ANNEX II

General Conditions applicable to European Community contribution agreements with international organisations

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ARTICLE 1 – GENERAL OBLIGATIONS

1.1. The Organisation shall ensure that the Action is carried out in accordance with the Description of the Action contained in Annex 1 and is responsible for achieving the objectives set out therein. The Organisation shall report on the indicators of achievement specified in the Description of the Action.

1.2. The Organisation shall implement the Action with the requisite degree of care, efficiency, transparency and diligence, as required by best practice in the field concerned, and in compliance with this Agreement.

The Organisation shall make every effort to mobilise all the financial, human and material resources required for full implementation of the Action, as specified in the Description of the Action.

1.3. The Organisation may act either alone or in partnership with one or more institutions mentioned in the Description of the Action. It may also contract parts of the Action, in accordance with the provisions of article 10 hereof.

The Organisation is fully responsible for the co-ordination and execution of all contracted activities. The Contracting Authority recognises no contractual link between itself and the Organisation's partner(s) or between itself and a contractor.

1.4. The Organisation undertakes to ensure that the conditions imposed upon it under Articles 1, 3, 4, 5, 6, 7, 14, 16 and 17 of this Agreement also apply to all partners and contractors involved.

If any of the Organisation’s partners, contractors or agents indulges in corrupt practices in connection with this or any other Action financed by the European Community or the Contracting Authority, the latter may suspend or terminate the Agreement in accordance with Article 12.2.

1.5. Without prejudice to Articles 1.3 and 10, the Agreement and the payments attached to it may not be transferred or assigned to a third party in any manner whatsoever without the prior written consent of the Contracting Authority.

1.6. Where the performance of the Action requires the pooling of resources from a number of donors, and where it is not reasonably possible or appropriate to assign the share contributed by each donor to each type of expenditure, the provisions regarding “Multi-donor Actions” in these General Conditions will apply. In addition, Article 3(2) of the Special Conditions will not show the percentage of estimated total eligible cost, to which the Contracting Authority contributes, where the final funding of the Action is not known at the time of signing the Agreement.

1.7. Where the European Community is not the Contracting Authority, it shall not be a party to this Agreement, which shall only confer on it rights and obligations where explicitly stated. It will nevertheless endorse the Agreement to ensure that the Contracting Authority’s contribution is
eventually paid by the European Community budget ¹, and the provisions on visibility in this Agreement will apply accordingly.

**ARTICLE 2 – OBLIGATIONS REGARDING INFORMATION AND FINANCIAL AND NARRATIVE REPORTS**

2.1. The Organisation shall provide the Contracting Authority with full information on the implementation of the Action. To that end, the Organisation shall draw up intermediate reports and a final report. These reports shall consist of a narrative part and a financial part. Reporting, narrative as well as financial, shall cover the whole of the Action, regardless of whether this Action is wholly financed or co-financed by the Contracting Authority.

2.2. The Contracting Authority may request additional information at any time. Such information shall be supplied within 30 days of the request.

2.3. The Organisation shall send the Contracting Authority intermediate reports in accordance with the provisions below. Every report shall provide a complete account of all aspects of implementation for the period covered.

The report shall be laid out in such a way as to allow comparison of the objective(s), the means envisaged or employed (in particular all expenses actually incurred by the Organisation), the results expected and obtained and the budget details for the Action.

2.4. Where the implementation period of this Agreement exceeds 12 months, the Organisation shall submit at least a yearly intermediate narrative and financial report. The narrative report shall directly relate to this Agreement and shall at least include:

- Summary and context of the Action;
- Activities carried out during the reporting period (i.e. directly related to the Action description and activities foreseen in this Agreement);
- Difficulties encountered and measures taken to overcome problems;
- Changes introduced in implementation;
- Achievements/results by using the indicators included in this Agreement;
- Work plan for the following period including objectives and indicators of achievement. If the report is sent after the end of the period covered by the preceding work plan, a new work plan, albeit provisional, is always required before such date.

2.5. The final report shall contain the above information (excluding the last bullet) covering the whole implementation period of this Agreement, information on the measures taken to identify the European Union as the source of financing and details on the transfers of property mentioned in article 7.3 if relevant, plus a full summary of the Action's income and expenditure and payments received.

