 16.4 The Beneficiary(ies) shall allow the above entities to:
- a) access the sites and locations at which the Action is implemented;
 - b) examine its accounting and information systems, documents and databases concerning the technical and financial management of the Action;
 - c) take copies of documents;
 - d) carry out on the-spot-checks;
 - e) conduct a full audit on the basis of all accounting documents and any other document relevant to the financing of the Action;

16.5 Additionally the European Anti-Fraud Office shall be allowed to carry out on-the-spot checks and inspections in accordance with the procedures laid down by the European Union legislation for the protection of the financial interests of the European Union against fraud and other irregularities.

Where appropriate, the findings may lead to recovery by the Commission.

16.6 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 provided for by this Article as well as by Article 15.7 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.

Record keeping

16.7 The Beneficiary(ies) shall keep all records, accounting and supporting documents related to this Contract for five years following the payment of the balance and for three years in case of grants not exceeding EUR 60 000, and in any case until any on-going audit, verification, appeal, litigation or pursuit of claim has been disposed of.

They shall be easily accessible and filed so as to facilitate their examination and the Coordinator shall inform the Contracting Authority of their precise location.

16.8 All the supporting documents shall be available in the original form, including in electronic form.

16.9. In addition to the reports mentioned in Article 2, the documents referred to in this Article include:

- a) Accounting records (computerised or manual) from the Beneficiary(ies)'s accounting system such as general ledger, sub-ledgers and payroll accounts, fixed assets registers and other relevant accounting information;
- b) Proof of procurement procedures such as tendering documents, bids from tenderers and evaluation reports;
- c) Proof of commitments such as contracts and order forms;
- d) 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.;
- e) Proof of receipt of goods such as delivery slips from suppliers;
- f) Proof of completion of works, such as acceptance certificates;
- g) Proof of purchase such as invoices and receipts;

- h) Proof of payment such as bank statements, debit notices, proof of settlement by the contractor;
- i) Proof that taxes and/or VAT that have been paid cannot actually be reclaimed;
- j) For fuel and oil expenses, a summary list of the distance covered, the average consumption of the vehicles used, fuel costs and maintenance costs;
- k) Staff and payroll records such as contracts, salary statements and 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.

ARTICLE 17 — FINAL AMOUNT OF THE GRANT

Final amount

- 17.1 The grant may not exceed the maximum ceiling in Article 3.2 of the Special Conditions either in terms of the absolute value or the percentage stated therein.

If the eligible costs of the Action at the end of the Action are less than the estimated eligible costs as referred to in Article 3.1 of the Special Conditions, the grant shall be limited to the amount obtained by applying the percentage laid down in Article 3.2 of the Special Conditions to the eligible costs of the Action approved by the Contracting Authority.

- 17.2 In addition and without prejudice to its right to terminate this Contract pursuant to Article 12, if the Action is not implemented or is implemented poorly, partially or late, the Contracting Authority may, by a duly reasoned decision and after allowing the Beneficiary to submit its observations, reduce the initial grant in line with the actual implementation of the Action and in accordance with the terms of this Contract.

No profit

- 17.3 The grant may not produce a profit for the Beneficiary(ies), unless specified otherwise in Article 7 of the Special Conditions. Profit is defined as a surplus of the receipts over the eligible costs approved by the Contracting Authority when the request for payment of the balance is made.

- 17.4 The receipts to be taken into account are the consolidated receipts on the date on which the payment request for the balance is made by the Coordinator that fall within one of the two following categories:

- a) income generated by the action, unless otherwise specified in the Special conditions;
- b) financial contributions specifically assigned by the donors to the financing of the same eligible costs financed by this Contract. Any financial contribution that may be used by the Beneficiary(ies) to cover costs other than those eligible under this contract or that are not due to the donor where unused at the end of the action are not to be considered as a receipt to be taken into account for the purpose of verifying whether the grant produces a profit for the Beneficiary(ies).

- 17.5 In case of an operating grant, amounts dedicated to the building up of reserves shall not be considered as a receipt.

- 17.6 Where the final amount of the grant determined in accordance with the Contract would result in a profit, it shall be reduced by the percentage of the profit corresponding to the final Union contribution to the eligible costs approved by the Contracting Authority.

17.7 The provisions in Article 17.3 shall not apply to:

- a) actions the objective of which is the reinforcement of the financial capacity of a beneficiary, if specified in Article 7 of the Special Conditions;
- b) actions which generate an income to ensure their continuity beyond the end of this Contract, if specified in Article 7 of the Special Conditions;
- c) other direct support paid to natural persons in most need, such as unemployed persons and refugees, if specified in Article 7 of the Special Conditions;
- d) study, research or training scholarships paid to natural persons;
- e) grants of EUR 60 000 or less.

ARTICLE 18 — RECOVERY

Recovery

- 18.1 If any amount is unduly paid to the Coordinator, or if recovery is justified under the terms of this Contract, the Coordinator undertakes to repay the Contracting Authority these amounts.
- 18.2 In particular, payments made do not preclude the possibility for the Contracting Authority to issue a recovery order following an expenditure verification report, an audit or further verification of the payment request.
- 18.3 If a verification reveals that the methods used by the Beneficiary(ies) to determine unit costs, lump sums or flat-rates are not compliant with the conditions established in this Contract and, therefore an undue payment has been made, the Contracting Authority shall be entitled to recover proportionately up to the amount of the unit costs, lump sums or flat rate financing.
- 18.4 The Coordinator 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 Coordinator.

Interest on late payments

- 18.5 Should the Coordinator fail to make repayment within the deadline set by the Contracting Authority, the Contracting Authority may increase the amounts due by adding interest:
- a) 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;
 - b) 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 euros;

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.

Offsetting

- 18.6 Amounts to be repaid to the Contracting Authority may be offset against amounts of any kind due to the Coordinator, after informing it accordingly. This shall not affect the Parties' right to agree on payment in instalments.

Other provisions

- 18.7 The repayment under Article 18.4 or the offsetting under Article 18.7 amount to the payment of the balance.
- 18.8 Bank charges incurred by the repayment of amounts due to the Contracting Authority shall be borne entirely by the Coordinator.
- 18.9 The guarantee securing the pre-financing may be invoked in order to repay any amount owed by the Beneficiary(ies), and the guarantor shall not delay payment nor raise objections for any reason whatsoever.
- 18.10 Without prejudice to the prerogative of the Contracting Authority, if necessary, the European Union may, as donor, proceed itself to the recovery by any means.



ANNEX A3 Budget

*The Administration of _____ (hereinafter referred to as the BC)
represented by _____*

of the one part,

*And the Administration of _____ (hereinafter referred to as the
Member State) represented by _____*

of the other part

HAVE AGREED ON THE FOLLOWING BUDGET:

BUDGET TEMPLATE: BREAKDOWN OF COSTS

Actions to be undertaken under the Twinning project	Responsibility (tick as appropriate)	Cost
--	--	-------------

	BC	MS	Unit cost*	No of units	Total MS cost	BC Co-financing ¹
1. Resident Twinning Advisor Remuneration						
Mr/Ms First Name SURNAME (XXX months)						
Basic salary and non wage labour costs						
6% of salary and non-wage labour costs						
Total RTA remuneration						
					Total BC Co-financing	
2. Resident Twinning Advisor Allowances						
Daily allowances (50%)						
Allowances for RTA for first 30 days						
Allowances for spouse and children for first 30 days at 50%						
Health and accident insurance for RTA						
Health and accident insurance for spouse						
Health and accident insurance for children						
Accommodation (see appropriate ceiling for each BC)						
Estate Agent's Fee						
Removal Costs (up to 780kg for RTA, 390kg for spouse and 195kg per child)						
Storage Costs						
Vehicle transport						
Excess Luggage (up to 50kg)						
Travel to and from place of duty – RTA						
Travel to and from place of duty – spouse and/or children						
Annual return trip – RTA						
Annual return trip – spouse						
Monthly allowance for special economically priced return trips ²						
School fees (X children X years)						
Total RTA Allowances						
					Total BC Co-financing	
3. RTA Training						
Return fare Brussels						
3 per diems BE				3		
Total RTA Training						
					Total BC Co-financing	
4. RTA Assistant						
Assistant salary						
Interpreter/ translator salary						

¹ Non eligible costs under the Twinning budget that need to be covered by the Beneficiary Country. See section 5.13, points 1 and 2 of the Twinning Manual..

² NOTE: If this option is chosen, the RTA is not entitled to reimbursement of removal costs and annual trip home, and his/her spouse or children are not entitled to reimbursement for any costs.

	BC	MS	Unit cost*	No of units	Total MS cost	BC Co-financing ¹
Total RTA Assistant Costs						
Total BC Co-financing						
5. Project Preparation						
RTA/PL Leader fees (XX trips x XX days)						
Project Management Costs						
Per diems						
Travel costs						
Total Preparation Costs						
Total BC Co-financing						
6. Project Coordination						
Participation of PL in PSC meetings Fees (XX missions of XX days)						
Project Management Costs			150%			
Per diems						
Travel costs						
Visibility costs ³						
Audit certificate costs						
Total Project Co-ordination Costs						
Total BC Co-financing						
7. PROJECT ACTIVITIES⁴						
0 Kick-off and Closure Meetings						
Participation of PL and experts Fees (XX missions of XX days)						
Project Management Costs			150%			
Per diems						
Travel costs						
Meeting venue ⁵						
Small catering ⁶						

³ Subject to a ceiling of EUR 5 000 for projects with a budget up to and including EUR 1 million and EUR 10 000 for projects above that threshold.

⁴ **Under IPA, the only lines that need to be filled for Project Activities are 'Activity Title' and 'Total Activity X.X Costs', 'Component Title' and 'Total Component Y'.**

⁵ If an adequate meeting room is not available in the premises of the beneficiary administration or in those of the EU Delegation.

⁶ Subject to a ceiling EUR 500 per event.

	BC	MS	Unit cost*	No of units	Total MS cost	BC Co-financing ¹
Total Activity 0 Costs						
Total BC Co-financing						
COMPONENT 1: TITLE						
1.1 Activity Title						
X-day seminar in BC						
XX MS experts (names), XX days		X				
MS Expert fees		X				
Project Management Costs			150%			
Per diems ⁷						
Travel costs for MS Experts						
Interpretation (XX interpreters x XX days)						
Translation of XXXX (XX pages)						
Seminar/training venues	X					
Total Activity 1.1 Costs						
1.2 Activity Title						
X-week study trip to MS for XX BC staff to the Ministry of ... in ...		X				
Per diems for BC participants (XX x XX days)		X				
Travel costs for BC participants	X					
Incidental costs (at EUR 10 per participant/day)			10			
Interpreter fees ⁸						
Travel costs for interpreter						
Per diems for interpreter						
Total Activity 1.2 Costs						
1.3 Activity Title						
XX-day training event in region of BC on the subject of XXX						
XX MS Experts (names) for XX days		X				
Expert fees						
Project Management Costs			150%			
Per diems						
Travel costs						
Local travel						
Interpretation (XX interpreters x XX days)						
Training venue	X					
Total Activity 1.3 Costs						
Total Component 1						
Total BC Co-financing						
COMPONENT 2: TITLE						
2.1 – 2.9 Activity Title						

⁷ If the sum of one additional per diem and a special economically priced ticket is lower than that of economy ticket price, then one additional day stay is recommended.

⁸ If the sum of a BC interpreter's fees, cost of air tickets and per diems, is lower than the fees of a MS interpreter, then a BC interpreter should be used.

	BC	MS	Unit cost*	No of units	Total MS cost	BC Co-financing ¹	
	Total Activity 2.1 -2.9 Costs						
	Total Component 2						
	Total BC Co-financing						
PROJECT SUB-TOTAL							
PROVISIONS FOR CHANGES IN PRICES (at maximum of 2.5% of sub-total)							
PROJECT TOTAL							
BC CO-FINANCING TOTAL							

For the administration of the Member State

*[name and title of the individual(s)
authorised to sign]*

[signature]

[date]

For the administration of the BC

*[name and title of the individual(s)
authorised to sign]*

[signature]

[date]

For IPA, **Budget to be initialled by the administrative office/ EU Delegation**

For ENPI, **Budget to be initialled by the Member State Project Leader and the Beneficiary Country Project Leader.**

(See section 3.10.2 of the Common Twinning Manual)

ANNEX A4

CONTRACT AWARD PROCEDURES

Introductory Remarks

As a matter of principle, Twinning projects are exclusively based on the transfer of public sector expertise and know-how to the beneficiary administration with a view to achieving a mandatory result. This entails that private sector input in the form of equipment or of services must only be included in exceptional cases, subject to due justification, and limited to an overall ceiling of EUR 5 000 in the case of equipment and to EUR 10 000 per budget item in case of services (see sections 3.6 to 3.9 of Annex A7).

Twining projects are in other words self-contained projects centred on public sector co-operation.

The exceptionally required private sector inputs are in principle tendered by the MS partner(s), which applies the provisions described in the present Annex.

Where the MS partner(s) is a contracting authority and/or a contracting entity within the meaning of the EU Directives applicable to procurement procedures, it must apply the relevant provisions of those texts, in preference to the rules set out in sections 3 to 7 of the present Annex.

Where the MS partner(s) is not a contracting authority and/or a contracting entity within the meaning of the EU Directives applicable to procurement procedures, it must apply the rules set out in sections 3 to 7 of the present Annex.

In both cases, the general principles and rules on nationality and origin set out in sections 1 and 2 of the present Annex always apply.

An overview of the applicable rules:

Supply of goods

Up to EUR 5 000 per twinning project:

Where the MS partner(s) is a contracting authority and/or a contracting entity within the meaning of the EU Directives applicable to procurement procedures, it must apply the relevant provisions of those texts, while always respecting the rules and principles laid down in sections 1 and 2 of the present Annex.

Where MS partner(s) is not a contracting authority and/or a contracting entity within the meaning of the EU Directives applicable to procurement procedures, it may use its own procedures, while always respecting the rules and principles laid down in sections 1, 2 and 3 of the present Annex.

Examples: small equipment to ensure smooth implementation of the project (e.g. laboratory consumables or small measuring equipment)

over EUR 5 000 per Twinning project :

Such investment MUST NOT be financed by the Twinning contract. It can be mentioned in the Budget (Annex A3) but only to signify the commitment of the BC that the relevant equipment will be available to the project.

Examples: equipment to measure air quality control, veterinary control materials.

Supply of services

Up to EUR 10 000 per budget item:

Where the MS partner(s) is a contracting authority and/or a contracting entity within the meaning of the EU Directives applicable to procurement procedures, it must apply the relevant provisions of those texts, while always respecting the rules and principles laid down in sections 1 and 2 of the present Annex.

The MS partner(s) that is not a contracting authority and/or a contracting entity within the meaning of the EU Directives applicable to procurement procedures may use its own procedures, while always respecting the rules and principles laid down in sections 1, 2 and 3 of the present Annex.

Examples: travel costs, translation and interpretation services, software, training material, expert private sector inputs to training.

Above EUR 10 000 and up to EUR 60 000 per budget item:

Where the MS partner(s) is a contracting authority and/or a contracting entity within the meaning of the EU Directives applicable to procurement procedures, it must apply the relevant provisions of those texts, while always respecting the rules and principles laid down in sections 1 and 2 of the present Annex.

Where the MS partner(s) is not a contracting authority and/or a contracting entity within the meaning of the EU Directives applicable to procurement procedures, it may use its own procedures, while always respecting the rules and principles laid down in sections 1, 2 and 3 of the present Annex.

Above EUR 60 000 per budget item:

Where the MS partner(s) is a contracting authority and/or a contracting entity within the meaning of the EU Directives applicable to procurement procedures, it must apply the relevant provisions of those texts, while always respecting the rules and principles laid down in sections 1 and 2 of the present Annex.

Where the MS partner(s) is not a contracting authority and/or a contracting entity within the meaning of the EU Directives applicable to procurement procedures, it must apply the rules set out in sections 1 to 7 of the present Annex.

Examples of possible subcontracting: RTA Assistant, translation and interpretation services, software, training material, expert private sector inputs to training.

Procurement by the Contracting Authority

Given the fact that in some instances the MS partner(s) is a public sector body not allowed to engage in commercial contracts and given the exceptional nature of private sector inputs, the MS partner(s) may ask the Contracting Authority to manage the exceptionally requested private sector inputs on its behalf. This may be appropriate especially where the contracting entails VAT charges which cannot be handled by the Member state partner(s).

If the MS partner(s) avails itself of such assistance, corresponding amounts will be included in the Budget of the Twinning contract (Annex A3) with an annotation indicating clearly that these items will be contracted and paid by the Contracting Authority.

Payments to the MS partner(s) will not include these items, which are paid directly by the Contracting Authority to the supplier(s)/service provider(s).

The Contracting Authority applies its own procurement procedures.