2.6. The reports shall be presented in the same language as the Agreement. They shall be submitted at the following intervals:

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¹ Where the contribution is financed out of the European Development Fund, mentions of European Community financing must be read as referring to European Development Fund financing.
A. if payments follow option 1 in Article 15.1: a single and final report shall be forwarded to the Contracting Authority within six months of the end of the implementation period of this Agreement as defined in Article 2 of the Special Conditions;

B. if payments follow option 2 in Article 15.1:
   – an intermediate report shall accompany every request for intermediate payment;
   – the final report shall be forwarded to the Contracting Authority within six months of the end of the implementation period of this Agreement as defined in Article 2 of the Special Conditions.

2.7. Reports will be submitted in Euro, and may be drawn from financial statements denominated in other currencies as per the Organisation’s legislative requirements. Where necessary, actual expenditure will be converted into Euro using the rate of exchange at which the Contracting Authority’s contribution was recorded in the Organisation’s accounts.

2.8. The Special Conditions may stipulate that the Organisation must supply an extra copy of the reports for the European Commission Delegation in charge of monitoring the Action.

2.9. If the Organisation fails to supply a final report by the final report deadline laid down in Article 2.6, and fails to furnish an acceptable written explanation of the reasons why it is unable to comply with this obligation, the Contracting Authority may refuse to pay any outstanding amount and recover any amounts unduly paid.

Furthermore, where payments follow option 2 in Article 15.1 and the Organisation fails to present an intermediate report and a request for payment by the end of each twelve-month period following the date laid down in Article 2(2) of the Special Conditions, the Organisation shall inform the Contracting Authority of the reasons why it is unable to do so, and shall provide a summary of the state of progress of the Action. If the Organisation fails to comply with this obligation, the Contracting Authority may terminate the Agreement in accordance with the first indent of Article 12.2, refuse to pay any outstanding amount and recover any amounts unduly paid.

2.10. In addition to the above mentioned reports, the Organisation will ensure that progress and situation reports, publications, press releases and updates, relevant to this Agreement, are communicated to the Contracting Authority as and when they are issued.

The Parties will further endeavour to promote close collaboration and exchange of information on the Action. The Organisation will invite the European Commission to join any donor committee which may be set up in connection with Multi-Donor Actions.

2.11. In any event the Organisation shall inform the Contracting Authority without delay of any circumstances likely to hamper or delay the implementation of the Action.

**ARTICLE 3 – LIABILITY**

3.1. The Organisation shall have sole responsibility for complying with any legal obligation incumbent on it.

3.2. 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 Organisation while the Action is being carried out. The Contracting Authority cannot therefore accept any claim for compensation or increases in payment in connection with such damage or injury.
3.3. Subject to the rules governing the Organisation’s privileges and immunities, the Organisation shall assume sole liability towards third parties, including liability for damage or injury of any kind sustained by them while the Action is being carried out. The Organisation shall discharge the Contracting Authority of all liability associated with any claim or action brought as a result of an infringement by the Organisation or the Organisation’s employees or individuals for whom those employees are responsible of rules or regulations, or as a result of violation of a third party’s rights.

ARTICLE 4 – CONFLICT OF INTERESTS

The Organisation undertakes to take all necessary precautions to avoid conflicts of interests and shall inform the Contracting Authority without delay of any situation constituting or likely to lead to any such conflict.

There is a conflict of interests where the impartial and objective exercise of the functions of any person under this Agreement is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with another party.

ARTICLE 5 – CONFIDENTIALITY

Subject to article 16, the Contracting Authority and the Organisation undertake to preserve the confidentiality of any document, information or other material directly related to the Agreement and duly classified as confidential, until at least five years after the end date as specified in article 12.5. Where the European Commission is not the Contracting Authority, it shall still have access to all documents communicated to the Contracting Authority, and will maintain the same confidentiality.

ARTICLE 6 – VISIBILITY

6.1. Unless the European Commission requests or agrees otherwise, the Organisation shall take all appropriate measures to publicise the fact that an Action has received funding from the European Union. Information given to the press, the beneficiaries of an Action, all related publicity material, official notices, reports and publications, shall acknowledge that the Action was carried out "with funding by the European Union" and shall display in an appropriate way the European logo (twelve yellow stars on a blue background).

It is understood that the Organisation’s equipment and vehicles may routinely carry its emblem and other indications of ownership prominently displayed. In cases where equipment or vehicles and major supplies have been purchased using funds provided by the European Community, the Organisation shall include appropriate acknowledgement on such vehicles, equipment and major supplies (including display of the European logo (twelve yellow stars on a blue background) provided that such actions do not jeopardise the Organisation’s privileges and immunities and the safety and security of the Organisation’s staff.

6.2. The size and prominence of the acknowledgement and European Union logo shall be clearly visible in a manner that will not create any confusion regarding the identification of the Action as an activity of the Organisation, the ownership of the equipment and supplies by the Organisation, and the application to the Action of the Organisation’s privileges and immunities.

6.3. All publications by the Organisation pertaining to Actions that have received funding from the European Community, in whatever form and whatever medium, including the internet, shall carry the following or a similar disclaimer: "This document has been produced with the
financial assistance of the European Union. The views expressed herein can in no way be
taken to reflect the official opinion of the European Union.”

6.4. If the equipment bought with a European Community contribution is not transferred to local partners of the Organisation or the final recipient of the Action at the end of the implementation period of this Agreement, the visibility requirements as regards this equipment (in particular display of the European logo) shall continue to apply between the end of the implementation period of this Agreement and the end of the overall Action, if the latter is longer.

6.5. Publicity pertaining to European Community contributions shall quote these contributions in Euro, in parenthesis if necessary. The Organisation’s publications and reports prepared in response to, and in accordance with, its legislative directives are excluded from this provision.

6.6. The Organisation accepts that the Contracting Authority and the European Commission publish in any form and medium, including on their websites the name and address of the Organisation, the purpose of the contribution as well as the amount contributed and if relevant the percentage of cofinancing.

Upon a duly substantiated request by the Organisation, the European Commission may agree to forego such publicity if disclosure of the above information would risk threatening the Organisation’s safety or harming its interests.

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

7.1. Ownership, title and industrial and intellectual property rights in the results of the Action and the reports and other documents relating to it shall vest in the Organisation, as the case may be together with third parties.

7.2. Notwithstanding the provisions of the first paragraph and subject to Article 5, the Organisation grants the Contracting Authority (and the European Commission where it is not the Contracting Authority) the right to use freely and as it sees fit all documents deriving from the Action, whatever their form, provided it does not thereby breach existing industrial and intellectual property rights.

7.3. Unless otherwise specified in the Special Conditions, the equipment, vehicles and supplies paid for by the Contracting Authority’s funding shall be transferred to local authorities or partners (excluding commercial contractors) of the Organisation or to the final recipients of the Action by the end of the Action. The documentary proof of those transfers shall be kept for verification along with the documents mentioned in article 16.3.

**ARTICLE 8 – EVALUATION OF THE ACTION**

8.1. Representatives of the European Commission shall be invited to participate in the main monitoring and in the evaluation missions relating to the performance of the Action. The results of such missions shall be reported to the European Commission.

8.2. This is without prejudice to any evaluation mission which the European Commission as a donor may wish to perform. Evaluation missions by representatives of the European Commission should be planned and completed in a collaborative manner between the Organisation’s staff and the European Commission’s representatives, keeping in mind the commitment of the Parties to the effective and efficient operation of this Agreement. These missions are to be planned ahead and procedural matters are to be agreed upon by the
European Commission and the Organisation in advance. The mission will offer to make a draft of its report available to the Organisation for comments prior to final issuance.

**ARTICLE 9 – AMENDMENT OF THE AGREEMENT**

9.1. Any modification of the Agreement, including the annexes thereto, shall be set out in writing in an amendment.

If the request for an amendment comes from the Organisation, the latter shall submit that request to the Contracting Authority one month before the amendment is intended to enter into force, unless there are special circumstances duly substantiated by the Organisation and accepted by the Contracting Authority. A request to extend the implementation period of this Agreement must be duly justified and submitted no later than one month before the end of it.

9.2. Where the amendment does not affect the basic purpose of the Action and the financial impact is limited to a transfer within a single budget heading, or a transfer between budget headings involving a variation (as the case may be in cumulative terms) of 15% or less of the amount originally entered under a heading for eligible costs, the Organisation may apply the amendment and shall inform the Contracting Authority accordingly in writing. This method may not be used to amend headings for administrative costs or the contingency reserve.