1. General principles

If the implementation of an Action requires procurement by the Beneficiary(ies), the contract must be awarded to the most cost-effective tender (ie, the tender offering the best price-quality ratio), or, in case of works or supply contracts not involving after-sales service, the sole award criterion should be the price. Contracts must be awarded in accordance with transparency and fair competition, avoiding any conflicts of interest. Contracts must not be split artificially to circumvent procurement thresholds.

To this end, the rules set out in sections 2 to 7 below, subject to section 8, must be followed. These lay down the minimum procedures to be followed and it is not precluded that other procedures offering more competition are used.

The European Commission will carry out ex post checks on Beneficiary(ies)'s compliance with these rules. Failure to comply with these rules would render the related expenditure ineligible for EU/EDF funding.

The provisions of this Annex apply mutatis mutandis to contracts to be concluded by the Beneficiary(ies)'s affiliated entity(ies).

2. Eligibility for contracts

2.1. The nationality rule

Participation in tender procedures managed by the Beneficiary(ies) is open on equal terms to all natural and legal persons of the Member States and the States and territories of regions expressly covered and/or allowed by the Financial Regulation and the basic acts or other instruments governing the aid programme under which the grant is being financed. Tenderers must state in their tenders the country of which they are nationals by presenting the usual proof of nationality under their national legislation.

This rule does not apply to the experts proposed under service tenders financed by the grant.

2.2. The rule of origin

If the basic act or the other applicable instruments so require, the tenderer must prove the origin of the supplies acquired under the grant. For the purpose of this annex, the term "origin" is defined in chapter 2 of Regulation (EC) No 450/2008 of the European Parliament and of the Council of 23 April 2008 laying down the EU Customs Code (Modernised Customs Code). For equipment and vehicles of a unit cost on purchase of more than EUR 5 000, contractors must present proof of origin to the Beneficiary(ies), at the latest when the first invoice is presented. The certificate of origin must be made out by the competent authorities of the country of origin of the supplies and must comply with the rules laid down by the relevant Union legislation.

2.3. Exceptions to the rules on nationality and origin

Where an agreement on widening the market for procurement of goods, works or services applies, access must also be open to nationals and goods originating from other countries under the conditions laid down in that agreement.

In addition, in duly substantiated exceptional cases, foreseen by the applicable regulations, the European Commission may give access to nationals or goods originating from countries other than those referred to in section 2.1.

2.4. Grounds for exclusion from participation in procurement

Candidates or tenderers will be excluded from taking part in a procurement procedure if:

- (1) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- (2) they have been convicted of an offence concerning their professional conduct by a judgment which has the force of *res judicata*;
- (3) they have been guilty of grave professional misconduct proven by any means which the Beneficiary(ies) can justify;
- (4) they have 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 they are established or with those of the country of the Beneficiary(ies) or those of the country where the contract is to be performed;
- (5) they or persons having powers of representation, decision making or control over them have been the subject of a judgment which has the force of *res judicata* for fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity detrimental to the EU's financial interests;
- (6) they are currently subject to an administrative penalty referred to in section 2.3.4 of the Practical Guide to contract procedures for EC external actions.

Candidates or tenderers must certify that they are not in one of the situations listed above.

Points (1) to (4) do not apply to the purchase of supplies on particularly advantageous terms from either a supplier which is definitively winding up its business activities, or the receivers or liquidators of a bankruptcy, through an arrangement with creditors, or through a similar procedure under national law.

2.5. Exclusion from award of contracts

Contracts may not be awarded to candidates or tenderers which, during the procurement procedure:

- (a) are subject to a conflict of interests;
- (b) are guilty of misrepresentation in supplying the information required by the Beneficiary(ies) as a condition of participation in the contract procedure or fail to supply this information.

3. Common procurement rules

The tender documents must be drafted according to best international practice. If they do not have their own documents, Beneficiaries may voluntarily use the models published in the Practical Guide to EU contract procedures for EU external actions on the EuropeAid website. The European Commission will not publish notices and tender documents issued by the Beneficiary(ies).

The time-limits for applications and/or tenders must be long enough to give interested parties a reasonable period to prepare and submit their tenders.

An evaluation committee must be set up to evaluate both applications and/or tenders of a value of EUR 60 000 or more on the basis of the exclusion, selection and award criteria published by the Beneficiary(ies) in advance in the tender documents. This committee must have an odd number of members, at least three, with all the technical and administrative capacities necessary to give an informed opinion on the tenders.

4. Specific rules for service contracts

4.1. Contracts from EUR 300 000 and above

Service contracts from EUR 300 000 and above must be awarded by means of an international restricted tender procedure following publication of a procurement notice.

The procurement notice is to be published in all appropriate media, in particular on the Beneficiary's web site, in the international press and the national press of the country in which the Action is being carried out, or in other specialist periodicals. It must state the number of candidates which will be invited to submit tenders within a range of four to eight candidates, and must be sufficient to ensure genuine competition.

All would-be service providers fulfilling the conditions referred to in section 2 may take part but only candidates satisfying the published selection criteria and invited in writing by the Beneficiary may submit a tender.

4.2. Contracts of less than EUR 300 000 but more than EUR 60 000

Such contracts must be awarded by means of a competitive negotiated procedure without publication, in which the Beneficiary consults at least three service providers of its choice and negotiates the terms of the contract with one or more of them.

4.3. Contracts of EUR 60 000 or less

For services of a value of EUR 60 000 or less, the procedures established by the Beneficiary(ies) may be used, while respecting the rules and principles laid down in articles 1, 2 and 3 of this annex.

5. Specific rules for supply contracts

5.1. Contracts from EUR 300 000 and above

Supply contracts from EUR 300 000 and above must be awarded by means of an international open tender procedure following publication of a procurement notice.

The procurement notice is to be published in all appropriate media, in particular on the Beneficiary's web site, in the international press and the national press of the country in which the Action is being carried out, or in other specialist periodicals.

Any would-be supplier which fulfils the conditions referred to in section 2 may submit a tender.

5.2. Contracts between EUR 100 000 and less than EUR 3000 000

Such contracts are awarded by means of an open tender procedure published locally: the procurement notice is published in all appropriate media but only in the country in which the Action is being carried out.

A local open tender procedure must provide other eligible suppliers with the same opportunities as local firms.

5.3. Contracts of less than EUR 100 000 but more than EUR 60 000

Such contracts must be awarded by means of a competitive negotiated procedure without publication, in which the Beneficiary consults at least three suppliers of its choice and negotiates the terms of the contract with one or more of them.

5.4. Contracts of EUR 60 000 or less

For supply contracts of EUR 60 000 or less, the procedures established by the Beneficiary(ies) may be used, while respecting the rules and principles laid down in articles 1, 2 and 3 of this annex.

6. Specific rules for works contracts

6.1. Contracts from EUR 5 000 000 and above

Works contracts of EUR 5 000 000 and above must be awarded by means of an international open tender procedure following publication of a procurement notice.

The procurement notice is to be published in all appropriate media, in particular on the Beneficiary's web site, in the international press and the national press of the country in which the Action is being carried out, or in other specialist periodicals.

Any contractor which fulfils the conditions referred to in section 2 may submit a tender.

6.2. Contracts of between EUR 300 000 and less than EUR 5 000 000

Such contracts must be awarded by means of an open tender procedure published locally: the procurement notice is published in all appropriate media but only in the country in which the Action is being carried out.

A local open tender procedure must provide other eligible contractors with the same opportunities as local firms.

6.3. Contracts of less than EUR 300 000 but more than EUR 60 000

Such contracts must be awarded by means of a competitive negotiated procedure without publication, in which the Beneficiary consults at least three contractors of its choice and negotiates the terms of the contract with one or more of them.

6.4. Contracts of EUR 60 000 or less

For works contracts of EUR 60 000 or less, the procedures established by the Beneficiary(ies) may be used, while respecting the rules and principles laid down in articles 1, 2 and 3 of this annex..

7. Use of negotiated procedure

The Beneficiary(ies) may decide to use the negotiated procedure on the basis of a single tender in the following cases:

- (a) for the purposes of humanitarian aid and civil protection operations or for crisis management aid. Crisis situations may be invoked only when they have been formally recognised by the European Commission. The Contracting Authority will inform the Coordinator if a crisis situation has been declared and the period for which the declaration will be in force;
- (b) where the services are entrusted to public-sector bodies or to non-profit institutions or associations and relate to activities of an institutional nature or designed to provide assistance to peoples in the social field;
- (c) where contracts extend on-going activities:
 - (i) not included in the main service contract, which have become necessary to perform the contract for unforeseen circumstances, and provided that the additional service cannot be technically and economically separated from the principal contract without serious inconvenience for the Beneficiary(ies) and the aggregate amount of additional services does not exceed 50 % of the value of the principal contract, or
 - (ii) which consist in the repetition of similar services entrusted to the contractor providing services under the initial contract, provided that:
 - (a) a contract notice was published for the first service and the possibility of using the negotiated procedure for new services for the project and the estimated cost were clearly indicated in the contract notice published for the first service; and
 - (b) the extension of the contract for a value and duration not exceeding the value and the duration of the initial contract;
- (d) for additional deliveries by the original supplier intended either as a partial replacement of normal supplies or installations or as the extension of existing supplies or installations, where a change of supplier would oblige the Beneficiary(ies) to acquire equipment having different technical characteristics which would result in either incompatibility or disproportionate technical difficulties in operation and maintenance;
- (e) for additional works not included in the initial contract concluded which have, through unforeseen circumstances, become necessary for carrying out the works and on condition that such works cannot be technically or economically separated from the main contract without serious inconvenience for the Beneficiary(ies) and on the condition that, although separable from the performance of the original contract, are strictly necessary for its completion and where the aggregate value of contracts awarded for additional works does not exceed 50 % of the value of the principal contract;

- (f) where the tender procedure has been unsuccessful, that is where no qualitatively and/or financially worthwhile tender has been received. In such cases, after cancelling the tender procedure, the Beneficiary may negotiate with one or more tenderers of its choice, from among those that took part in the tender procedure, provided that the initial terms of the tender procedure are not substantially altered;
- (g) where the contract concerned follows a contest and must, under the rules applying, be awarded to the winner of the contest or to one of the winners of the contest, in which case, all winners shall be invited to participate in the negotiations;
- (h) where, for technical reasons, or for reasons connected with the protection of exclusive rights, the contract can be awarded only to a particular service provider;
- (i) where warranted by the nature or particular characteristics of the supplies, for example, where performance of the contract is exclusively reserved for the holders of patents or licences to use patents;
- (j) where the orders are placed with a humanitarian central buying office, recognised as such by the relevant service of the European Commission;
- (k) for the issue of the expenditure verification report and the financial guarantee where they are required under the Contract;
- (l) for contracts declared to be secret, or for contracts whose performance must be accompanied by special security measures or when the protection of the essential interests of the European Union or the beneficiary country so requires;
- (m) for contracts in respect of supplies quoted and purchased on a commodity market;
- (n) for contracts in respect of purchases on particularly advantageous terms, either from a supplier which is definitively winding up its business activities, or from the receivers or liquidators of a bankruptcy, an arrangement with creditors, or a similar procedure under national law;
- (o) where a new contract has to be concluded after early termination of an existing contract.

8. Special cases

Different rules than those specified in this annex may apply in the following cases, with the exception of the principles described in section 1 and the rules on nationality and origin provided for in section 2, which always apply.

8.1. Co-financing

When the Action is co-financed by several donors and one of the other donors, whose contribution is greater than that of the European Commission, imposes procurement rules on the Beneficiary(ies) that differ from those set out in sections 3 to 7, the Beneficiary(ies) may apply these rules.

8.2. Public administrations of the Member States

Where the Beneficiary(ies) or an affiliated entity is a contracting authority and/or a contracting entity within the meaning of the EU Directives applicable to procurement procedures, it must apply the relevant provisions of those texts, in preference to the rules set out in sections 3 to 7. In all cases, the general principles and rules on nationality and origin set out in section 2 still apply

8.3. International Organisations

Where the Beneficiary(ies) or an affiliated entity is an international organisation, it applies its own procurement rules if they offer guarantees equivalent to internationally accepted standards. If they do not or in specific cases, the European Commission and the Beneficiary will agree on the use of other procurement procedures offering such guarantees.

If allowed by the applicable regulatory provisions of the European Union, the origin of the goods and the nationality of the organisations, companies and experts selected for carrying out activities in the Action shall be determined in accordance with the Organisation's relevant rules. In any event goods, organisations, companies and experts eligible under the applicable regulatory provisions of the European Union shall be eligible.

In all other cases the partners, contractors, experts and goods, the cost of which are financed out of the Contracting Authority's contribution, shall originate in the European Union or the country or countries eligible under the programme of which the Action is part. Any departure from the rules of origin and nationality set out above is subject to the specific provisions of the applicable regulatory provisions of the European Union.

8.4. Traditional Agencies

Where the Beneficiary(ies) or an affiliated entity is a traditional agency (public legal entities created by the Union legislator to exercise Union competences in specific areas of expertise), it applies its own procurement rules.

8.5. Central Buying Offices

Where the Beneficiary(ies) uses a central buying office as service provider, he selects it in conformity with the procedures set out above for service contracts.

A central buying office mentioned under point 7 (j) is a non-profit making, autonomous and professional structure, specialised in the technical and commercial management of supplies.

This central buying office applies the rules imposed on the Beneficiary. Where it is a humanitarian central buying office recognised as such by the European Commission (see http://ec.europa.eu/echo/partners/humanitarian_aid/procurement_en.htm), it applies the rules agreed upon at the time of its approval.

8.6. Framework Partnership Agreements with Humanitarian Organisations

Where the Beneficiary(ies) or an affiliated entity has concluded a Framework Partnership Agreement with the European Commission for Humanitarian Aid & Civil Protection and the controls applicable at the time of signature of the present contract follows the "P" control mechanism, it may use the procurement rules recognised under this mechanism.

ANNEX A5
Request for payment for Twinning Contract
European Union external actions

[Date of the payment request]

For the attention of
[address of the Contracting Authority]
[Financial unit indicated in the Contract]¹

Reference number of the Twinning Contract:
Title of the Twinning Contract:
Name and address of the [Lead]² Member State Partner:
Payment request for number:
Period covered by the request for payment

Dear Sir/Madam,

I hereby request *<a pre-financing payment/payment of the balance>* under the Twinning Contract mentioned above.

The amount requested is *<according to the Option indicated in Article 4(1) of the Special Conditions of the Contract /the following: ...>*.

Please find attached the following supporting documents:

- *<technical and financial interim report [for further pre-financing payments]>*
- *<a forecast budget for the subsequent reporting period [for further pre-financing payments]>*
- *<final implementation report [for payment of the balance]>*.
- *<expenditure verification report [for payment of the balance]>*

The payment should be made to the following bank account: *<give the account number shown on the financial identification form annexed to the Contract>*³

I hereby certify that the information contained in this request for payment is full, reliable and true, and is substantiated by adequate supporting documents that can be checked.

I hereby certify that the costs declared have been incurred in accordance with this Contract and that they can be considered as eligible in accordance with the Contract.

Yours faithfully,

[signature]

¹ Please do not forget to send a copy of this letter to the entities mentioned in Article 5(1) of the Special Conditions of the Contract, if any.

² In case of consortium of MSPs.

³ In case a different account has to be used a new financial identification form has to be timely submitted.



FINANCIAL IDENTIFICATION

PRIVACY STATEMENT

http://ec.europa.eu/budget/library/contracts_grants/info_contracts/privacy_statement_en.pdf

ACCOUNT NAME

ACCOUNT NAME ①

ADDRESS

TOWN/CITY

COUNTRY

POSTCODE

① *The name or title under which the account has been opened and not the name of the account holder*

CONTACT

TELEPHONE

E-MAIL

FAX

BANK

BANK NAME

BRANCH ADDRESS

TOWN/CITY

COUNTRY

ACCOUNT NUMBER

IBAN ②

POSTCODE

② *If the IBAN Code (International Bank Account Number) is applied in the country where your bank is situated*

REMARKS:

BANK STAMP + SIGNATURE OF BANK REPRESENTATIVE
(Both obligatory) ③

DATE + SIGNATURE OF ACCOUNT HOLDER
(Obligatory)

③ *It is preferable to attach a copy of recent bank statement. Please note that the bank statement has to provide all the information listed above under 'ACCOUNT NAME' and 'BANK'.
In this case, the stamp of the bank and the signature of the bank's representative are not required. The signature of the account-holder is obligatory in all cases.*

Hyperlinks:

- financial identification form:
<http://ec.europa.eu/europeaid/prag/getAnnex.do?annexId=1434>
- privacy statement in relation to the financial identification form:
http://ec.europa.eu/budget/library/contracts_grants/info_contracts/privacy_statement_en.pdf

<p style="text-align: center;">ANNEX A6 EXPENDITURE VERIFICATION</p>
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To be completed by the (Lead) Member State Partner (MSP) and to be agreed with the Auditor.

The Auditor must be designated in accordance with the regulation prevailing for the (Lead) MSP.

The expenditure verification report must be issued by the Auditor

Terms of Reference for an Expenditure Verification of a Twinning contract

– External Action of the European Union -

HOW TO USE THIS TERMS OF REFERENCE MODEL? All text highlighted in yellow in this ToR model and in Annexes 1 and 2 is for instruction only and Member State Partners (MSP should remove it after use.

The parts of the ToR presented in <.....> (e.g. <name of the (Lead) Member State Partner (MSP)> must be completed by the (Lead) MSP

The following are the terms of reference ('ToR') under which <name of the Coordinator (The term 'Coordinator' refers to the (Lead) Member State Partner¹P)> 'agrees to engage < name of the audit firm> ('the Auditor') to perform an expenditure verification and to report in connection with a European Union financed Institution Building Twinning contract concerning <title and reference number of the Twinning contract> (the 'Twinning contract'). Where in these ToR the 'Contracting Authority' is mentioned, this refers to <the European Commission or name of another contracting authority> which has signed the Twinning contract with the (Lead) Member State Partner and is providing the funding. The Contracting Authority is not a party to this agreement.

1.1 RESPONSIBILITIES OF THE PARTIES TO THE ENGAGEMENT

In case of consortium of Member State Partners, the Member State Partner signing the Twinning contract and leading the consortium is referred to as the Lead Member State Partner.

The term "Member State Partner(s)" refers collectively to all Member State Partners (MSP), including the Lead Member State Partner.

The term "Coordinator" refers to the Lead Member State Partner.

When there is only one Member State Partner, the terms Member State Partner(s) and Coordinator should both be understood as referring to the only Member State Partner.

- **The Coordinator** is responsible for providing a Financial Report for the action financed by the Twinning contract which complies with the terms and conditions of the Twinning contract and for ensuring that this Financial Report reconciles to the Member State Partner(s)'s accounting and bookkeeping system and to the underlying accounts and records. The Member State Partner(s) is responsible for providing sufficient and adequate information, both financial and non-financial, in support of the Financial Report.
- The Coordinator accepts that the ability of the Auditor to perform the procedures required by this engagement effectively depends upon the Member State Partner(s), providing full and free access to its(their) staff and its(their) accounting and bookkeeping system and underlying accounts and records.

1

- The **Auditor** is responsible for performing the agreed-upon procedures as specified in these ToR. 'Auditor' refers to the audit firm contracted for performing this engagement and for submitting a report of factual findings to the Coordinator. 'Auditor' can refer to the person or persons conducting the verification, usually the engagement partner or other members of the engagement team. The engagement partner is the partner or other person in the audit firm who is responsible for the engagement and for the report that is issued on behalf of the firm, and who has the appropriate authority from a professional, legal or regulatory body.

By agreeing these ToR the Auditor confirms that he/she meets at least one of the following conditions:

- The Auditor and/or the firm is a member of a national accounting or auditing body or institution which in turn is member of the International Federation of Accountants (IFAC).
- The Auditor and/or the firm is a member of a national accounting or auditing body or institution. Although this organisation is not member of the IFAC, the Auditor commits him/herself to undertake this engagement in accordance with the IFAC standards and ethics set out in these ToR.
- The Auditor and/or the firm is registered as a statutory auditor in the public register of a public oversight body in an EU member state in accordance with the principles of public oversight set out in Directive 2006/43/EC of the European Parliament and of the Council (this applies to auditors and audit firms based in an EU Member State²).
- The Auditor and/or the firm is registered as a statutory auditor in the public register of a public oversight body in a third country and this register is subject to principles of public oversight as set out in the legislation of the country concerned (this applies to auditors and audit firms based in a third country).

1.2 SUBJECT OF THE ENGAGEMENT

The subject of this engagement is the Financial Report in connection with the Twinning contract for the period covering <dd Month yyyy to dd Month yyyy> and the action entitled <title of the action>, the 'Action'. Annex 1 to these ToR contains information about the Twinning contract.

1.3 REASON FOR THE ENGAGEMENT

The Coordinator is required to submit to the Contracting Authority an expenditure verification report produced by an external auditor in support of the payment requested by the Coordinator under Article 15 of the General Conditions of the Twinning contract. The Authorising Officer of the Commission requires this report because the payment of expenditure requested by the Coordinator is conditional on the factual findings of this report.

² Directive 2006/43 of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253 EEC.

1.4 ENGAGEMENT TYPE AND OBJECTIVE

This expenditure verification is an engagement to perform certain agreed-upon procedures with regard to the Financial Report for the Twinning Contract. The objective of this expenditure verification is for the Auditor to carry out the specific procedures listed in Annex 2A to these ToR and to submit to the Coordinator a report of factual findings with regard to the specific verification procedures performed. Verification means that the Auditor examines the factual information in the Financial Report of the Coordinator and compares it with the terms and conditions of the Twinning Contract. As this engagement is not an assurance engagement the Auditor does not provide an audit opinion and expresses no assurance. The Contracting Authority assesses for itself the factual findings reported by the Auditor and draws its own conclusions from these factual findings.

1.5 STANDARDS AND ETHICS

The Auditor shall undertake this engagement in accordance with:

- the International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as promulgated by the IFAC;
- the IFAC Code of Ethics for Professional Accountants (developed and issued by IFAC's International Ethics Standards Board for Accountants (IESBA), which establishes fundamental ethical principles for Auditors with regard to integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Contracting Authority requires that the Auditor is independent from the Member State Partner(s) and complies with the independence requirements of the IFAC Code of Ethics for Professional Accountants.

1.6 PROCEDURES, EVIDENCE AND DOCUMENTATION

The Auditor plans the work so that an effective expenditure verification can be performed. The Auditor performs the procedures listed in Annex 2A of these ToR ('Listing of specific procedures to be performed') and applies the guidelines in Annex 2B (Guidelines for specific procedures to be performed). The evidence to be used for performing the procedures in Annex 2A is all financial and non-financial information which makes it possible to examine the expenditure claimed by the Coordinator in the Financial Report. The Auditor uses the evidence obtained from these procedures as the basis for the report of factual findings. The Auditor documents matters which are important in providing evidence to support the report of factual findings, and evidence that the work was carried out in accordance with ISRS 4400 and these ToR.

1.7 REPORTING

The report on this expenditure verification should describe the purpose, the agreed-upon procedures and the factual findings of the engagement in sufficient detail to enable the Coordinator and the Contracting Authority to understand the nature and extent of the procedures performed by the Auditor and the factual findings reported by the Auditor.

The use of the Model Report for an Expenditure Verification of an EU Twinning Contract in Annex 3 of these ToR is compulsory. This report should be provided by the Auditor to <name

of the Coordinator> within *<xx; number of working days to be indicated by the Coordinator>* working days after the day of signature of these ToR.

1.8 OTHER TERMS

The fee for this engagement shall be *<fee amount and currency>*

[The Coordinator may want to agree a fixed fee for the engagement or otherwise. The Coordinator and the Auditor may want to agree specific terms if the Auditor needs to extend the verification coverage from 65% to 85%. The Coordinator should specify any reimbursable expenses and allowances (e.g. travelling, other) agreed with the Auditor and whether VAT and/or other relevant taxes are included in the fees/expenses.]

[The Coordinator and the Auditor can use this section to agree any other specific terms]

Annex 1 Information about the Twinning Contract

Annex 2A Listing of specific procedures to be performed

Annex 2B Guidelines for specific procedures to be performed

Annex 3 Model report for an expenditure verification of an EU Twinning contract

For the Member State Partner:

For the Auditor:

Signature

Signature

<name and function>

<name and unction>

<date>

<date>

Annex 1: Information about the Twinning Contract

[Annex to be completed by the Coordinator]

Information about the Twinning Contract	
Reference number and date of the Twinning contract	< Contracting Authority's reference of the Twinning contract>
Twinning contract title	
Country	
Member State Partner(s)	< full name and address of the Member State Partner(s) as per the Twinning contract>
Steering Committee opinion – date	
Start date of the implementation period of the Action	
End date of the implementation period of the Action	
Total cost of the Action	<amount in Art. 3.1 of the Special Conditions of the Twinning contract>
Grant maximum amount	<amount in Art. 3.2 of the Special Conditions of the Twinning contract>
Total amount received to date by Coordinator from Contracting Authority	< Total amount received as per dd.mm.yyyy>
Total amount of the payment request	< provide the total amount requested for payment as per Annex A5 to the Special Conditions for Twinning contracts ((payment request for a Twinning contract) >
Contracting Authority	<Provide the name, position/title, phone and E-mail of the contact person at the Contracting Authority>. [To be completed only if the Contracting Authority is not the Commission.]
European Commission	< provide the name, position/title, phone and E-mail of the contact person in the Delegation of the European Union in the country concerned, or if applicable at Headquarters>
Auditor	< Name and address of the audit firm and names/positions of the auditors>

Annex 2A Listing of Specific Procedures to be performed

[This Annex is a standard listing of specific procedures to be performed and it shall not be modified]

2. GENERAL PROCEDURES

2.1 Terms and Conditions of the Twinning Contract

The Auditor:

- obtains an understanding of the terms and conditions of the Twinning Contract by reviewing the Twinning Contract and its annexes and other relevant information, and by inquiry of Coordinator;
- Obtains a copy of the original Twinning Contract (signed by the Coordinator and the Contracting Authority) with its annexes;
- obtains and reviews the Report (which includes a narrative and a financial section) as per Article 2.1 of the General Conditions;
- verifies whether the Twinning Contract is signed with one single Member State Partner or with a consortium of Member State Partners (in this case the term 'Coordinator' is used);
- *Note:* the purpose of this procedure is for the Auditor to understand the Member State Partner(s) responsibilities for reporting and access to staff and documents.

The Twinning Manual and its Annexes provide important information for Twinning contracts (e.g. basic rules and award procedures). Where necessary or useful reference will be made to the Twinning Manual and /or its annexes.

The Twinning Manual and its Annexes can be found at:

[IPA: http://ec.europa.eu/enlargement/tenders/twinning/index_en.htm]

[ENPI: http://ec.europa.eu/europeaid/where/neighbourhood/overview/twinning_en.htm]

2.2 Financial Report for the Twinning Contract

The Auditor verifies that the Financial Report complies with the following conditions of Article 2 of the General Conditions of the Twinning Contract:

- The Financial Report must conform to the model in Annex C5 of the Common Twinning Manual;
- The Financial Report should cover the Action as a whole, regardless of which part of it is financed by the Contracting Authority;
- The Financial Report should be drawn up in the language of the Twinning Contract;
- The proof of the transfers of ownership of equipment, vehicles and supplies for which the purchase cost was more than EUR 5 000 per time (Article 7.5 of the General Conditions of the Twinning Contract) as well as the respective certificate of origin (Annex A4 of the Twinning contract) should be annexed to the final Financial Report.

2.3 Rules for Accounting and Record keeping

The Auditor examines – when performing the procedures listed in this Annex - whether the Member State Partner(s) have complied with the following rules for accounting and record keeping of Article 16 of the General Conditions of the Twinning Contract:

- The accounts kept by the Member State Partner(s) for the implementation of the Action must be accurate and up-to-date;
- The Member State Partner(s) must have a double-entry book-keeping system;
- The accounts and expenditure relating to the Action must be easily identifiable and verifiable;

2.4 Reconciling the Financial Report to the Member State Partner(s) Accounting System and Records

The Auditor reconciles the information in the Financial Report to the Member State Partner(s) 's (MSP) accounting system and records (e.g. trial balance, general ledger accounts, sub ledgers etc.).

2.5 Exchange Rates

The Auditor verifies that amounts of expenditure incurred in a currency other than the Euro have been converted at the exchange rate published in InforEuro for the month in which the expenditure is incurred, applicable according to Article 7.2.12 of the Special Conditions of the Twinning Contract:

By derogation from to Article 15.9 of the General Conditions of Annex A2, costs incurred in other currencies are converted in Euro at the rate published by the Directorate General of the European Commission for Budget, at InforEuro (<http://ec.europa.eu/budget/inforeuro/index.cfm>) for the month in which the expenditure is incurred.

2.6 Simplified Cost Options

- As provided for in the Twinning Manual, the Twinning contract includes a system of simplified costs in the form of unit costs (fee per day worked in the Beneficiary Country and per diems) and flat-rate financing (twinning management costs and 6% of salary and non-wage labour costs for the RTA).
- In respect of these simplified costs, the Auditor obtains an understanding of the conditions set out in:
 - **Article 2.1.c) of the General Conditions.** This Article stipulates that in case of simplified cost options the Report for the Action (narrative and financial) shall provide the qualitative and quantitative information needed to demonstrate the fulfilment of the conditions for reimbursement established in the Special Conditions;
 - **Section 5 of the Twinning Manual**, in particular sections 5.4, 5.6 and 5.8 thereof.

Accordingly, the Auditor performs the specific procedures related to verification of simplified costs options that are set out at 4.1.(2) below.

3. PROCEDURES TO VERIFY CONFORMITY OF EXPENDITURE WITH THE BUDGET AND ANALYTICAL REVIEW

3.1 Budget of the Twinning Contract

The Auditor carries out an analytical review of the expenditure headings in the Financial Report.

The Auditor verifies that the budget in the Financial Report corresponds with the budget of the Twinning Contract (authenticity and authorisation of the initial budget) and that the expenditure incurred was indicated in the budget of the Twinning Contract.

3.2 Amendments to the Budget of the Twinning Contract

The Auditor verifies whether there have been amendments to the budget of the Twinning Contract. Where this is the case the Auditor verifies that the Coordinator has:

- requested an amendment to the budget and obtained an addendum to the Twinning Contract if such an addendum was required (Article 9 of the General Conditions as derogated and complemented by section 6.6 of the Twinning Manual and Annex A7 to the Twinning contract).
- notified the Contracting Authority about the amendment if the amendment was limited (section 6.6 of the Twinning Manual and Annex A7 to the Twinning contract) and an addendum to the Twinning Contract was not required.

4. PROCEDURES TO VERIFY SELECTED EXPENDITURE

4.1 Eligibility of Costs

The Auditor verifies, for each expenditure item selected, the eligibility criteria set out below.

(1) Costs actually incurred (Article 14.1 of the General Conditions)

The Auditor verifies that the actual expenditure for a selected item was incurred by and pertains to the Member State Partner(s). The Auditor should take into account the detailed conditions for actual costs incurred as set out in Article 14.1.(i) to (iii). For this purpose the Auditor examines supporting documents (e.g. invoices, contracts) and proof of payment. The Auditor also examines proof of work done, goods received or services rendered and he/she verifies the existence of assets if applicable.

At final reporting stage the costs incurred during the implementation period but not yet paid can be accepted as actual costs incurred, provided that (1) a liability exists (order, invoice or equivalent) for services rendered or goods supplied during the implementation period of the action, (2) the final costs are known and (3) these costs are listed in the final Financial Report (Annex C5 to the Twinning Manual) together with the estimated date of payment (see Article 14.1.a).(ii) of the General Conditions). The Auditor verifies whether these cost items have effectively been paid at the moment of the auditor's verification.

(2) Simplified cost options³ (Section 5 of the Twinning Manual, in particular sections 5.4, 5.6 and 5.8 thereof, and Article 14.3 to 14.5 of the General Conditions as derogated by Article 7.2.6. of the Special Conditions)

³ Refer also to Annex "E3a2 Checklist for simplified cost options" to the PRAG for additional information.

As provided for in the Twinning Manual, the Twinning contract includes a system of simplified costs in the form of unit costs (fee per day worked in the Beneficiary Country and per diems) and flat-rate financing (twinning management costs and 6% of salary and non-wage labour costs for the RTA). In this respect, the Auditor verifies:

- to which (sub)cost-headings and/or cost items (Annex A3 (Budget) of the Twinning contract) this system of simplified costs apply;
 - which amounts, unit costs and flat-rates have been contractually agreed (Annex A3 (Budget) of the Twinning Contract);
 - which quantitative and/or qualitative information was used to determine and justify the declared costs (e.g. number of staff, number of items purchased; type of costs and activities financed by unit costs);
 - whether the maximum amounts of simplified cost options for each Member State Partner are not exceeded, in accordance with the conditions established in the Contract;
 - the plausibility (i.e. necessity, reasonableness, reality) of the quantitative and qualitative information related to the declared costs;
 - that the costs covered by unit costs and/or flat-rates are not included (no double funding) in other direct costs, either actual or under simplified cost options;
 - that the total costs stated in the Financial Report have been correctly determined;
- Note:** the Auditor is not required to verify the actual costs on which unit costs and/or flat-rates are based.

(3) Cut-off - Implementation period (Article 14.1a of the General Conditions)

The Auditor verifies that the expenditure for a selected item was incurred during the implementation period of the Action. An exception is made for costs relating to final reports including expenditure verification report, which may be incurred after the implementation period of the Twinning contract.