Changes of address and changes of bank account may simply be notified. Changes of bank account must be specified in the request for payment, using the financial identification form attached as Annex IV.

**ARTICLE 10 – CONTRACTING AND PROCUREMENT**

10.1. If parts of the Action are contracted, the contracting arrangements and partners will be as specified in the Description of the Action. If they are not specified therein, the Organisation will present them to the Contracting Authority as soon as they are available. The Organisation will also inform the Contracting Authority, with as much prior notice as possible, of changes in these arrangements. The Organisation will provide detailed information on contracting arrangements in the final report.

10.2. Unless otherwise agreed by the Parties in writing, the procurement of any goods, works or services by the Organisation in the context of the Action shall be carried out in accordance with the applicable rules and procedures adopted by the Organisation.

This is based on the understanding that the Organisation’s rules and procedures conform to internationally accepted standards, including the award of contract to the tender offering best value for money, in compliance with the principles of transparency and equal treatment for potential contractors, care being taken to avoid any conflict of interests.

10.3. In Multi-donor Actions and if allowed by the applicable regulatory provisions of the European Community, the origin of the goods and the nationality of the companies and experts selected for carrying out activities in the Action shall be determined in accordance with the Organisation’s relevant rules.

In all other cases the partners, contractors, experts and supplies, the cost of which are financed out of the Contracting Authority’s contribution, shall originate in the European Community or the country or countries eligible under the programme of which the Action is part. Any departing from the rules of origin set out above is subject to prior written approval from the Contracting Authority, which shall deal expeditiously with any request accompanied with proper justification.
10.4. In the event of failure to comply with the above provisions the relevant costs shall not be eligible for funding by the Contracting Authority.

**ARTICLE 11 – IMPLEMENTATION PERIOD OF THE AGREEMENT, SUSPENSION, FORCE MAJEURE**

11.1. Irrespective of the starting date and implementation period of the Action, the implementation period of this Agreement shall be as set out in Article 2 of the Special Conditions.

11.2. The Organisation may suspend implementation of all or part of the Action if circumstances (chiefly *force majeure*) make it too difficult or dangerous to continue. It shall inform the Contracting Authority without delay and provide all the necessary details. This Agreement may be terminated in accordance with Article 12.1. If the Agreement is not terminated, the Organisation shall endeavour to minimise the duration of the suspension and may resume implementation of the Action once the conditions are right, and shall inform the Contracting Authority accordingly.

11.3. The Contracting Authority may require the Organisation to suspend implementation of all or part of the Action if circumstances (chiefly *force majeure*) make it too difficult or dangerous to continue. This Agreement may be terminated in accordance with Article 12.1. If the Agreement is not terminated, the Organisation shall endeavour to minimise the duration of the suspension and may resume implementation of the Action once the conditions are right, with the prior written approval of the Contracting Authority.

11.4. The implementation period of this Agreement is automatically extended by an amount of time equivalent to the duration of the suspension. This is without prejudice to any amendments to the Agreement which may be required to adapt the Action to new circumstances of implementation.

11.5. *Force majeure* shall mean any unforeseeable exceptional situation or event beyond the Parties’ control which prevents either of them from performing any of their obligations under this Agreement, was not due to error or negligence on their part (or of their contractors, agents or employees), and could not have been avoided by the exercise of due diligence. Negligence or intentional action of a Party's contractors or agents or employees, defects in equipment or material or delays in making them available, labour disputes, strikes or financial problems cannot be invoked as *force majeure*. Neither of the Parties shall be held liable for breach of its obligations under the Agreement if it has been prevented from performing them by *force majeure*. Without prejudice to Articles 11.2 and 11.3 above, the Party invoking *force majeure* shall notify the other without delay, stating the nature, likely duration and foreseeable effect, and shall take the necessary measures to reduce damage to a minimum.