(4) Budget (Article 14.1b of the General Conditions)

The Auditor verifies that the expenditure for a selected item was indicated in the Action budget.

(5) Necessary (Article 14.1c of the General Conditions)

The Auditor verifies whether it is plausible that the expenditure for a selected item was necessary for the implementation of the Action and that it had to be incurred for the contracted activities of the Action by examining the nature of the expenditure with supporting documents, notably in line with the provisions of the Common Twinning Manual.

(6) Records (Article 14.1d of the General Conditions)

The Auditor verifies that expenditure for a selected item is recorded in the Member State Partner(s) accounting system and was recorded in accordance with the applicable accounting standards of the country where the Member State Partner(s) is established and the Member State Partner(s) usual cost accounting practices.

(7) Applicable legislation (Article 14.1.e of the General Conditions)

The Auditor verifies that expenditure complies with the requirements of tax and social security legislation where this is applicable (for example: employers part of taxes, pension premiums and social security charges).

(8) Justified (Article 14.1e of the General Conditions)

The Auditor verifies that expenditure for a selected item is substantiated by evidence (see section 1 of Annex 2B, Guidelines for Specific Procedures to be performed) and supporting

documents as specified in the Annexes to the Twinning contract, in the Common Twinning Manual and in Article 161., 16.2, 16.7, 16.8 and 16.9 of the General Conditions of the Twinning Contract.

(9) Valuation

The Auditor verifies that the monetary value of a selected expenditure item agrees with underlying documents (e.g. invoices, salary statements) and that correct exchange rates are used where applicable.

(10) Classification

The Auditor examines the nature of the expenditure for a selected item and verifies that the expenditure item has been classified under the correct (sub)heading of the Financial Report.

(11) Compliance with Procurement, Nationality and Origin Rules

Where applicable the Auditor examines which procurement, nationality and origin rules apply for a certain expenditure (sub)heading, a class of expenditure items or an expenditure item. The Auditor verifies whether the expenditure was incurred in accordance with such rules by examining the underlying documents of the procurement and purchase process. Where the Auditor finds issues of non-compliance with procurement rules, he/she reports the nature of such issues as well as their financial impact in terms of ineligible expenditure. When examining procurement documentation the Auditor takes into account the risk indicators listed in Annex 2B and he/she reports, if applicable, which of these indicators were found.

4.2 Eligibility of Direct Costs (Article 14.2 of the General Conditions)

- (1) The Auditor verifies that expenditure for selected items which are recorded under one of the direct costs headings of the Financial Report, are covered by the direct costs as defined in Article 14.2 by examining the nature of these expenditure items.
- (2) The Auditor verifies that duties, taxes and charges, including VAT which are recorded under direct costs are **not recoverable** by the Member States Partner(s) (see Article 14.2.g) of the General Conditions). This procedure is not necessary in case Article 7.1 of the Special Conditions provides that duties, taxes and charges, including VAT are **not** eligible.

The Auditor obtains evidence that the Member States Partner(s) cannot reclaim the duties, taxes or charges, including VAT through an exemption system and/or a refund a posteriori. For this purpose the Auditor should refer to Annex E3a1 to the PRAG (Information on the tax regime) which provides information on the tax regime applicable to grant contracts (Note: the standard template / text is annexed to the PRAG and it can be found at

<http://ec.europa.eu/europeaid/prag/getAnnex.do?annexId=1425>).

4.3 Provisions for changes in prices

The Auditor verifies that provisions for changes in prices do not exceed 2.5% of the total eligible costs (direct and indirect) of the Action (sections 5.6.3 of the Common Twinning Manual).

4.4 In kind contributions (Article 14.8 of the General Conditions)

The Auditor verifies that the costs in the Financial Report do not include contributions in kind. Any contributions in kind (these should be listed separately in Annex A3 (Budget of the Twinning contract), do not represent actual expenditure and are not eligible costs.

4.5 Non-eligible costs (Article 14.9 of the General Conditions)

The Auditor verifies that the expenditure for a selected item does not concern an ineligible cost as described in Article 14.9 of the General Conditions. These costs include *inter alia* currency exchange losses.

4.6 Revenues of the Action

The Auditor examines whether the revenues which should be attributed to the Action (including grants and funding received from other donors and other revenue generated by the Member State Partner(s) in the context of the Action have been allocated to the Action and disclosed in the Financial Report. For this purpose the Auditor inquires with the Member State Partner(s) and examines documentation obtained from the Member State Partner(s). The Auditor is not expected to examine the completeness of the revenues reported.

Annex 2B Guidelines for Specific Procedures to be performed

[This Annex provides standard guidelines for the specific procedures to be performed and these guidelines must not be modified]

1. VERIFICATION EVIDENCE

When performing the specific procedures listed in Annex 2A, the Auditor may apply techniques such as inquiry and analysis, (re)computation, comparison, other clerical accuracy checks, observation, inspection of records and documents, inspection of assets and obtaining confirmations.

The Auditor obtains verification evidence from these procedures to draw up the report of factual findings. Verification evidence is all information used by the Auditor in arriving at the factual findings and it includes the information contained in the accounting records underlying the Financial Report and other information (financial and non-financial).

The contractual requirements that relate to verification evidence are:

- Expenditure should be identifiable, verifiable and recorded in the accounting records of the Member State Partner(s) (Article 14.1.d of the General Conditions of the Twinning Contract);
- The Member State Partner(s) will allow any external auditor to carry out verifications on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the Action. The Member State Partner(s) give access to all documents and databases concerning the technical and financial management of the Action (Article 16.3 of the General Conditions);
- Article 16.9 of the General Conditions of the Twinning Contract provides a list of the types and nature of evidence that the Auditor will often find in expenditure verifications.

Moreover, for the purpose of the procedures listed in Annex 2A, records, accounting and supporting documents:

- shall be easily accessible and filed so as to facilitate their examination (Article 16.7 of the General Conditions);
- shall be available in the original form, including in electronic form (Article 16.8 of the General Conditions);

Guidance: records and accounting and supporting documents should be available in documentary form, whether paper, electronic or other medium (e.g. a written record of a meeting is more reliable than an oral presentation of the matters discussed. Electronic documents can be accepted only where:

- the documentation was first received and created (e.g. an order form or confirmation) by the Member State Partner(s) in electronic form; or
- the Auditor is satisfied that the Beneficiary uses an electronic archiving system which meets established standards (e.g. a certified system which complies with national law).

- should preferably be obtained from independent sources outside the entity (an original supplier's invoice or contract is more reliable than an internally approved receipt note);
- which is generated internally is more reliable if it has been subject to control and approval;
- obtained directly by the Auditor (e.g. inspection of assets) is more reliable than evidence obtained indirectly (e.g. inquiry about the asset).

If the Auditor finds that the above criteria for evidence are not sufficiently met, he/she should detail this in the factual findings.

2. OBTAINING AN UNDERSTANDING OF THE TERMS AND CONDITIONS OF THE TWINNING CONTRACT (ANNEX 2A - PROCEDURE 1.1)

The Auditor obtains an understanding of the applicable Common Twinning Manual and of the terms and conditions of the Twinning Contract. He/she should pay particular attention to Annex 1 of the Twinning Contract (the Description of the Action), Annex 2 (General Conditions) and Annex 4 (Contract-award procedures), which provides rules for procurement (including nationality and origin rules) by grant beneficiaries in the context of Twinning. Failure to comply with these rules makes expenditure ineligible for EU financing. These procurement rules apply to all Twinning contracts but depending on the legal basis for the Twinning Contract nationality and origin rules may vary. The Auditor ensures with the Member State Partner(s) that the applicable nationality and origin rules are clearly identified and understood.

Applicable rules on nationality and origin are set out in Annex A2 to the PRAG. See:

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

The rules are set out in Section 2.3.1 of the PRAG (by clicking on 2. Basic rules, then on 2.3 Eligibility criteria and other essentials).

If the Auditor finds that the terms and conditions to be verified are not sufficiently clear he/she should request clarification from the Beneficiary.

3. SELECTING EXPENDITURE FOR VERIFICATION (ANNEX 2A - PROCEDURES 4.1 – 4.6)

The expenditure claimed by the Coordinator in the Financial Report is generally presented under the standard template for the Twinning Final Report (Annex C5 to the Common Twinning Manual). Expenditure headings can be broken down into expenditure subheadings.

Expenditure subheadings can be broken down into individual expenditure items or classes of expenditure items with the same or similar characteristics. The form and nature of the supporting evidence (e.g. a payment, a contract, an invoice etc.) and the way expenditure is recorded (e.g. journal entries) vary with the type and nature of the expenditure and the underlying actions or transactions. However, in all cases expenditure items should reflect the accounting (or financial) value of the underlying actions or transactions, whatever the type and nature of the action or transaction concerned.

Value should be the principal factor used by the Auditor to select expenditure items or classes of expenditure items for verification. The Auditor selects high-value expenditure items to ensure an appropriate coverage of expenditure.

4. VERIFICATION COVERAGE OF EXPENDITURE (ANNEX 2A - PROCEDURES 4.1 – 4.6)

The Auditor applies the principles and criteria set out below when planning and performing the specific verification procedures for selected expenditure in Annex 2A (procedures 3.1 – 3.7).

Verification by the Auditor and verification coverage of expenditure items does not necessarily mean a complete and exhaustive verification of all the expenditure items that are included in a specific expenditure heading or subheading. The Auditor should ensure a systematic and representative verification. Depending on certain conditions (see further below) the Auditor may obtain sufficient verification results for an expenditure heading or subheading by looking at a limited number of selected expenditure items.

The Auditor may apply statistical sampling techniques for the verification of one or more expenditure headings or subheadings of the Financial Report. The Auditor examines whether ‘populations’ (i.e. expenditure subheadings or classes of expenditure items within expenditure subheadings) are suitable and sufficiently large (i.e. are made up of large numbers of items) for effective statistical sampling.

If applicable the Auditor should explain in the report of factual findings for which headings or subheadings of the Financial Report sampling has been applied, the method used, the results obtained and whether the sample is representative.

The Expenditure Coverage Ratio (‘ECR’) is the total amount of expenditure verified by the Auditor expressed as a percentage of the total amount of expenditure reported by the Coordinator in the Financial Report. This amount is reported in Annex V of the Twinning Contract.

The Auditor ensures that the overall ECR is at least **65%**. If he/she finds an exception rate of less than 10% of the total amount of expenditure verified (i.e. 6.5%) the Auditor finalises the verification procedures and continues with reporting.

If the exception rate found is higher than 10% the Auditor extends verification procedures until the ECR is at least **85%**. The Auditor then finalises verification procedures and continues with reporting regardless of the total exception rate found. The Auditor ensures that the **ECR for each expenditure heading and subheading** in the Financial Report is at least **10%**.

5. PROCEDURES TO VERIFY SELECTED EXPENDITURE (ANNEX 2A - PROCEDURES 4.1 – 4.6)

The Auditor verifies the selected expenditure items by carrying out procedures 3.1 - 3.7 listed in Annex 2A and reports all the factual findings and exceptions resulting from these procedures. Verification exceptions are all verification deviations found when performing the procedures set out in Annex 2A.

The Auditor quantifies the amount of verification exceptions found and the potential impact on the EU contribution, should the Commission declare the expenditure item(s) concerned ineligible (taking into account the percentage by funding of the Commission and the impact on indirect expenditure (e.g. administrative costs, overheads)). The Auditor reports all exceptions found including those for which he/she cannot quantify the amount of the verification exception found and the potential impact on the EU contribution.

Example: if the Auditor finds an exception of EUR 1 000 with regard to procurement rules for a Twinning contract where the EU finances 60% of the expenditure and where indirect costs

represent 7% of total direct eligible expenses, the Auditor reports an exception of EUR 1 000 and a financial impact of EUR 642 (EUR 1 000 x 60% x 1.07).

Specific guidance for procedure 4.1.2 (compliance with Simplified cost options)

The Auditor verifies that the Twinning management costs comply with the requirements as set forth in the Special Conditions of the Twinning contract and in section 5.8 of the Common Twinning Manual.

Specific guidance for procedure 4.1.11 (compliance with Procurement, Nationality and Origin Rules)

The Auditor verifies whether the expenditure for a selected item was incurred in accordance with the applicable procurement, nationality and origin rules by examining the underlying documents on the procurement and purchase processes (as per Annex A4). These documents relate to the opening of tenders, the assessment of the eligibility of tenderers and conformity of tenders, the evaluation of the tenders and the decisions with regard to the awarding of the contract. When examining these procurement documents the Auditor takes into account the risk indicators listed at the end of this Annex and he/she reports, if applicable, which of these indicators were identified.

Specific guidance for procedure 4.3 (Provisions for changes in prices)

The Auditor verifies that provisions for changes in prices do not exceed 2.5% of the total eligible costs (direct and indirect) of the Action (sections 5.6.3 of the Common Twinning Manual).

RISK INDICATORS PROCUREMENT

- Inconsistencies in the dates of the documents or illogical sequence of dates. Examples:
 - Offer dated after the award of contract or before the sending of the invitations to tender
 - Offer of the winning tenderer dated before the publication date of the tender or dated significantly later than offers from other tenderers
 - Tenders by different candidates all having the same date
 - Dates on documents not plausible/consistent with dates on accompanying documentation (e.g. date on the offer not plausible/consistent with the postal date on the envelope; date of a fax not plausible/consistent with the printed date of the fax machine)
- Unusual similarities in offers by candidates participating in the same tender. Examples:
 - Same wording, sentences and terminology in tenders of different tenderers
 - Same layout and format (e.g. font type, font size, margin sizes, indents, paragraph wrapping, etc.) in tenders from different tenderers
 - Similar letterhead paper or logos

- Same prices used in tenders from different tenderers for a number of subcomponents or line items
 - Identical grammar, spelling or typing errors in tenders from different tenderers
 - Use of similar stamps and similarities in signatures
 - Financial statement or other information indicating that two tenderers participating in the same tender are related or part of a same group (e.g. where financial statements are provided, the notes to the financial statements may disclose ultimate ownership of the group. Ownership information may also be found in public registers for accounts)
 - Inconsistencies in the selection and award decision process. Examples:
 - Award decisions not plausible / consistent with selection and award criteria
 - Errors in the application of the selection and award criteria
 - A regular supplier of the beneficiary participates as a member of a tender evaluation committee
 - Other elements and examples indicating a risk of privileged relationship with tenderers:
 - The same tenderer (or small group of tenderers) is invited with unusual frequency to tender for different contracts
 - The same tenderer (or small group of tenderers) wins an unusually high proportion of the bids
 - A tenderer is frequently awarded contracts for different types of goods or services
 - The winning tenderer invoices additional goods not foreseen in the tender (e.g. additional spare parts invoiced without clear justification, installation costs invoiced although not provided for in the offer).
 - Other documentation, issues and examples indicating a risk of irregularities:
 - Use of photocopies instead of original documents
 - Use of pro-forma invoices as supporting documents instead of official invoices
 - Manual changes on original documents (e.g. figures manually changed, figures "tippexed" etc.)
 - Use of non-official documents (e.g. letterhead paper not showing certain official and/or compulsory information such as commercial registry number, company tax number etc.)
-

Annex 3 Model Report for an Expenditure Verification of a Twinning Contract

HOW TO USE THIS MODEL REPORT? All text highlighted in yellow in this model report is for instruction only and auditors should remove it after use. Information requested in pointed brackets <.....> (e.g. <name of the Coordinator>) must be filled in by the auditor.

<To be printed on AUDITOR'S letterhead>

Report for an Expenditure Verification of a Twinning Contract

<Title of and number of the twinning contract >

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Report of Factual Findings

<Name of contact person(s)>, < Position>

< name of the Coordinator>

<Address>

<dd Month yyyy>

Dear *<Name of contact person(s)>*

In accordance with the terms of reference dated *<dd Month yyyy>* that you agreed with us, we provide our Report of Factual Findings (“the Report”), with respect to the accompanying Financial Report for the period covering *<dd Month yyyy - dd Month yyyy>* (Annex 1 of this Report). You requested certain procedures to be carried out in connection with your Financial Report and the European Union financed Twinning Contract concerning *<title and number of the contract>*, the ‘Twinning Contract’.

Objective

Our engagement was an expenditure verification which is an engagement to perform certain agreed-upon procedures with regard to the Financial Report for the Twinning Contract between you and *<the European Commission or the name of another contracting authority>*

the 'Contracting Authority'. The objective of this expenditure verification is for us to carry out certain procedures to which we have agreed and to submit to you a report of factual findings with regard to the procedures performed.

Standards and Ethics

Our engagement was undertaken in accordance with:

- International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as promulgated by the International Federation of Accountants ('IFAC');
- the *Code of Ethics for Professional Accountants* issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Contracting Authority requires that the auditor also complies with the independence requirements of the *Code of Ethics for Professional Accountants*;

Procedures performed

As requested, we have only performed the procedures listed in Annex 2A of the terms of reference for this engagement (see Annex 2 of this Report).

These procedures have been determined solely by the Contracting Authority and the procedures were performed solely to assist the Contracting Authority in evaluating whether the expenditure claimed by you in the accompanying Financial Report is eligible in accordance with the terms and conditions of the Twinning Contract.

Because the procedures performed by us did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the accompanying Financial Report.

Had we performed additional procedures or had we performed an audit or review of the financial statements of the Member state Partner(s) in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

Sources of Information

The Report sets out information provided to us by you in response to specific questions or as obtained and extracted from your accounts and records

Factual Findings

The total expenditure which is the subject of this expenditure verification amounts to EUR <xxxxxxx>.

The Expenditure Coverage Ratio is <xx%>. This ratio represents the total amount of expenditure verified by us expressed as a percentage of the total expenditure which is the subject of this expenditure verification. The latter amount is equal to the total amount of expenditure reported by you in the Financial Report and claimed by you for deduction from the total sum of pre-financing under the Twinning Contract as per your Payment Request of <dd Month yyyy>.

We report the details of our factual findings which result from the procedures that we performed in Chapter 2 of this Report.

Use of this Report

This Report is solely for the purpose set forth above under objective.

This report is prepared solely for your own confidential use and solely for the purpose of submission by you to the Contracting Authority in connection with the requirements as set out in Article 15 of the General Conditions of the Twinning Contract. This report may not be relied upon by you for any other purpose, nor may it be distributed to any other parties.

The Contracting Authority is not a party to the agreement (the terms of reference) between you and us and therefore we do not owe or assume a duty of care to the Contracting Authority who may rely upon this expenditure verification report at its own risk and discretion. The Contracting Authority can assess for itself the procedures and findings reported by us and draw its own conclusions from the factual findings reported by us.

The Contracting Authority may only disclose this Report to others who have regulatory rights of access to it in particular the European Commission [*Delete if the Commission is the Contracting Authority*], the European Anti Fraud Office and the European Court of Auditors.

This Report relates only to the Financial Report specified above and does not extend to any of your financial statements.

We look forward to discussing our Report with you and would be pleased to provide any further information or assistance which may be required.

Yours sincerely

Auditors' signature [*person or firm or both, as appropriate and in accordance with company policy*]

Name of Auditor signing [*person or firm or both, as appropriate*]

Auditors' address [*office having responsibility for the engagement*]

Date of signature <dd Month yyyy> [*date when the final report is signed*]

1. INFORMATION ABOUT THE TWINNING CONTRACT

[Chapter 1 should include a brief description of the Twinning Contract and the Action, the Coordinator/Member State Partner(s) and key financial/budget information. (maximum 1 page)]

2. PROCEDURES PERFORMED AND FACTUAL FINDINGS

We have performed the following specific procedures listed in Annex 2A of the terms of reference for the expenditure verification of the Twinning Contract ('ToR'):

- 1 General Procedures
- 2 Procedures to verify conformity of expenditure with the budget and analytical review
- 3 Procedures to verify selected expenditure

We have applied the rules for selection of expenditure and the principles and criteria for verification coverage as set out in Annex 2B (sections 3 and 4) of the ToR for this expenditure verification.

[Explain here any difficulties or problems encountered]

The total expenditure verified by us amounts to EUR <xxxx> and is summarised in the table below. The overall Expenditure Coverage Ratio is <xx%>.

[Provide here a summary table of the Financial Report in Annex 1, presenting for each (sub) heading the total expenditure amount reported by the Coordinator, the total expenditure amount verified and the percentage of expenditure covered]

We have verified the selected expenditure as shown in the above summary table and we have carried out, for each expenditure item selected, the verification procedures specified at point 3.1 to 3.7 of Annex 2A of the ToR for this expenditure verification. We report our factual findings resulting from these procedures below.

1. GENERAL PROCEDURES

1.1 Terms and Conditions of the Twinning Contract

We have obtained an understanding of the terms and conditions of this Twinning Contract in accordance with the guidelines in Annex 2B (section 2) of the ToR.

[Describe factual findings and specify errors and exceptions. Procedures 4.1 - 4.6 in Annex 2A. If there are no factual findings this should be explicitly stated as follows for each procedure: 'No factual findings have arisen from this procedure'.]

1.2 Financial Report for the Twinning Contract

1.3 Rules for Accounting and Record keeping

1.4 Reconciling the Financial Report to the Member State Partner(s) Accounting System and Records

1.5 Exchange Rates

1.6 Simplified Cost Options

2. PROCEDURES TO VERIFY CONFORMITY OF EXPENDITURE WITH THE BUDGET AND ANALYTICAL REVIEW

2.1 Budget of the Twinning Contract

2.2 Amendments to the Budget of the Twinning Contract

[Describe factual findings and specify errors and exceptions. Procedures 2.1 – 2.2 in Annex 2A. If there are no factual findings this should be explicitly stated as follows for each procedure: 'No factual findings have arisen from this procedure'.]

3. PROCEDURES TO VERIFY SELECTED EXPENDITURE

We have reported further below all the exceptions resulting from the verification procedures specified at point 4.1– 4.6 of Annex 2A of the ToR for this expenditure verification insofar these procedures applied to the selected expenditure item.

We have quantified the amount of the verification exceptions found and the potential impact on the EU contribution, should the Commission declare the expenditure item(s) concerned ineligible (where applicable taking into account the percentage of funding of the Commission and the impact on indirect expenditure (e.g. administrative costs, overheads)). We have reported all the exceptions found including the ones for which we cannot quantify the amount or the potential impact on the EU contribution.

[Specify the expenditure amounts / items for which exceptions (= deviations between facts and criteria) were found, and the nature of the exception – this means which of the specific condition described at point 4.1 to 4.6 of Annex 2A of the ToR were not respected. Quantify the amount of verification exceptions found and the potential impact on the EU

contribution, should the Commission declare the expenditure item(s) concerned ineligible]

3.1 Eligibility of Costs

We have verified, for each expenditure item selected, the eligibility criteria set out at procedure 3.1 in Annex 2A of the ToR for this expenditure verification.

*[Describe factual findings and specify errors and exceptions. **Procedure 3.1 in Annex 2A:** eligibility of costs and the eligibility criteria (1) to (9). **Example:** we found that an expenditure amount of EUR 6 500 included in subheading 3.2 (furniture, computer equipment) of the Financial Report was not eligible. An amount of EUR 2 000 related to expenditure incurred outside the implementation period. Supporting evidence was not available for 3 transactions totalling EUR 1 200. The required procurement rules for purchases of office computers for EUR 3 300 were not respected. (Note: relevant details such as accounting record references or documents should be provided).]*

3.2 Eligible Direct Costs (Article 14.2 of the General Conditions)

3.3 Provision for changes in prices (Section 5.6.3 of the Common Twinning Manual)

3.4 Twinning Management Costs (Section 5.8 of the Common Twinning Manual)

3.5 In kind contributions (Article 14.8)

3.6 Non-eligible costs (Article 14.9 of the General Conditions)

3.7 Revenues of the Action

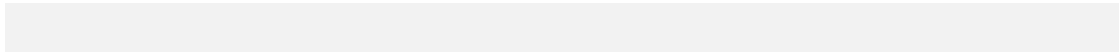
*[Describe factual findings and specify errors and exceptions. **Procedures 4.2 - 4.6 in Annex 2A]***

Annex 1 Financial Report for the Twinning Contract

*[Annex 1 should include the Member State Partne(s)) financial report for the Twinning Contract which is the subject of the verification. The financial report should be dated and **indicate** the period covered.]*

Annex 2 Terms of Reference Expenditure Verification

*[Annex 2 should include a signed and dated copy of the terms of reference for the expenditure verification of this Twinning Contract including Annex 1 (information about the Twinning Contract) and Annex 2A (Listing of the specific **procedures** to be performed).]*



ANNEX A7

Special Financial Annex

1. The Project Budget (Annex A3)

All Twinning contracts comprise a Twinning work plan, accompanied by a detailed budget, respectively annexes A1 and A3 to the Twinning contract. Expenditures listed in the budget must correspond to the activities listed in the Twinning work plan.*

All activities foreseen in the framework of the Twinning project, irrespective of whether they are carried out under the responsibility of the BC or of the MS, should be listed. The only activities to which a sum is allocated in the budget are those for which financing is allowed from the EU programme, and those for which co-financing from the BC is provided.

Level of details in Annex A3 under IPA

Under IPA, apart from the RTA-related expenditure and other general budget items the budget presented in Annex A3 may indicate only the foreseen costs per component and per activity (see section 3.8, 'General remark' of the Twinning Manual), reflecting so the level of details of the work plan (Annex A1). The detailed breakdown of expenditures is included, at least the first six months of implementation, in the initial operative side letter signed by the Project Leaders at the same time as the contract. The successive operative side letters drafted by the Project Steering Committee on a quarterly basis include the corresponding detailed breakdown of costs (see section 4.1.1 of the Twinning Manual)

2. Changes to a Twinning Contract

The work plan of a Twinning project needs to be prepared and agreed with sufficient detail before the twinning project is launched, in order to provide objective grounds for the funding requested. However, in practice, with many different activities taking place, a Twinning project is subject to all sorts of unforeseen events and may need to be adjusted in the course of implementation. A certain degree of flexibility is therefore necessary. **Changes to the mandatory results should be exceptional and duly justified and should not contradict the provisions of the respective financing decisions.**

* Not applicable to Twinning Light.

Twinning contract modifications cannot apply retroactively.

It is hereby reminded that the breakdown of costs in a Twinning budget (Annex A3) follows the logic of the work plan (Annex A1) (RTA, delivery of a seminar, expert mission on a particular topic, elaboration of training material, etc.). In other terms, the budget must follow an activity based budget format and under normal circumstances any change in the work plan will entail a corresponding change in the budget.

The following section therefore firstly details (1) the requirements for all changes to a Twinning Contract and thereafter (2) the more specific rules regarding budgetary changes.

(1) Changes in General

Two procedures shall apply:

A. Addenda

Substantial changes to the Twinning Contract must be formalised in an addendum signed by both MS administration and BC administration and requiring prior approval by the AO/PAO (when appropriate) or the EU Delegation (Twinning under IPA before conferral of management power without ex ante control and Twinning under ENPI, in a centralised management framework).

The following changes to a Twinning Contract require a formal addendum:

- **Under IPA:** the EU Acquis related to the project / **Under ENPI:** the relevant field of co-operation with the EU and the EU Acquis related to the project. (Article 2 of the Work plan)
- The MS administration involved in the Twinning project as mentioned in Article 5 of the Twinning Contract
- The execution period of the contract and the implementation period of the Action. (Article 2 of the Twinning Contract)
- Mandatory results and the benchmarks to be achieved (Articles 3 and 4 of the Work plan). (for changes concerning the means used for implementation, the time schedule and dates, the identity of short term MS experts an addendum is not needed).
- Identity of the MS and BC Project Leaders, of the RTA and of component leaders (key MS experts).
- Reallocations beyond 25% of the total Twinning Budget (see below)⁴.

Under IPA, the binding opinion of the Steering Committee at Headquarters shall be requested on the above mentioned proposed changes except for the change of the BC Project Leader or for the budgetary reallocations beyond 25%.

⁴ The overall budget for a Twinning project cannot be increased.

An addendum is not required when the implementation and/or the funding of the Twinning Contract is suspended or resumed, or when the Twinning Contract is terminated⁵. The decisions to suspend and resume the implementation and/or the funding of the Twinning Contract, or to terminate the Twinning Contract must be notified to the concerned parties as listed in Article 5 of the Special Conditions (Annex A).

As a result of the lifting of a suspension, an addendum may be required to extend the duration of the contract and, if relevant, to adapt the Twinning Contract to the new implementing conditions⁶. The extended implementation period must however not go beyond the end of the operational implementation phase of the Financing Agreement under which the Twinning contract is funded (where there is a Financing Agreement).

Under IPA, the decision to suspend or terminate the Twinning Contract requires that the EU Delegation (in case of centralised management or after conferral of management power with ex-ante control) or the Administrative Office (after conferral of management power without ex-ante control) must request a binding opinion from Commission Headquarters (Steering Committee).

Under ENPI, when the Contracting Authority is not the European Commission, the decision to suspend or terminate the Twinning Contract requires the prior approval of the EU Delegation.

B. Side letters

If the changes sought do not concern one of the points listed under A above, side letters suffice where there are:

- Changes which do not affect the basic purpose of the project as explained above;
- Reallocations below 25% of the total Twinning budget⁷
- Changes concerning the identity of MS experts and Junior Project Leader

The two Project Leaders (MS and BC) can autonomously and jointly decide on a side letter, provided the principles described in the present section as well as the Twinning rules are respected. They formalise the change in the form of a side letter to the Twinning Contract, which lays down the changes and which is jointly signed by both MS and BC PL. MS PL may however delegate RTA to sign side letters on his/her behalf. The side letter is addressed to the Contracting Authority.

⁵ These matters are ruled by Article 7.2.3 of the Special Conditions (Annex A) and by Articles 11 and 12 of the General Conditions (Annex A2).

⁶ Article 11.10 of the General Conditions (Annex A2).

⁷ The overall budget for a Twinning project cannot be increased.

The duly signed side letter must be notified by a secure means of communication, so that dispatch can be proven in the event of dispute.

<i>Side Letters (Administrative Orders) to be notified to:</i>	<i>IPA centralised</i>	<i>IPA decentralised with ex ante control</i>	<i>IPA decentralised without ex- ante control</i>	<i>ENPI (Centralised)</i>	<i>ENPI (Decentralised)</i>
<i>EU DELEGATION</i>	<i>X</i>	<i>X</i>		<i>X</i>	<i>Copy</i>
<i>ADMINISTRATIVE OFFICE</i>		<i>X CFCE</i>	<i>X</i>	<i>Copy</i>	<i>X</i>

Changes must be notified before they can apply or be implemented: the changes will only become effective 48 hours (two working days) after the date of notification of the side letter. In duly justified cases and in agreement with the CA, the deadline can be reduced to 24 hours. Costs incurred before the side-letter comes into effect are not eligible and shall not be reimbursed.

Under IPA, constitute side letters also the documents providing full details of activities and their corresponding budgeted costs ('operative side letters' see sections 3.8, 4.1.1 and 5.1.1.1 of the Twinning Manual and Annex C15). Considering their relevance for the implementation of the project, they must be signed by the two Project Leaders, without the possibility of delegating the RTA. The initial operative side letter is signed and endorsed at the same time as the contract. For the subsequent operative side letters a duly signed copy shall be notified by a secure means of communication as shown in the table above. They can be implemented as of the sixth working day following the date of dispatch, unless the institution in receipt has comments or reservations. In case changes are required, the amended version, signed by the two Project Leaders, shall be notified again; the same terms and conditions of the original notification apply.

(2) Changes with budgetary impact

The following principles apply to all budgetary changes whatever their impact:

- The overall budget for a Twinning project cannot be increased: existing activity(ies) must be reduced or cancelled to introduce and finance new activity(ies);
- The unit costs (fees, daily allowances, etc.) must respect the rates set in the Twinning Manual; each Twinning project must include a full-time Resident Twinning Advisor, resident in the BC for a minimum of 12 consecutive months; transfers of budgetary resources may not jeopardise this requirement.
- Introduction of a new activity must be justified by showing that it will be of real use in achieving the mandatory results; availability of funds (following savings

under or cancellation of existing activities) is not sufficient to justify the introduction of new activities and/or the extension of the execution period of the Twinning contract.

- Twinning Contracts can only be modified during the execution period of the Contract.
- Modifications cannot apply retroactively. The budget must be reallocated by addendum or side-letter before a new activity can be implemented. Costs related to activities implemented before the entry into force of the corresponding addendum or side-letter are not eligible and shall not be reimbursed.

Specific budgetary changes through addenda:

Budgetary changes are summed up after each side letter. Once the total cumulated amount of modifications reaches 25% of the total budget, any further modification (independent of its size) requires an addendum to the Twinning Contract. After such an addendum, budgetary changes can again be introduced through side letters, until the total cumulated amount of the further modifications reaches again 25% of the total budget.

Specific budgetary changes through Side letters:

- As long as the budgetary reallocations of appropriations remain under a cumulated total amount not exceeding 25% of the total budget of the Twinning contract, these changes can be introduced through side letters. In other terms, all budgetary changes through side letters are summed until the threshold of 25% of the total budget of the Twinning contract is reached. The budget modification by which the 25% threshold is reached requires an addendum. After such an addendum, budgetary changes can again be introduced through side letters, until the total cumulated amount of the further modifications reaches again 25% of the total budget of the Twinning contract.