**ARTICLE 12 – TERMINATION OF THE AGREEMENT**

12.1. If, at any time, the Contracting Authority or the Organisation (the “Parties”) determines that the purposes of this Agreement can no longer be effectively or appropriately carried out, it shall consult the other Party. In default of an agreed solution, either Party may terminate this Agreement by serving two months’ written notice. In this event, the Organisation shall be entitled to payment of the contribution only for the part of the Action carried out, and to reimbursement of commitments entered into by the Organisation for the implementation of the Action, which the Organisation cannot reasonably terminate on legal grounds.

12.2. Where the Organisation:
fails, without justification, to fulfil any of the obligations imposed and, after being given notice by letter to comply with those obligations, still fails to do so or to furnish a satisfactory explanation within 30 days of sending of the letter;

fails to comply with articles 1.4, 1.5 or 4;

makes false or incomplete statements to obtain the contribution provided for in the Agreement or provides reports that do not reflect reality;

commits financial irregularities or is guilty of grave professional misconduct;

undergoes legal, financial, technical or organisational change that is liable to affect this Agreement substantially or to call the award decision into question;

the Contracting Authority will enter into discussions with the Organisation and, failing a proper solution within one month, may terminate this Agreement, without prior notice and without paying compensation of any kind. In that event the Contracting Authority may demand full or partial repayment of any amounts unduly paid, after allowing the Organisation to submit its observations.

12.3. Prior to or instead of terminating the Agreement as provided for in Article 12.2, the Contracting Authority may suspend payments or (exceptionally) the eligibility of expenses as a precautionary measure, without prior notice.

12.4. This Agreement shall be automatically terminated if it has not given rise to a payment within three years of its signature.

12.5. Unless this Agreement is earlier terminated pursuant to this Article 12, the payment obligations of the European Community hereunder shall end 18 months after the end of the implementation period as defined in Article 2 of the Special Conditions.

The Contracting Authority notifies the Organisation of any postponement of the end date.

ARTICLE 13 – SETTLEMENT OF DISPUTES

13.1. The Parties shall endeavour to settle amicably any dispute or complaint relating to the interpretation, application or fulfilment of this Agreement, 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.

13.2. The language to be used in the arbitral proceedings shall be English. The appointing authority shall be the Secretary General of the Permanent Court of Arbitration following a written request submitted by either Party. The Arbitrator’s decision shall be binding on all Parties and there shall be no appeal.

13.3. Nothing in this Agreement shall be interpreted as a waiver of any privileges or immunities accorded to any Party hereto by its constituent documents or international law.
FINANCIAL PROVISIONS

ARTICLE 14 – ELIGIBLE COSTS

14.1. To be considered eligible as direct costs under this Agreement, costs must:

– be necessary for carrying out the Action, be provided for specifically in this Agreement and comply with the principles of sound financial management, in particular value for money and cost-effectiveness;

– have actually been incurred during the implementation period of this Agreement as defined in article 2 of the Special Conditions, whatever the time of actual disbursement by the Organisation;

– be recorded in the Organisation’s or Organisation’s partners’ accounts, be identifiable, backed by originals of supporting evidence, and verifiable pursuant to the provisions of article 16.4.

14.2. Subject to the above and without prejudice to article 10.4, the following direct costs may in particular be eligible:

– the cost of staff assigned to the Action, corresponding to actual salaries plus social security charges and other remuneration-related costs. Identifiable personnel costs at headquarters level arising as a direct consequence of the Action may be included. Salaries and costs will not exceed those normally borne by the Organisation;

– travel and subsistence costs for staff taking part in the Action, provided they do not exceed those normally borne by the Organisation;

– purchase costs for equipment (new or used) which are attributable to the Action.

– purchase costs for goods and services (transport, storage and distributing, rent of equipment, etc.) which are directly attributable to the Action;

– costs directly arising out of, or related to, accepting or distributing contributions in kind;

– costs of consumables and supplies directly attributable to the Action;

– expenditure on contracting or expenditure incurred by the Organisation's partners directly attributable to the Action;

– the proportion of field office costs that corresponds to the amount of activity directly attributable to the Action or to the proportion of funding by the Contracting Authority;

– costs deriving directly from the requirements of this Agreement (dissemination of information, evaluation specific to the Action, specific reporting for the needs of the Contracting Authority, translation, reproduction, insurance, targeted training for those involved in the Action, etc.) including financial service costs (in particular bank fees for transfers).