Region	Signatures of the Addendum ¹	Addendum to be submitted to:	Who decides what?	Approval of the addendum
IPA centralised	The addendum is drafted and jointly signed by the signatories of the Twinning Contract (who may delegate this authority to the Project Leaders).	The Addendum is submitted for approval to the EU Delegation	The EU Delegation is entitled to agree or refuse endorsement of addenda on behalf of the Commission. It must request a binding opinion from Commission Headquarters (Steering Committee) before agreeing addenda concerning: changes to the mandatory results; change of the MS administration or mandated body; removal, addition or change of Partner MS; change of MS Project Leader; change of RTA; modification of legal duration. Addenda introducing budgetary changes once the 25% budgetary threshold is reached are approved or refused by the EU Delegation without referral to the Steering Committee at Headquarters.	Following a positive opinion from the Commission Headquarters (Steering Committee) when required, the EU Delegation endorses the Addendum and notifies it to the parties. The addendum enters into force on the date of its notification by the EU Delegation. Addenda are drawn up in three original copies: one for the MS administration, one for the BC administration and one for the EU Delegation.
IPA decentralised with ex ante control	The addendum is drafted and jointly signed by the signatories of the Twinning Contract (who may delegate this authority to the Project Leaders).	The Addendum is submitted for approval to the EU Delegation and to the CFCE	The EU Delegation is entitled to agree or refuse endorsement of addenda on behalf of the Commission. It must request a binding opinion from Commission Headquarters (Steering Committee) before agreeing addenda concerning: changes to the mandatory results; change of the MS administration or mandated body; removal, addition or change of Partner MS; change of MS Project Leader; change of RTA; modification of legal duration. Addenda introducing budgetary changes once the 25% budgetary threshold is reached are approved or refused by the EU Delegation without referral to the Steering Committee at Headquarters.	Following a positive opinion from the Commission Headquarters (Steering Committee) when required, the EU Delegation requests the written approval of the Addendum by the CFCE and then notifies it to the parties. The addendum enters into force on the date of its notification by the CFCE Addenda are drawn up in four original copies: one for the MS administration, one for the BC administration, one for the EU Delegation and one for the CFCE.
IPA decentralised without ex-ante control	The addendum is drafted and jointly signed by the signatories of the Twinning Contract (who may delegate this authority to the Project Leaders).	The Addendum is submitted for approval to the Administrative Office	The Administrative Office is entitled to agree or refuse endorsement of addenda. It must request the binding opinion of the Commission Headquarters (Steering Committee) before agreeing addenda concerning: changes to the mandatory results; change of the MS administration or mandated body; removal, addition or change of Partner MS; change of MS Project Leader; change of RTA; modification of legal duration. Addenda introducing budgetary changes once the 25% budgetary threshold is reached are approved or refused by the AO, without referral to the Steering Committee at Commission Headquarters.	Following a positive opinion from the Commission Headquarters (Steering Committee) when required, the The Administrative Office notifies approval to both MS and BC administrations by sending them their request bearing the signed acceptance of the Administrative Office. The addendum enters into force on the date of its notification by the Administrative Office. Addenda are drawn up in three original copies: one for the MS administration, one for the BC administration and one for the Administrative Office.
ENPI	The addendum is drafted and signed by the signatories of the Twinning Contract the signatories of the Twinning Contract can delegate authority to the Project Leaders to sign any addenda on their behalf.	The Addendum is submitted for approval to the Contracting Authority with a copy to the EU Delegation (decentralised) or to the PAO (centralised).	The Contracting Authority is entitled to agree or refuse signature of the addendum. Where the Commission is not the Contracting Authority, it is entitled to agree or refuse endorsement of the addendum.	<i>Centralised management</i> Once the addendum is signed by the EU Delegation (= Contracting Authority) notifies approval to both MS and BC administrations by sending them their request bearing the signed acceptance of the EU Delegation. <i>Decentralised management</i> Once the addendum is endorsed by the EU Delegation, the PAO (= Contracting Authority) notifies approval to both MS and BC administrations by sending them their request bearing the signed acceptance of the PAO. In both cases (centralised and decentralised management): - the addendum enters into force on the date of its notification by the Contracting Authority; - addenda are drawn up in four original copies: one for the MS administration, one for the BC administration, one for the PAO and one for the EU Delegation. Additionally, Commission Headquarters must be sent a copy of the signed addendum.

3. Eligible costs

3.1. Preparatory costs

Preparatory costs are not eligible in Twinning light contracts.

3.1.1. Reimbursement of costs arising during the preparation of the Twinning Contract and Twinning Work Plan and Budget

Twinning preparatory costs shall be reimbursed under the following cumulative conditions:

(1):

Only costs incurred by the designated MS Project Leader, the junior MS Project Leader and/or RTA (no other experts authorised) can be reimbursed.

(2):

A. Under IPA: Preparatory costs can be reimbursed for a period of maximum four months starting as from the date of the official notification of selection up to the submission of the final draft Twinning Contract for Steering Committee consultation at Commission Headquarters.

B. Under ENPI: Preparatory costs can be reimbursed when incurred within a period of maximum five months starting as from the date of the official notification of selection up to the signature of the Twinning Contract. The time span between the reception date of the first consolidated draft contract in the EU Delegation and the date of dispatch of the first consolidated reply by the EU Delegation is excluded from this five months period.

When the drafting of the Twinning Contract takes place over a period including July and/or August a maximum of 30 days can be added to the preparation time under both IPA and ENPI.

(3):

The Twinning contract must be signed and notified: if the Twinning partners fail to terminate the preparation of the Twinning Contract within the four (under IPA) /five (under ENPI) months period, or if the Twinning project/contract is cancelled before it is signed and notified, preparatory costs shall not be reimbursed, even partially.

The Commission reserves the right to shorten the aforementioned period of 4/5 months in view of specific circumstances.

The applicable ceilings for the preparatory costs are as follows:

For Twinning Contracts up to and including EUR 1 million:

- Up to 6 trips to the BC
- Fees for up to 20 working days in the BC
- Corresponding 'project management costs' compensation for work outside the BC
- Per diem allowance for days in the BC

For Twinning Contracts over EUR 1 million:

- Up to 9 trips to the BC
- Fees for up to 30 working days in the BC
- Corresponding 'project management costs' compensation for work outside the BC
- Per diem allowance for days in the BC

Preparatory costs shall be reported as part of the first interim quarterly report of the Twinning contract.

3.1.2. Training of RTAs*

RTAs are invited by the Commission to attend a training seminar at the Commission Headquarters in Brussels. Costs for travel and per diems (according to the rules laid down in section 3.3 of this Annex) to attend this training must be included in the budget of the Twinning Contract (Annex A3): either as part of the preparatory costs if the training is takes place before the start of the Twinning contract, or as part of the project costs if the training takes place after the Twinning contract has started.

When possible, attendance before taking up duties in the BC is preferable.

If the training is attended before the start of the Twinning contract, reimbursement of the corresponding costs is subject to signature and notification of the Twinning contract. If the Twinning partners fail to terminate the preparation of the Twinning Contract or if the Twinning project/contract is cancelled before it is signed and notified, these costs shall not be reimbursed.

BC Project Leaders can attend the training together with the RTA of the same project. Costs for travel and per diems can be financed by the budget of the project, unless the person concerned has attended the same training in the course of the previous three calendar years. Attendance cannot be deputised to a third person.

MS Project leaders may also attend the training seminar at Commission Headquarters, but the corresponding costs are not eligible under the Twinning contract.

3.2. Reimbursement of Staff Cost

3.2.1. Staff Categories and rates of reimbursement

Employment status and corresponding rate of reimbursement

1. As a **rule**, MS experts (RTA and experts undertaking short and medium duration missions) will be **civil servants** (see sections 3.2.2 and 3.2.3)
2. For RTAs **emanating from a mandated body**, the reimbursement of salary will be based on the person's actual salary plus non-wage labour costs, without any profit margin. For short and medium duration missions, please refer to section 3.2.3.1 for the respective rates.
3. **Temporary public employees** may exceptionally be hired by MS administrations or mandated bodies, if there are not enough civil servants available to act as experts in Twinning projects. These experts, temporarily recruited by the administration, may only act on its behalf provided they have the necessary experience and are not subject to any conflict of interest. The contract between such experts and the recruiting administration or mandated body must clearly integrate the expert into the contracting organisation, identify the person to whom they report and who is responsible for their backup, thus attributing full responsibility for the quality of their services. The duration of the employment of temporary public employees should as a rule not be limited or should not be identical to the duration of their Twinning involvement. In practical terms, temporary employees must be contractually linked to the administration or MB for at least six months prior to the start of their assignment.

If they are contracted by an administration, reimbursement for their remuneration will be the same as for a civil servant of comparable competence and seniority.

If a mandated body contracts them, reimbursement will be based on the rate for a comparable expert from the same body.

4. **Recently retired experts** (less than two years before the call for proposals) may be reactivated as temporary public agents, either by administrations or mandated bodies. Like non-statutory civil servants, they must be linked to the body responsible for a Twinning project by a contract.

Reimbursement of the salary of retired experts will be based on the above principles for temporary public employees.

Where national legislation provides for deduction of the pension amount from a public sector salary, the project will only reimburse actual salary expenditure of the contractor.

These provisions do not apply to the Project Leaders who must be currently working in the MS administration or mandated body (see section 2.2.1 of the Manual).

The fees and rates defined below in section 3.2.3 for the different categories of experts are compulsory. Compliance with these fees and rates is essential for the sound financial management of Twinning projects. Any departure endangers equality between the MS administrations engaging in Twinning and/or undermines Twinning as a credible instrument for targeted administrative co-operation.

5. **Member States administrations should avoid at all costs:**

- (a) The use of Mandated bodies involving civil servants in Twinning projects with the sole purpose of attracting the higher mandated bodies fees;

(b) The use of Mandated bodies as umbrella organisations to involve private sector experts (including private lawyers or NGO employees) hired for contractual assignments limited to their Twinning involvement, without any structural linkage to the body involved.

6. Twinning offers hands-on, practical expertise, provided by civil service from peer administrations. To preserve this distinctive quality of Twinning it is essential that the experts proposed by the MS administrations are administrative practitioners. **University scholars and professors** including from public universities, researchers or private lawyers do not belong to the administrative services entrusted with legal interpretation of the acquis and must normally be excluded. **Universities or research institutes** may only be proposed in very exceptional cases (for instance in highly specialised and technical fields) for ad hoc Twinning mandates but not for general mandated body status.

3.2.2. Remuneration of the Resident Twinning Adviser (RTA)

In the framework of a Twinning light project, there is no RTA.

The RTA continues to be paid his/her normal salary by his/her home administration or mandated body in the MS concerned throughout his/her secondment.

The EU programme reimburses the payroll institution of the RTA an amount equivalent to what he/she would have received, had he/she continued to work in his/her home administration (not abroad), including related and/or connected non-wage labour costs, plus an additional 6% of the whole amount to cover the extra cost of a replacement.

The amount for reimbursement must be included in the detailed breakdown of costs and inserted in the budget, (Annex A3).

RTAs who are not statutory public sector employees, must have signed, before the deadline for the submission of proposals, a fixed-term contract with an administration or mandated body in the MS, which seconds them to the Twinning project on the same terms as civil servants. If they are hired by an administration, their remuneration must be aligned to that of civil servants of the same level and experience. If they are hired by a mandated body, their remuneration must be aligned to that of the permanent staff of the same level and experience. All their other costs will be covered by the project as though they were civil servants from the MS.

RTAs receive, where appropriate and provided they have qualifications equivalent to university level and have a good knowledge of the EU working language (English, French or German) widely spoken in the administration of the BC, an additional flat-rate allowance equal to the difference between the gross annual salary (less family allowances) paid by his/her employer plus the subsistence allowance paid by the Commission and the basic salary payable to an official of the EU Institutions of grade AD5, step 1.

RTAs receive additional allowances and reimbursement of costs including: a subsistence allowance, reimbursement for housing, health and accident insurance, school fees, travel and removal costs. These costs arising from the RTA's secondment, be they allowances or statutory reimbursements, are borne by EU funding according to a scale applying to all MS, as outlined in the Twinning Manual and detailed in the following sections.

In addition, RTAs receive, throughout the period of their secondment, a subsistence allowance equal to 50% of the per diem rate in the BC. **The applicable rate is fixed at the time of the signature of the Twinning contract for its entire duration and is not subject to revision.**

All costs related to the RTA must be quantified and included in the budget. Verifiable evidence of the real salary cost (wage and non-wage labour cost) to the administration must be provided in order to corroborate expenditure on salary.

Costs related to the provision of working facilities (offices, furniture, computer, telephone, fax etc.) for the RTA are covered by the host administration in the BC (see section 5.13 of the Manual).

3.2.2.1. Housing

RTAs are expected to find housing and register with the authorities without assistance from the Commission. They may however obtain advice from their own Embassy, the EU Delegation and the BC administration.

RTAs are reimbursed for their housing expenses in the BC within limits calculated on the basis of family size and on average rent paid for equivalent housing for Commission staff on posting to the Delegation in this country.

Hotel accommodation

On arrival in the BC whilst looking for a permanent accommodation, and in order to cover temporary hotel accommodation and living expenses, RTAs are entitled to receive in addition to their normal subsistence allowance:

- an additional, full per diem for themselves; and
- an additional half per diem for each accompanying family member.

This provision is subject to the presentation of hotel invoice(s). It applies for a period of up to 30 days, which may be extended subject to prior approval by the AO/PAO/EU Delegation.

Permanent accommodation

A single person or a couple is entitled to two bedrooms. For each child they are entitled to one additional room. Where a family includes more than two children, the need for the fifth and any subsequent bedrooms must be justified to the AO/PAO/EU Delegation.

Prices in the BC will vary according to local market conditions: RTAs are expected to seek value for money and to be reasonable in their expectations. While the accommodation selected may be furnished or unfurnished, RTAs may find considerable practical benefits in renting furnished accommodation.

RTAs will receive guidance as to the acceptable rental costs for different sizes of accommodation either from the EU Delegation or from the AO/PAO. This guidance will follow international standards and indicate the upper and lower margins (“bands”) of acceptable rents in the BC.

RTAs are expected to select accommodation within these pre-approved bands, for which no prior approval is required.. Rental amounts in excess of the approved bands require prior approval from the AO/PAO/EU Delegation. This will be granted only in exceptional and duly justified circumstances. No payments for accommodation shall be made if rental costs exceed the approved bands and have not been approved, and no retroactive reimbursement will be made.

The use of housing agencies is permitted but reimbursement of agency fees is limited to a maximum of two months of rent.

Housing costs are reimbursed according to actual rental costs and based on receipts for actual payments. Reimbursement is limited to only the basic rental cost. Rental deposits, household insurance and utilities costs such as water, telephone, gas, electricity etc. are borne by RTAs, as are cleaning and other domestic services.

3.2.2.2. Health Insurance

RTAs are obliged to contract insurance coverage, for themselves and their accompanying family members, for health care costs arising from accident or illness throughout the entire period of their secondment. The costs for such insurance are reimbursed by the project for up to EUR 200/person/month. It is the responsibility of the MS Project Leaders to ensure that RTA are adequately insured.

Where there is a bilateral agreement for social security coverage between the MS of origin and the host BC, RTAs must make use of its provisions. In this case, complementary coverage for costs not covered under the bilateral agreement and for emergency repatriation in case of accident or severe illness may be charged to the project within the ceilings set above.

Where there is no bilateral agreement on social security, the project will reimburse full coverage for health insurance covering care costs due to sickness or accident, including emergency repatriation within the ceilings set above.

The insurance coverage reimbursed by the project will not include capital indemnity in case of death or invalidity due to accident or illness. It is understood that such coverage is provided by the MS employer.

List of items recommended to be included in the health insurance policy:

- full coverage for health care costs due to sickness and accident (in-patient and emergency out-patient)
- emergency repatriation from the country of RTA's assignment
- transportation to medical centre
- sending of a doctor
- emergency dental care costs
- in case of death, repatriation of the body to the country of origin.

3.2.2.3. Schooling fees

School fees eligible for reimbursement by the project are those incurred from the first year in which schooling would be available free of charge in the home country to the last year of the child's secondary education, the duration of this period to be in accordance with the education system in the RTA's home country. Fees will vary according to the age of the child. Childcare costs are not eligible for reimbursement. Schooling is defined as a minimum of 16 hours of teaching per week, for a minimum period of 3 consecutive months.

Fees eligible for reimbursement are the following: enrolment fees, exam fees, transport to and from school provided by the school and itemised in the school fees, cost of books and other material required for participation in compulsory classes. Costs, which are not covered, include, for example, private transport to and from school, school meals, uniforms, after-school music or other extra-curricular classes and activities.

Where a school charges separately materials required in a compulsory class, including music, art or sports classes, these costs will be reimbursed, whereas the cost of non-compulsory school trips or after-school classes will not be reimbursed.

School fees will be reimbursed up to a ceiling of EUR 12 000 per child and per academic year. Fees above this amount may be reimbursed on a case-by-case basis and require prior approval from the AO/PAO/EU Delegation. Grounds for approval of higher fees may be: age of the child; comparable fees in international schools in the same city; lack of alternative educational options in the same city.

RTAs may claim reimbursement only for the school fees of a 'dependent child', i.e. his/her or his/her spouse's legitimate, natural, adopted or foster child, who is actually being maintained by him/her and who moves with him/her to the country of his/her posting. This definition also applies to a child for whom an application for adoption has been lodged and the adoption procedure started. Boarding school fees in the country of origin may be charged only in very exceptional cases, and is subject to prior approval from the AO/PAO/EU Delegation.

Reimbursement will be based on itemised bills.

RTAs must provide the following information, in a document duly certified by the educational establishment in question:

- first name and family name of each child
- the sum incurred per child
- the date on which payment was made by the RTA
- the currency in which payment was made
- the relevant academic year and the period covered (month, term, semester)

3.2.2.4. Travel Costs

a) Personal travel costs to and from the BC at the beginning and at the end of the Twinning Project

RTAs will be reimbursed for themselves and for their accompanying family members the cost of an economy air ticket per person, or a first class train ticket, whichever is more appropriate and economically advantageous. If RTAs travel by car, an official quote for one of these two options must be obtained from a travel agency.

RTAs are entitled to reimbursement of travel expenses:

- (a) for him/herself:
 - From his/her place of recruitment to his/her place of employment at the beginning of the period of secondment;
 - From his/her place of employment to his/her place of recruitment at the end of the period of secondment.
- (b) for the spouse and dependent children
 - From the place of recruitment to the place of employment when removal takes place;
 - From the place of employment to the place of recruitment at the end of the period of secondment.

The place of recruitment is defined as the place where the RTA performed his/her duties prior to secondment. The place of employment is defined as the place where the BC administration to which he/she is assigned is located.

b) Annual leave

RTAs and their accompanying family members will be reimbursed the cost of an annual trip home. RTAs will be reimbursed the cost of a special economically priced return air ticket (standard economy ticket if special economically priced ticket not available for the length of stay required) or first class train ticket for themselves and for their accompanying family members according to the same rules as described under section a).

c) Monthly travel allowance

Only applicable if no removal of personal belongings or any other costs related to accompanying family members are charged to the project

If the RTAs have moved without spouse and/or children, and have not been reimbursed for the removal of personal effects, household contents or personal vehicle to the BC, they will be entitled to an allowance amounting to the price of a return ticket for each month, starting the second month of the secondment.

This flat-rate payment will be based on the cost of a first class rail fare or of a special economically priced air ticket, whichever is appropriate and economically more advantageous. The rate applied will be that in force on 1 January of the current year, quoted by a travel agency.

Where a whole month is not worked, the amount will be calculated in proportion to the number of days worked.

The RTA is not entitled to any extra allowance for annual leave.

d) Proof of travel

Original proofs of travel must be provided according to national MS rules, in order for reimbursement to be made. The only two exceptions are

- a) the monthly travel allowance for RTAs who do not claim any removal costs or costs for family members and
- b) for travel by personal car, reimbursed according to the rules defined above.

3.2.2.5. Removal Costs

a) General provisions

RTAs may choose to travel with the minimum of personal belongings (no charge to the project), or charge the removal of a selection of personal effects (for secondment of minimum secondment 1 year) or of their entire household contents (for secondments of minimum 2 years) to the BC. They are responsible for organising their removal and should attempt to do so in the most economical way. The guidelines for removals presuppose one complete removal, rather than a series of smaller moves, which would be more expensive. In all cases, the route selected must be the most common, most economical and shortest one.

It is the responsibility of RTAs to organise the removal so that storage costs in the BC are avoided. The project will not cover any costs arising from storage in customs warehouses. RTAs must respect the customs regulations of the host country, subject to possible exemptions (see point 3.2.2.7).

b) Option 1: Removal of personal effects only (secondment of minimum 1 year)

RTAs seconded for at least one year may charge to the project the costs of moving their personal effects (clothes, books, stereo equipment, microwave oven, washing machine, television, video etc.) to the BC. They will be reimbursed for transport of freight up to the following limits (packaging weight is included in these figures):

RTA	780 kg
Spouse	390 kg
Each child	195 kg

The actual cost of transportation will be reimbursed.

Costs of transportation of personal effects exceeding the above limits, including corresponding insurance costs, will not be reimbursed,...

Costs for storage in the MS (transport to and from place of storage, insurance and rent) for furniture which is not moved to the BC may be charged to the project, with a maximum volume of 60m³. The actual cost of storage will be reimbursed. Costs of storage of personal effects exceeding the above limit, including corresponding insurance costs, will not be reimbursed.

c) Option 2: Removal of complete household contents to the BC (secondment of minimum 2 years)

RTAs seconded for at least 2 years and for whom the distance between the place of recruitment and duty is at least 50km, may charge to the project the costs for the removal to the BC of their household contents (i.e. their personal effects, plus household furniture and furnishings). The removal must take place no later than six months after taking up duty.

RTAs entitled to reimbursement of the actual cost of transportation of up to 60m³ of freight. Costs of transportation exceeding 60m³, including corresponding insurance costs, will not be reimbursed.

d) Air vs. Surface Transport

RTAs may choose to send all or part of their belongings by surface transport, rather than by air, provided the resulting costs do not exceed air transport costs. The route selected must be the most common, most economic and shortest one.

e) Cost of Excess Baggage

The costs for excess baggage up to 50kg, if this consists of books, papers, equipment etc. required for work purposes, may be charged to the project in connection with the first trip to the BC when taking up duty, as well as with the last trip at the end of the project, when leaving the BC.

f) Transport of Personal Vehicle

The project may reimburse the cost of **surface** transport of a personal vehicle which the RTA owns at the time of secondment.. It is the RTA's sole responsibility to comply with any regulations associated with importing, exporting and registering a personal vehicle in the BC.

g) Quotes

In all cases (i.e. for removals of personal effects, household contents, personal vehicle and storage costs), RTAs must obtain at least **two** quotes, preferably for 'door-to-door' delivery.

Quotes based on volume are not accepted for removal of personal effects as defined under section b) above..

h) Insurance

The project may cover 'all risk' insurance costs for the transport of personal effects, household contents, and vehicles, as well as for items in storage. Insurance may be contracted with the removal/storage firm, or directly with an insurance company. Reimbursement of premiums is limited to:

0.625% - 1.25% of the value of personal effects transported by air

1.25% - 2.5% of the value of personal effects transported by road or sea

1.25% - 2.5% of the value of a vehicle transported by road or sea

Where the RTA chooses to move his/her entire household contents, the maximum insured value authorised to be charged to the project is EUR 150 000.

Note:

- The same terms apply to removals back to the home country, which must take place within three months of the end of the period of secondment.
- Costs resulting from any delay in the delivery of freight by any means will not be reimbursed.
- Any dispute between RTAs and a removal/storage company, regarding any aspect of removal/storage or payment, is the sole responsibility of RTAs.

3.2.2.6 Leave Entitlement

a) Basic Leave Entitlement

RTAs' leave entitlement is aligned with that of National Experts seconded to the Commission.

All RTAs will be entitled to annual leave amounting to 2.5 working days per month of completed service i.e. 30 days per year.

b) Travelling Time Allowance

In addition, RTAs will receive an annual travelling time allowance proportional to the distance between their normal place of residence and their residence in the BC.

- 50 to 250 km 1 day
- 251 to 600 km 2 days
- 601 to 900 km 3 days
- 901 to 1400 km 4 days
- 1401 to 2000 km 5 days
- over 2000 km 6 days

c) Public Holidays

In addition, RTAs will be entitled to take leave on public holidays. The public holidays will be the same as those allowed for counterpart BC officials in the administration with which they work.

d) Special Leave

In addition, the RTA may, on demand, be accorded special leave:

- marriage of the RTA 4 days
- household removals of the RTA 2 days
- serious illness of spouse or child 3 days
- death of spouse or child 4 days
- serious illness or death of close relative 2 days
- birth or marriage of child 2 days.

e) Leave Authorisation

Leave authorisation must be obtained from the MS Project Leader in writing and in advance.

3.2.2.7 Fiscal situation of RTAs

The Resident Twinning Adviser must observe the national tax legislation of his/her home country with regard to income earned during the period of secondment in the beneficiary host country.

The possible exemptions from customs duties, import duties, taxes and other fiscal charges for the RTA are governed by the Financing Agreement signed between the Commission and the BC, which funds the Twinning project .

3.2.3. Project Leader, Short & Medium Term Expert Inputs

3.2.3.1. Missions of civil servants

The EU will finance the cost of short and medium term MS missions in the framework of the project. The contribution of each short or medium term expert to project activities must be specified in the Twinning work plan or, *under IPA*, in the pertinent operative side letters.

Mission expenses (transport, per diem, etc) will be reimbursed in accordance with section 3.3. Visits of MS management and support staff to the BC cannot be separately covered by the project's budget. The financial contribution of the EU programme to the staff costs of short and medium-term missions is **EUR 250/day for civil servants or acting civil servants**.

3.2.3.2 Missions of staff from mandated bodies

Definition of the three expert categories and their respective rates of reimbursement

Class 1 expert: Rate of reimbursement per day worked in BC: EUR 250

Personal experience in the implementation of institutional aspects targeted by the Twinning project: minimum 3 years.

Class 2 senior expert: Rate of reimbursement per day worked in BC: EUR 350

Personal experience in the implementation of institutional aspects targeted by the Twinning project: minimum 8 years.

Capacity to demonstrate innovative approach by abstracting from own experience and adapting to the needs, constraints and culture of the beneficiary. Experience in co-operation with non-EU countries. Capacity to communicate in one of the European Union languages widely spoken in the administration of the BC.

Class 3 special counsellor: Rate of reimbursement per day worked in BC: EUR 450

Personal experience in the implementation of institutional aspects targeted by the Twinning project: minimum 15 years.

In addition to the above and to the qualifications expected of senior experts, special counsellors will be past or present holders of a high-level post (junior minister, head of a government department or head or chairman of a public or private sector body with a record of government work, or equivalent).

This category is strictly reserved for individuals with exceptional experience, whose contribution to the Twinning project justifies the high rating and associated costs.

Exception

Mandated bodies able to provide evidence that they cannot cover their staff's real costs with the standard rates of reimbursement may apply for authorisation to charge up to a maximum of EUR 100 more for each category of experts. These requests must be supported by detailed documentary evidence on real salary costs according to the following mode of calculation:

The **real salary costs** of a mandated bodies' expert consist of the expert's gross annual salary plus any compulsory non-wage labour costs payable by the employer in direct connection with the expert's salary. These annual costs must be **divided by 180** in order to calculate the total actual salary costs per day.

In case that the actual salary costs per day are higher than the rates of reimbursement for the respective expert category specified above, the mandated body may apply to the Commission Headquarters for approval of the non-standard increase up to a maximum of EUR 100 more for each category. The non-standard rate may under no circumstances generate a profit.

Applications for the increased expert fee must be channelled through the respective MS's NCP, who will certify the veracity of the financial data submitted in support of the application. If the Commission agrees to the exception, the non-standard fee level will be published in the list of mandated bodies (indicated in square brackets after the name of the mandated body). Approval of higher fee levels must be sought **before** presenting proposals to ensure full transparency.

Explanatory comments regarding classification of experts

For the purpose of classifying experts assigned to Twinning projects all factors will be considered together; a shortfall on one criterion may be offset by outstanding qualifications on another. In case of divergence of opinion, the Commission Headquarters have the final say regarding expert classification.

Practical Points

When calculating the costs for short and medium term staff inputs, it is important to budget for the appropriate unit number of working days and daily allowances. For example:

- 2 weeks: if an expert comes to the BC on a Sunday and leaves on a Saturday, 10 working days and 13 per diems shall be budgeted.
- 1 week: if an expert comes on a Sunday and leaves on a Friday, 5 working days and 5 per diems shall be budgeted.

- 1 week: if an expert comes on a Sunday and leaves on a Saturday, 5 working days and 6 per diems shall be budgeted.

The working days invoiced will be equal to the days actually spent working in the BC (excluding travelling time and weekends), irrespective of the exact time of arrival in and departure from the BC:

- A full working day will be counted if the expert spends at least seven working hours (excluding any break) working with the beneficiary administration in the BC.
- A half working day will be counted if the expert spends at least four working hours (excluding any break) working with the beneficiary administration in the BC.

The per diems will be equal to the number of nights spent in the BC, calculated on the basis of the actual arrival and departure dates.

Inputs in the MS Home Administration or Mandated Body

For work performed in the MS for the benefit of the Twinning project the MS receives a financial contribution in the form of twinning management costs compensation as detailed under section 3.5.

3.3. Travel & Per Diem

3.3.1. Travel

- Travel costs are estimated in the budget and reimbursed upon the actually incurred cost.
- The basic rules for travel are: economy class air fare or first class train ticket, whichever is more appropriate and economically advantageous.
- Travel by car is reimbursed the price (as quoted by a travel agency) of the equivalent air or train ticket according to the rule set in the previous paragraph. Where neither air, nor rail transport is available or appropriate, travel by car is reimbursed at a rate of EUR 0.25/km (use of private car) or at actual cost (other cases). Where several experts jointly make use of a car, the reimbursement will be made only once.
- Whatever the means of transport chosen (car, plane, train, rented minibus etc.) the solution must be financially sound and economically advantageous.
- The only exception is the RTA monthly travel allowance (see section 3.2.2.4), which is calculated at the beginning of the project and is paid monthly without requiring a proof of travel.
- Visa costs are eligible for reimbursement as part of the travel costs.

For air travel the cheapest possible tariff must be applied. If the use of a reduced rate air fare requires an additional overnight stay, the expert is entitled to receive the corresponding per diem, limited to the amount of the saving on the air fare if the latter is lower than the

applicable per diem rate. Where the use of a special economically priced ticket is not possible, a standard economy ticket shall be used instead.

Transport to and from the airport of the city where the expertise is to be delivered is considered as local transportation and is covered by the per diem. Exception is granted for flight departures before 7.00 and arrivals after 22.00 hours, in which case a taxi fare can be charged separately. Where inter-city travel is required to reach the airport, the rules for travel by train apply.

Travel of MS experts, including RTA, within the BC must be identified and budgeted separately. Whenever possible, the use of public transport is mandatory. In case of travel by car, the rules of reimbursement defined above shall apply.

Travel by car is under the own responsibility of the MS experts.

Under ENPI, costs for travel by BC officials from their capital to a MS or between MS (e.g. in the framework of study visits) may be eligible . Under IPA these costs are borne by the BC administration.

Costs for travel by BC officials **within** a MS are eligible under both IPA and ENPI.

3.3.2. Per Diem (for short term experts and RTAs on mission outside BC)

MS experts are entitled to an allowance (per diem) when working in the BC. The per diem covers hotel, food and local transportation costs.

Per diem rates are communicated by Commission Headquarters to National Contact Points in MS and BC as well as to other stakeholders. They are based on the list published by the United Nations, which is available on EuropeAid website¹, and may be adapted for the purpose of Twinning. They are maximum rates: lower rates may also be applied.

Per diem rates are generally updated twice a year, in January and July. **The per diem rate will therefore vary over the lifetime of the project, depending on the moment when a mission takes place. The rate applicable for a mission is the one applicable on the first day of travel.**

The number of per diems is calculated upon the number of **nights spent away from the home base (no half per diems are paid).**

BC staff travelling to MS in the framework of a Twinning project is entitled to per diems according to the same rules.

3.4. Training and Seminars

3.4.1. Training in the BC

Eligible costs for trainings in the BC are mainly fees of MS experts. However, fees of MS experts present in the BC for an activity that is not limited to the training should not be

allocated to the budget of the training but to the budget of the activity: no additional fees or per diems can be counted in excess of what has been budgeted under the activity.

Other eligible costs for trainings may be:

- training documentation;
- interpretation (see section 3.7);
- transport for on-site visits etc.

Where (part of) the training is sub-contracted to the private sector, the MS shall apply the appropriate procurement procedures as described in Annex A4.

Costs related to participation of BC staff in the training, including transport and per diems, are paid by the BC.

3.4.2. Study visits in the MS and Trainee/internships for BC officials in MS Partner Administration

When planning study visits in the MS partner administration, twinning partners must apply the following principles, which may be further detailed by the Contracting Authority:

- Cost effectiveness and sound financial management;
- Direct link between the objectives defined in the Project Fiche and the planned study visit(s) ;
- Direct relevance for the participating BC officials and for the mandatory results of the Twinning project;
- Adequate and intensive follow-up of the study visit(s);
- Adequate evaluation by the BC participants and direct involvement in the activities undertaken in the framework of the study visit(s);
- Study visits to non EU MS are not eligible.