14.3. The following costs shall not be considered eligible:

– debts and provisions for possible future losses or debts;

– interest owed by the Organisation to any third party;

– items already financed from other sources;

– purchases of land or buildings;

– currency exchange losses;

– taxes, duties and charges (unless the Organisation is not able to reclaim them and if allowed by the applicable regulatory provisions).
14.4. A fixed percentage of direct eligible costs, not exceeding 7%, shall be eligible as indirect costs.

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

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

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

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

Indirect costs shall not be eligible where the Agreement concerns the financing of an Action conducted by a body which is already receiving a running cost grant from the European Community during the period in question.

14.5. A contingency reserve may be included in the Budget of the Action, to cover any adjustment necessary in the light of changed circumstances on the ground. The contingency reserve should not be higher than 5% of eligible costs and can only be used with the prior written (by letter) authorisation of the Contracting Authority, upon a duly justified request from the Organisation.

14.6. In the case of co-financing, contributions in kind made by the Organisation may not be considered as co-financing nor as eligible costs.

ARTICLE 15 – PAYMENTS

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

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

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

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

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

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

Each additional annual payment will cover the remainder of the Contracting Authority’s part of the budget for the previous period (including any approved contingencies) plus a prefinancing of from 80% to 95% of that part of the forecast budget for the subsequent 12-month period (or of the remaining period if shorter as regards the last additional annual
payment) which is financed by it (excluding contingencies), and be made by the Contracting Authority within 45 days of approving an intermediate report, provided that at least 70% of the immediately preceding payment (and 100% of previous payments if any) has been incurred, as proven by the relevant report.

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

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

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

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

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

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

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

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

15.4. The level of prefinancing referred to in article 15.1 above shall be set at a level of between 80% and 95% in 5% increments taking into account past record of the Organisation in particular as regards timely submission of the final report.

15.5. The Contracting Authority will make payments in EUR into the bank account referred to in the financial identification form in Annex IV.

15.6. Where feasible, the funds paid by the Contracting Authority shall be maintained in Euro denominated bank accounts. They may be pooled together with contributions from other donors. They may be exchanged for other currencies in order to facilitate their disbursement.

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

In all other cases, interest earned by the Organisation shall be identified as such and reflected in reports to the Contracting Authority. Interest earned shall be reimbursed to the Contracting Authority.
**ARTICLE 16 – ACCOUNTS AND TECHNICAL AND FINANCIAL CHECKS**

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

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

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

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

16.3. The Organisation shall, until at least five years after the end date as specified in article 12.5:

- keep financial accounting documents concerning the activities financed by the contribution and,
- make available to the competent bodies of the European Communities, upon request, all relevant financial information, including statements of accounts concerning the Action, whether they are executed by the Organisation or by its implementing partners or contractors.

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

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

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

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

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

17.3. The Organisation accepts that the contribution of the Contracting Authority shall be limited to the amount required to balance income and expenditure for the Action and that it may not in any circumstances result in a surplus for the Organisation.

17.4. In cases where the Action is suspended or not completed within the implementation period of this Agreement, the funds that remain unexpended after all liabilities incurred in this period have been satisfied, including interest earned, will be reimbursed to the Contracting Authority.
17.5. Where the Action is not carried out at all, or is not carried out properly, in full or on time and without prejudice to its right to terminate this Agreement pursuant to article 12.2, the Contracting Authority may, after allowing the Organisation to submit its observations, reduce the contribution pro rata the actual implementation of the Action on the terms laid down in this Agreement.

**ARTICLE 18 – RECOVERY**

18.1. Where recovery is justified, the Organisation undertakes to repay to the Contracting Authority within 45 days of receiving a request from the latter any amounts paid in excess of the final amount due.

18.2. If the Organisation fails to repay by the due date, the sum due shall bear interest at the rate indicated in article 15.3. The interest shall be payable for the period elapsing from the day following expiry of the time limit for payment up to the day of payment. Any partial payment shall first cover the interest.

18.3. Amounts to be repaid to the Contracting Authority may be offset against amounts of any kind due to the Organisation, after informing it accordingly. The Organisation’s prior consent is not required. This shall not affect the Parties’ option to agree on payment in instalments.

18.4. Bank charges incurred by the repayment of amounts due to the Contracting Authority shall be borne entirely by the Organisation.