The MS Twinning partner may also propose a limited number of administrative internships in its own administration for selected BC officials. Internship may indeed contribute to the further reinforcement of the structural links between the administrations involved in the Twinning project. Internships differ from study tours not only in number of participants and duration, but also in methodology (following the MS peers in their day-to-day tasks).

Under ENPI, costs for travel by BC officials from their capital to MS or between MS may be eligible. Under IPA these costs are borne by the BC administration.

Costs for travel by BC officials **within** a MS are eligible under both IPA and ENPI.

Per Diem allowances for BC trainees are eligible in all countries. For traineeships of more than 2 months the per diem allowance rate is reduced by 30% as of the 3rd month.

Certain dedicated MS training institutions delivering intensive highly specialised training operate on a fee basis for any trainee; such fees are eligible. If these fees include accommodation or/and meals, the corresponding amounts must be deducted from the per diem paid to the participants in order that the total amount paid does not exceed the applicable per diem rate..

Costs for expert fees of MS experts (including transport, per diem, expert fees) accompanying study visits in MS are not eligible. These costs are covered by the twinning management costs compensation as detailed under section 3.5.

Small incidental costs may be charged to the budget and paid to the MSP(s) on a unit cost basis (**maximum EUR 10 per trainee per day**) and reported without supporting evidence.

3.5. ‘Twinning Management Costs’

The Twinning contract budget (Annex A3) must not include any expert or other fees corresponding to work performed outside the BC. This rule applies whatever is the nature of the work performed or of the expenditure incurred: preparation or follow-up of mission, accompaniment of study visit, delivery of seminars, co-ordination, logistical management (accounts) overheads or any other incidental costs.

Instead, taking the form of a global contribution to the costs arising from the preparation and implementation of a Twinning project, all fees included in the budget for short and medium-term expertise (including fees for MS PL) delivered in the BC is complemented with a compensation of **150% for Twinning management costs**. The MS organisation in charge of the Twinning project may dispose of it for covering any costs arising in the MS in connection with the project, including any related overhead costs.

The twinning management costs compensation is invariably reported by and paid as a flat rate to the MS (Lead) Partner in conjunction with any fees corresponding to work performed in the BC.

Where several MS are involved in a Twinning project, the Lead MS Partner is responsible for transferring to the other MS Partner(s) in the consortium all or a proportion of the twinning management costs compensation corresponding to their participation in the work performed in the BC.. The Lead MS Partner may retain a reasonable proportion of the Twinning management costs compensation to cover the additional work and costs incurred due to its leadership. **It is important for the good implementation of the project that the consortium agreement** signed between the Lead MS Partner and the other MS partner(s) involved in the project **lays down clear and precise modalities in this respect**. The members of the consortium elaborate this agreement independently without advice or interference from BC administration or Commission services.

In the Budget (Annex A3) and within each activity, every budget item corresponding to fees for work performed in the BC is immediately followed by a budget item entitled ‘twinning management costs compensation’ and quantified at 150% of the preceding item.. These amounts are indicative: payment will be based on the actual number of days of work performed in the BC.

3.6. Intangible supplies and provision of services

Such items as development or purchase of computer software, provision of documentation, translation of texts, private interpreters and similar fall under this category and should be included in the budget of the Twinning contract (Annex A3).

Rules and limitations applicable to the provision of these services are detailed in section 3.8 (provision of translation and interpretation) and in section 3.10 (private sector inputs).

3.7. RTA Assistant

RTAs should be assisted by a full-time project assistant for providing translation and interpretation services on a daily basis, and for performing general project duties. Only in very exceptional cases should the requirement for an assistant be waived.

In most cases the costs of the RTA assistant are funded by the Twinning contract. This has to be indicated in the Twinning work plan (Annex A1) and the corresponding estimated costs must be included in the project budget (Annex A3).

The BC may also consider ‘seconding’ the RTA assistant from their own administration rather than having an external recruitment under the Twinning contract. The advantage of this solution is to have a RTA assistant with ‘in house’ knowledge of the BC administration. In this case, the costs of the RTA assistant are not included in the Twinning contract.

RTA assistants funded by the Twinning contract must not have had, at least during the 6 months preceding their recruitment, any contractual relation with the beneficiary administration.

The recruitment procedure may be launched before the signature of the Twinning Contract but the RTA assistant may not start to work and corresponding costs will not be eligible before the start of the Twinning contract. A minimum of 3 candidates must be assessed/interviewed.

External recruitment of the RTA assistant must be in the form of a service contract to be awarded and concluded either by the MS Lead Partner or by the Contracting Authority (see section 3.9). The award and conclusion of this service contract are governed by the provisions of Annex A4 (contract award procedures). In all cases, the RTAs shall have a decisive say in the choice of their assistant and this obligation that cannot be subject to exception.

In case where the RTA assistant has to be replaced, a new recruitment procedure must be launched: it is not authorised to use the results of the initial recruitment procedure (e.g. list of pre-selected candidates).

3.8. Translation and Interpretation

As a matter of principle, the BC bears all the costs incurred for the implementation of the Twinning project that are not included in the Twinning contract (see section 4). An exception may however be made for the costs of translation and of interpretation.

In this case, costs for these services will be included in the Budget of the Twinning contract (Annex A3) in relation to each activity for which they are required. The ceiling of EUR 10 000 per budget item must be respected in case of external services, unless lower ceilings are drawn up by the Contracting Authority in the BC.

Translation costs must be counted using the rates applicable in the BC.

Interpretation costs may be counted using the rates applicable at the place where the activity requiring interpretation takes place. For activities taking place in the MS it may however be economically advantageous to contract interpretation services in the BC (travel costs and per diems for the interpreter(s) must be taken into account in the cost comparison). In all cases, project partners are strongly encouraged to seek value for money.

The Contracting Authority in the BC will indicate the local price range applicable for translation and interpretation.

If the identified volume of translation and/or interpretation is considerable, it may be envisaged for reasons of cost-effectiveness, to recruit a full-time or part-time interpret/translator in addition to the RTA assistant. The provisions defined in section 3.7 that are applicable to the recruitment of RTA assistants funded by the Twinning contract shall be followed for the recruitment of the interpret/translator.

3.9. Equipment

3.9.1. Large Scale Equipment

Reference to equipment necessary for the implementation of the Twinning project must be mentioned in the Twinning work plan. This equipment, when needed, must not be financed by the Twinning budget. In certain cases, it may be possible that this procurement is financed with EU funds.

In all cases, it is the responsibility of the BC to secure financing for this equipment from a source of its choice and to ensure that the equipment is available when needed so as not to jeopardise the implementation of the Twinning project.

3.9.2. Office Equipment and supplies

The BC Twinning partner is solely and entirely responsible for providing all necessary office equipment to ensure effective working conditions for the project and, in particular, for the RTA.

The budget of the Twinning contract must not fund any office equipment (desktops, laptops, mobile, phones, faxes, scanners, CD-burners etc.)

In very exceptional cases and subject to due written justification, small items of essential supplies (e.g. small laboratory testing consumables or equipment) for a total cost of not more

than EUR 5 000 may be funded by the Twinning contract to ensure that the implementation of the project can proceed smoothly. The contracting Authority must assess the proposed expenditure restrictively, in the light of its knowledge of the BC possibilities and on a case by case basis.

Any equipment purchased with project funds will become the property of the BC at the end of the project. Purchases must be transparent and must respect the provisions of Annex A4, in particular the rules of nationality and of origin applicable to the European Union programme funding the Twinning contract.

3.10. Private Sector Inputs

3.10.1. Tendering, procurement and contracting

Provisions detailed in the "Introductory Remarks" of Annex A4 apply.

3.10.2. Private Sector Sub-Contractors

Where a MS Partner is unable to carry out an activity necessary to the implementation of the Twinning project and provides adequate certification to that effect, this activity may be subcontracted. This could be the case for example of software design or development, for which private sector specialist input would be essential for the achievements of the Twinning project.

MS Partners are not allowed to subcontract key activities of the Twinning project, which must in all cases remain the sole prerogative of the public sector actors of the MS Partners.

All services to be subcontracted must be included in the Budget of the Twinning contract with an annotation indicating clearly by which authorities these items will be contracted and paid.

Private sector experts included in the Twinning contract as described above must be budgeted based on their fees (invoices) and are not eligible for twinning management cost compensation.

- The selection of private sector sub-contractors must comply with the rules and procedures described in section 3.10.1 and defined in Annex A4.
- All invoices and supporting documents related to private sub-contractors input must be kept for expenditure verification and audit purposes.

4. Twinning Costs not covered by the EU

- 1. All Twinning projects must be co-financed by the BC.** The direct and indirect cost of the BC administration, civil servants and national private experts working for the project must be borne by the BC.
- 2. *Under IPA, costs for travel by BC officials from their capitals to a MS or between MS (e.g. in the framework of study visits) are not eligible. In other Twinning projects such costs may be eligible².***

3. Costs for large-scale equipment necessary for the implementation of the Twinning project must not be covered by the Twinning contract.
4. The BC must provide free of charge the MS experts, including the RTA, with the requisite facilities for professional use. Accordingly the following costs are not eligible under the Twinning contract:
 - adequately equipped office space
 - telephone
 - email services
 - fax
 - photocopiers,
 - computer
 - internet access
 - secretarial support
 - venues for conferences, training and workshops (except for kick-off and closure meetings - see section 9.4 of the Twinning Manual)
 - access to information
5. Duties, taxes and charges including VAT are not eligible under the Twinning contract, unless the MS Partner can demonstrate that it cannot be exempted or reimbursed, and under the condition that the European Union programme funding the Twinning contract authorises the reimbursement of such taxes (see article 14.2 of Annex A2).

For VAT on expenses incurred in the BC, certain beneficiary countries have a mechanism in place with the local Ministry of Finance to address this issue. MS Partners are advised to make careful enquiries before engaging in any purchase that may involve the payment of VAT or of any other duties, taxes and charges.

6. MS expert fees or any other expenses related to MS experts input performed outside the BC are not eligible under the Twinning contract. These costs are deemed to be covered by the twinning management costs compensation.

EU funds must not be used to fund BC running costs. In the perspective of the long-term sustainability of the Twinning project and in order to ensure that systems are established which are commensurate with BC future funding capacity, BCs are expected to commit their own resources to Twinning projects (about sustainability, see section 9.2 of the Twinning Manual).

5. Reporting requirements

5.1. Reporting requirements for standard Twinning projects

Proper project reporting is essential to ensure effective follow-up of implementation, to properly evaluate the results and to ensure high quality for the project itself and for future projects.

Project reports must focus on the Twinning project but also place the contract in the context of related activities within the same programme and/or sector. Twinning reports should be a basis for inputs to sectoral or programme level monitoring reports, in particular highlighting issues that cannot be solved at the level of the Twinning project.

The MS Lead Partner must draw up **Interim Quarterly Reports** and a **Final Report**. **The MS Project Leader is responsible for submitting these reports to the concerned authority**. The BC Project Leader must be fully involved in the reporting process and should be given adequate time to put forward comments. The BC Project Leader must also co-sign each report before it is submitted by the MS Project Leader.

Interim Quarterly Reports and Final Report shall consist of a content section and of a financial section. Reports are drafted by the MS Project Leader and must be first submitted to the counterpart BC Project Leader, for comments (if any) and for co-signature, prior to formal submission to the designated authority. Reports must reflect not only the Project Leader’s own opinion on the progress of the Twinning project, but shall also be based on and reflect the information contained in the reports provided by the RTA, by the BC and by other sources (i.e. MS experts, training and seminars etc.) It is essential that the BC is fully involved in the preparation of each report, in order to ensure a comprehensive insight into project progress.

The reports must be submitted to:

<i>Reports to be submitted to:</i>	<i>IPA centralised / decentralised with ex ante control</i>	<i>IPA decentralised without ex-ante control</i>	<i>ENPI (Centralised)</i>	<i>ENPI (Decentralised)</i>
<i>EU Delegation</i>	X	<i>Copy</i>	X	<i>Copy</i>
<i>Administrative Office/ Programme Administration Office</i>	X <i>(CFCE)</i>	X	<i>Copy</i>	X

Reports must be discussed in Quarterly Steering Committees, called by the Contracting Authority in agreement with the RTA. They must contain, as a minimum, the information detailed in the next sections. If minimum reporting requirements are not met, the Contracting Authority reserves the right to review or suspend funding of the Twinning project, after prior approval of this decision by the Commission Headquarters.

Reports must be submitted in accordance with the time limits detailed below. They are deemed to be approved by the Contracting Authority in the absence of any feedback within 45 days following their submission.

Report templates are available in Annex C4.

5.1.1. Interim Quarterly Reports

Throughout the duration of the Twinning project, **at three-monthly intervals** starting with the date of notification of the Twinning contract, the Project Leaders will prepare **interim quarterly reports**.

The first interim quarterly report covers generally a period of project implementation shorter than three months, due to the fact that the arrival of the RTA in the BC and the beginning of the work schedule do not coincide with the date of notification.

Interim quarterly reports are due during the month following the quarter under consideration: the first interim quarterly report is due in the fourth month following the date of notification of the Twinning contract.

The interim quarterly reports must:

1. Describe progress achieved in the implementation of the Twinning project during the period under consideration, making direct reference to the timetables and benchmarks as set out in the Twinning Work Plan, and highlighting any previously unforeseen activities or activities that have been cancelled.
2. Update on the general environment for project implementation.
3. Update on the assumptions and risks for project implementation.
4. Make an overall evaluation of the progress achieved, including an explicit judgement on the likelihood of fully completing the project within the remaining time scale and budget. Specific reference should be made to the progress made towards the mandatory results and project purpose as outlined in the project fiche with measurement based on indicators set in the contract. The progress towards achieving target values of these indicators should be measured as well as the adequacy of the indicators.
5. Provide recommendations.

The financial part of the interim reports, must document the actual expenditure in relation to budgeted expenditure. A list must be annexed that details each item of expenditure incurred in the period covered by the report, and indicating for each item: title/description, amount in local currency and in euro, relevant budget heading, reference of the justifying document.

5.1.2. Final Report

The MS and BC Project Leaders will jointly prepare, co-sign and submit to the designated authority a final report.

The final report shall be forwarded no later than three months after the implementation period (work plan) as defined in article 2 of the Special Conditions of the Twinning contract. This implies that the final report, the request for final payment and the expenditure verification report must be submitted at the latest during the last month before the end of the legal duration of the Twinning contract.

It will include:

- Executive summary of the Twinning project.
- Background information: description of the original situation in the relevant area of the BC administration before the project, indicating the gaps that the project intended to address; and listing objectives, purpose and mandatory results of the Twinning project.
- Implementation process: developments outside the project and project developments; any significant difficulties encountered.
- Achievement of mandatory results: if these have not been achieved a detailed explanation must be given on the underlying reasons and an action plan to complete the project must be submitted.
- Analysis of the long-term impact of the project, its sustainable results and identification of potential relevant follow-up actions, if applicable.
- Information on the steps taken to ensure the visibility of EU financing.
- Conclusions, recommendations to ensure sustainability of project results, including lessons to be learned for future Twinning projects.
- Proof of transfers of ownership (if applicable) and a final statement of all eligible costs of the Twinning project, plus a full summary statement of the Twinning project's income and expenditure and payments received.

The final financial report must be accompanied by an expenditure verification report from a recognised, independent auditor, following the template in Annex A6 (see section 7.3 of the Twinning Manual).

If the MS fails to provide the Contracting Authority with a final report by the deadline specified above, and fails to provide an acceptable and sufficient written explanation of the reasons why this obligation could not be complied with, the Contracting Authority may terminate the Twinning Contract in accordance with section 6.7.2 of the Twinning Manual and with Article 12.2.a of Annex A2, and recover the not substantiated amounts already paid to the MS Partner.

5.2. Reporting requirements for Twinning light projects

There must be at least a start-up report covering the first two months of implementation the Twinning light contract (submitted during the third month) and a final report.

Reports must be endorsed and countersigned by the beneficiary, who may make additional comments.

Report templates are those applicable for standard Twinning projects.

Reports must be submitted as indicated in section 5.1.

ANNEX A8
MANDATE (If Member States have formed a consortium)

The following text is indicative only. MS Partners are free to use their own text/wording to mandate responsibility to the MS Lead Partner, provided that the same result is achieved.

The undersigned, on behalf of the administration of the Junior MS partner agrees to implement the actions assigned to him/his/her organisation in the Twinning contract. He/She mandates, Project Leader, to take full responsibility for the implementation of the said Twinning contract, to make all commitments and take all decisions on his/her behalf in the interests of the successful conclusion of the entire Twinning project, and with due respect to the consortium agreement concluded by its members.

Signed by a representative of the administration of the Junior MS Partner:

Endorsed by a representative of the administration of the MS Lead Partner: